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## Standing Committee on Finance

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**Wednesday, September 27, 2006**

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**Chair**

**Mr. Brian Pallister**

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Wednesday, September 27, 2006

• (1530)

[English]

**The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)):** We'll begin the session. Welcome to our guests today and committee members.

The House of Commons Standing Committee on Finance is mandated to consider and make reports on proposals regarding the budgetary policies of the federal government. This year our theme is Canada's place in a competitive world.

We have asked you, in advance, to make your presentations for five minutes, knowing that's a challenge. Nonetheless, we'll hold you to the five minutes. I'll give you an indication visually that you have a minute remaining, if you care to look, and that you have less than that. And I will ask you to draw your presentations to a conclusion at five minutes. That is, of course, in order to allow us to have an exchange with committee members and for you to have the opportunity to add with responses to their questions.

We'll begin today with our guest from the National Council for Graduate Studies, Philippe-Olivier Giroux.

Welcome. Five minutes are yours, sir.

[Translation]

**Mr. Philippe-Olivier Giroux (President, Quebec Federation of University Students, National Council for Graduate Studies):** Good afternoon. I will be making my presentation in French.

Mr. Chairman, ladies and gentlemen, we would like to begin by thanking you for inviting us to appear today to present our brief. The Conseil national des cycles supérieurs, or CNCS, is an organization whose mandate is to defend and promote the rights and interests of graduate level students attending Quebec educational institutions. We make representations on their behalf to the public and to the main players within the educational system and the research environment, primarily university research. The CNCS has some 30,000 members in Quebec.

We are here today to present our recommendations with respect with the Government of Canada's 2007-2008 budget. They will focus on three items: first, increasing federal transfers for post-secondary education; second, increasing funding for university research; and finally, enhancing university research by promoting the professional integration of master's and Ph.D. level graduates.

I will move quickly to our first recommendation, which is to increase federal transfers for post-secondary education. In order for Canada to be among the top five countries in terms of its investments

in research and development, we believe more money must be invested in our universities. In that regard, it is our opinion that the appropriate lever is an increase of \$4.9 billion in federal transfers for post-secondary education, beginning with the next budget. This step is needed in order to provide core funding to the universities and thereby allow them to properly carry out their mission.

Our second recommendation is to increase funding for university research. The CNCS believes that in order to ensure the renewal of the professorial corps in our universities, increase the number and quality of research projects that are carried out, and meet Canada's growing need for a highly skilled work force, the Government of Canada should, as a first step, increase the budgets of its funding councils — namely the Natural Sciences and Engineering Research Council, the Social Sciences and Humanities Research Council, and the Health Research Institutes — and, as a second step, strengthen the environment in which research is conducted in academic institutions by covering the indirect costs of research based on its actual value, and implementing a specific funding program for smaller universities.

I would like to elaborate somewhat on the second point, which is the need to increase the budgets of the granting councils. The goal here is to allow students and professors carrying out research to do so in a competitive research environment. In that regard, we are asking the government to provide the three granting councils with the funding they believe is necessary to meet the objectives set out in their strategic plan. For the Social Sciences and Humanities Research Council, that amount would be \$75 million this year. For the Natural Sciences and Engineering Research Council, we're talking about \$10 million, and for the Health Research Institutes, some \$110 million.

In terms of strengthening the research environment in our academic institutions, since we do recognize the fundamental role of knowledge creation, we should be funding the indirect costs of research. At the present time, only 27 per cent of those costs are being supported, when in fact we should be covering 65 per cent of the direct costs of research. As regards a specific funding program to support research in smaller universities, the idea here is to compensate for current inequities between the funding provided to large universities and that provided to smaller universities for the purposes of research. We know that small universities have a very significant impact regionally. In order to compensate for those inequities, we are proposing, as has been suggested by the Association of Universities and Colleges of Canada, that a specific program be implemented at a cost of about \$30 million.

Our third recommendation is to enhance university research by promoting the professional integration of Master's and Ph.D. level graduates. A number of recent studies show that Master's and Ph.D. level graduates have trouble making the transition from school to the workplace in their specific discipline, even though these are precisely the people that are largely responsible for transferring the expertise developed in universities to their communities. In order to foster the professional integration of Master's and Ph.D. level graduates, we are proposing that two programs, which so far have been successful initiatives, be appropriately funded. They are the Community-University Research Alliances, administered by the Social Sciences and Humanities Research Council, and the National Research Council of Canada's Industrial Research Assistance Program.

That completes our recommendations with respect to the budget. I will briefly go over them again: a \$4.9 billion increase in transfers for post-secondary education; increased investments in the three research funding councils; funding of the indirect costs of research based on their actual value; implementation of a specific research funding program for smaller universities; and enhancement of the professional integration of Master's and Ph.D. level graduates so that university expertise is effectively transferred to business and the community.

Thank you.

•(1535)

**The Chair:** Thank you, Mr. Giroux.

[English]

*Pour continuer*, Monsieur David Flewelling, from the Canadian Automobile Association. Five minutes are yours.

**Mr. David Flewelling (President, Canadian Automobile Association):** Thank you, Mr. Chair.

*Bonjour tout le monde.* I am David Flewelling, president of the Canadian Automobile Association. We represent nine regional associations, with a total of 4.9 million members from coast to coast.

We have addressed this committee before from the viewpoint of traffic safety and the deterioration of our transportation infrastructure. My remarks today will focus on Canada's competitiveness from two perspectives: congestion and delays on our roads and highways, and the need for a healthier environment.

Canada's road network is the key element in sustaining our productivity levels and ensuring our ability to compete globally and in enhancing our standard of living, yet we are facing a \$22 billion maintenance deficit in our national highway system.

[Translation]

The by-product of this deficit is a combination of ever-increasing congestion for international and domestic trade, for tourists, and commuters.

[English]

In 2005, according to Transport Canada, six congested border points accounted for more than 70% of cross-border truck movements. A 2005 binational study indicated that in 15 years delays at

the border will likely cost Canada over \$450 million a year in productivity losses related to tourism.

Tourism is a billion-dollar industry, yet recent figures indicate that Canada has slipped to eleventh from seventh as an international tourist destination. The continuing deterioration of our roads and highways only exacerbates this decline.

In 2005, commuters in Canada on average spent 63 minutes each day on the round trip between their place of residence and their place of work. This means the average Canadian today is spending 17% more time each day in commuting, the equivalent of one extra work week every year, than was the case 13 years ago. These delays cost Canadians and damage our productivity. The phenomenon of job growth in the suburbs, combined with increased levels of domestic and international commercial traffic, will exacerbate losses in productivity due to congestion. The benefits of just-in-time delivery, in which products are shipped directly to markets rather than warehoused, will be jeopardized if goods are stuck in traffic.

[Translation]

Projections foresee a continued increase in the number of vehicles in operation in Canada in the decades ahead, both for personal and commercial use. Delays in trade traffic, for tourists and in commuting, all negatively affect productivity.

•(1540)

[English]

There is much talk these days about creating a fiscal balance, and the CAA takes the view that federal investments in national strategic assets such as transportation infrastructure are key. Federal leadership should protect the national interest and reflect tax revenues generated from federal excise taxes on motor fuels, which remain the most logical source for funding our national highway system.

CAA calls on the federal government to do the following: one, develop a national highway policy in conjunction with the provinces; and two, support this policy with sustainable long-term funding, using 50% of the fuel excise taxes.

[Translation]

While addressing delays is crucial to Canada's competitiveness, this must be done while maintaining a healthy environment.

[English]

To that end, CAA has partnered with Pollution Probe to develop an eco-mobility plan that incorporates motorists, roads, and vehicles. The plan will consist of the following three parts: one, eco-driving, or the development and support of programs that lead to fuel conservation through smarter vehicle driving and maintenance practices as well as the use of other energy-efficient transportation options; two, better and safer roads, investment in road infrastructure that leads to safer driving conditions. Better highway design and the use of advanced traffic management systems can make roads safer and reduce congestion—all of which help motorists to conserve fuel.

[Translation]

A third point relates to improving vehicle fuel efficiency. We believe there is a need to develop and implement effective fuel efficiency standards for vehicles sold in Canada. We are also in favour of supporting the development of automotive and fuel technologies that will ultimately lead to reduced greenhouse gas emissions from the light-duty vehicle fleet in Canada.

[English]

Since the global demand for fuel-efficient automotive products is growing, demand for fuel efficiency in Canada will support the competitiveness of our vehicle industry. As this committee will be recommending to the Minister of Finance what should be in the budget, from CAA's perspective it is imperative that the minister provide economic leadership on the environment file and set the tone for other federal departments to be both bold and pragmatic. Our three objectives are in line with that challenge.

In conclusion, it is clear that investment in Canada's roads and highways and in a healthier environment will ensure that Canada's place in the competitive world is maintained and grows.

[Translation]

CAA's recommendations are balanced and fiscally responsible, and I am confident they will contribute to this objective.

[English]

I look forward to answering any questions you might have.

Thank you.

[Translation]

**The Chair:** Thank you.

We move now to Mr. Collin McMillan, representing the Canadian Medical Association.

You have five minutes.

[English]

**Dr. Colin McMillan (President, Canadian Medical Association):** Thank you, Chair, ladies and gentlemen. It's a pleasure to address your Standing Committee on Finance as part of your pre-budget consultation. I'm joined by our CEO, Mr. William Tholl.

In keeping with the general theme set by your committee, our presentation, "Medicine for a More Competitive Canadian Economy", focuses on enhancing Canada's place in a competitive world from a health perspective.

I'm going to speak to you briefly today about three important issues: one, nutrition and child obesity; two, wait times; and three, electronic health records.

Firstly, in relation to nutrition, in order to improve competitiveness there is no better way to start than investing in people. Few things threaten the future productivity of our workforce more than our growing childhood obesity epidemic. Here are the facts known to you: over a quarter of our children are overweight, obese, and not active, and the percentage is growing. This leads to health problems down the road. We feel there are direct links between these health

problems and absenteeism, which costs employers \$16 billion per year.

What you might consider is measures such as tax incentives and disincentives to encourage and empower Canadians, particularly younger Canadians, to make healthier choices for themselves and their families. I would urge the committee to address nutritional and obesity issues with the same resolve as given to tobacco control. When it comes to health, especially the health of our children, government must use every policy lever at its disposal, including the tax system, to empower Canadians to make healthy choices.

Secondly, in relation to wait times, as detailed in our brief, health care investments not only lead to a higher quality of life, but they drive overall economic competitiveness and productivity. Nowhere is this link between health and economic performance more evident than in the impact of excessive wait times on our economy. This year alone, we estimate that in just four of the ten provinces alone, on recent data, this cost could be as high as \$2 billion. Not only are Canadians suffering because of excess wait times; businesses and governments are feeling the pain through absenteeism and lower tax revenue.

In our brief, we recommend a number of strategic investments to reduce wait times and improve the quality of care to our patients. Key to achieving meaningful reduction on wait times is a patient care guarantee, and therefore once again we would urge the committee to endorse the CMA's Canada health access fund.

As well, we've included a very modest but very important recommendation to sustain and increase funding to the Canadian Institute for Health Information.

Finally, I'd like to bring to your attention that Canadian physicians own and operate in excess of 30,000 small businesses and employ about 142,000 people across the country. In many cases, governments have not placed an appropriate emphasis or level of investment on developing and cultivating innovation in this unique sector of the small business community.

An example of how the federal government could invest directly in innovation in the small business sector is by automation of our offices through the development and implementation of the electronic health record, the so-called EHR. It is estimated that EHR could provide annual systemwide savings in the range of \$6 billion and both reduce wait times and absenteeism. However, this can only be realized if all physicians' offices across the country are fully automated. Therefore, we have recommended increased funding for Canada Health Infoway to develop and implement EHR with a targeted investment towards total physician's office automation.

In conclusion, I would ask the members to consider us as investments, not costs. In profiling nutrition, children's health and obesity, wait times, and the electronic health record here today, I hope I can show you that investment in health can offer both short- and long-term investments. In sum, sir, I urge you to invest in people, to invest in our health care system, and to invest in infrastructure, particularly the electronic health care record.

I look forward to your questions.

• (1545)

**The Chair:** Thank you very much, Mr. McMillan.

[Translation]

Our next witness is Mr. Eliot A. Phillipson, President and Chief Executive Officer of the Canada Foundation for Innovation.

[English]

Five minutes, sir, are yours. Please proceed.

**Dr. Eliot A. Phillipson (President and Chief Executive Officer, Canada Foundation for Innovation):** *Merci*, Mr. Chair, and thank you to the members of the standing committee.

Today I want to talk to you about the role of the Canada Foundation for Innovation in helping to secure Canada's future prosperity and competitiveness by strengthening our capacity for leading edge research.

Nine years now into its mandate, the CFI has committed \$3 billion to over 4,700 research infrastructure projects at 128 institutions in 28 municipalities across the country. These investments are made on the basis of a rigorous assessment of merit, using international standards to determine the potential of the project to increase the capacity of Canadian research institutions, to compete internationally, and to produce knowledge that will benefit all Canadians.

CFI's investment of \$3 billion has leveraged a major influx of funding into the Canadian R and D enterprise. By 2010, the total capital investment by the CFI, the research institutions, and their partners will exceed \$11 billion. These investments are creating jobs and are leading to innovative solutions in some of today's most important and exciting areas of investigation, from advanced materials to pharmaceuticals, renewable energy, high performance computing, and early childhood education. Furthermore, discoveries are moving from the laboratory to the marketplace. Spin-off companies are being created to supply high demand technology for the biotech, communications, aerospace, and other industries. Highly qualified personnel are being trained for careers in both the public and private sectors.

Last summer, however, the CFI launched its last major competition with the decisions to be made public in less than three months. Thereafter, our capacity to invest in cutting edge research infrastructure going forward will be largely depleted. Unless it is known well in advance that additional funding will be available after this last competition, universities and colleges will find it difficult to undertake the planning of the infrastructure projects, whose design and construction span several years. As a result, Canada will begin to lose its hard-earned competitive advantage in public sector R and D.

Simply put, if Canada is to remain competitive in the knowledge-based economy, the funding of research infrastructure at institutions will have to be proportionate and appropriate to the total investment in science and technology because S and T cannot proceed in the absence of up-to-date tools. To be competitive, Canada's investment in research infrastructure must be comparable to that of other developed industrialized countries. Equally important, however, is that investments in infrastructure be planned and implemented within the context of an overall S and T framework, in which all the sectors—academic, business, and government—are involved, and in

which an appropriate balance of investments is maintained among the elements of the R and D enterprise, the direct and indirect cost, human resources, and infrastructure.

The CFI therefore proposes that, going forward, the foundation should assume an even greater role as the major instrument for implementation of policy regarding research infrastructure. In this capacity, CFI would continue to invest in R and D infrastructure, based on institutional research priorities, so as to sustain and enhance the capacity for the broad base of R and D activity and the training of highly qualified personnel who are required for a thriving and competitive S and T enterprise.

Importantly, however, CFI would also promote supra-institutional planning that would focus on new directions and initiatives, that would be designed to support the broad and related objectives of enhancing Canada's competitiveness, prosperity, global impact, and international status, and enhancing the transfer of knowledge from the academic to the private and public sectors. To achieve these objectives, the CFI estimates that at minimum, an additional investment of \$1 billion would be required between 2007 and 2010 if it is to continue playing a significant role in helping to secure Canada's future prosperity and competitiveness by strengthening our capacity for leading edge research.

Thank you. *Merci*.

• (1550)

**The Chair:** Thank you, Mr. Phillipson.

We continue now with the representative from the Canadian Consortium for Research, Roland Andersson.

Welcome sir. Five minutes are yours.

**Mr. Roland Andersson (Chair, Canadian Consortium for Research):** Thank you very much.

Our advice is straightforward and the same as we have been giving for the past several years. To build a dynamic and productive economy, one in which Canadians enjoy the best quality of life and the highest possible standard of living, the federal government must significantly increase its spending to support, one, the core operations of post-secondary institutions through a dedicated transfer; two, the federal research granting agencies; and three, its own research infrastructure. Let me speak briefly to each of these.

One, we are advocating the creation of a dedicated federal-provincial transfer mechanism to increase funding for the core operating costs of post-secondary education. Great things have happened in the country since 1997 with all of the spending that we have seen for the research community—the researchers, the professors, and public institutions. But the infrastructure has definitely been falling apart in the last 10 years or so, and you only have to go to schools, take a look at these, and see where we are with infrastructure of universities, colleges, libraries, laboratories, and buildings. It is not in great shape.

Another statistic, one that surprised me, was that in 2004 Ontario ranked 59th out of 60 North American state and provincial jurisdictions in per capita spending on post-secondary education. It seems a little strange that the mighty economy of Ontario was ranked right at the bottom.

To be successful, we are advocating that the transfer should have established principles, ensuring accessibility, quality, and academic integrity; contain binding enforcement mechanisms much like the Canada Health Act; and be set at a fixed percentage of GDP so that the provinces and the federal government will not have to review this each and every year, possibly something like 0.05%. That would take it to the federal funding level of the late 1970s as a percentage.

Lastly on this, this could help address the fiscal imbalance of the country. It's an opportune moment for the federal Government of Canada to take the lead.

Our second recommendation is to increase the budget of the federal research granting agencies. This is important in Canada because our research in public institutions is a much higher percentage versus the United States. There are many more international head offices in the states, and consequently that percentage difference. Research in Canada is critical—SSHRC, NSERC, CIHR—and the funding increases there are not just strictly for the research, but also for the competition of bringing in the best and brightest minds from around the world. Of course, each and every western economy is in the same battle.

Lastly, on that recommendation, we ask that the federal government take a look at the SSHRC funding and give consideration to giving it a special boost in percentage. Things have changed over the last number of years in our societies. There are new issues, and understanding cultural differences is something that scientists and engineers will not tackle, but social scientists will. Their recommendation is to reinvest in government research infrastructure. Many of these projects are long-term, statistical, and last for decades.

I believe the public believes that we need to have a strong government research arm. We have major challenges in environment, energy, pandemic response, food and drug safety, and national security. The program review in the early 1990s cut out the funding for many of these agencies and departments, and it's time to review that and to bring it back up to where it should be. I think this would also go a long way toward addressing what's happening in the public service and bring back a much stronger public service in the future.

• (1555)

In conclusion, the structural factors in the Canadian economy, notably a high level of foreign ownership and a reliance on resource extraction, means that a large portion of the research conducted in Canada is performed in the public sector, and that's the reason for those recommendations.

Thank you very much.

**The Chair:** Thank you very much, Mr. Andersson.

We continue with the representative from the Canadian Immigrant Settlement Sector Alliance, Wai Young.

Welcome. Five minutes to you.

**Ms. Wai Young (Executive Director, Canadian Immigrant Settlement Sector Alliance (CISSA)):** Greetings to you from the settlement sector from across Canada.

My name is Wai Young and I'm with the Canadian Immigrant Settlement Sector Alliance, or l'Alliance canadienne du secteur de l'établissement des immigrants, also known as CISSA-ACSEI.

Our members represent the 450 settlement agencies that provide direct services to immigrants and refugees in small communities and in large cities across Canada. CISSA-ACSEI harnesses the expertise of the refugee and immigrant settlement sector and is the sector's national voice to help build a Canadian society in which all immigrants and refugees are able to participate fully.

We thank you for the opportunity to present today and, for the record, want to have it noted that the Community Foundations of Canada wish to express their full support for our presentation as well as our brief to this committee.

This pre-budget consultation process poses several compelling questions. The focus of our presentation will be about how Canada's aging population and low birth rates are creating an imminent labour market shortage and population shortage that will negatively impact Canada's ability to compete in an increasingly competitive world.

In June 2006 the Standing Senate Committee on Banking, Trade and Commerce tabled a report called "The Demographic Time Bomb", mitigating the effects of demographic change in Canada. In this report the Auditor General of Canada is quoted as saying:

The demographic die is cast: there is little we can do to reverse or even slow the ag(e)ing of Canada's population over the coming decades. But it is certainly within our power to plan better for it. And better planning begins with better information concerning the long-term fiscal implications of the coming demographic shift.

Not since the days of Clifford Sifton in the early 1900s has Canada needed immigrants as we do today, to once again provide a new population base and a critical workforce to stabilize Canada's efforts to compete in a global economy. In report after report, the demographers and economists have called for an increase in immigration to 350,000 annually or more, in order for Canada to begin to meet our population and workforce needs. In the year 2012, which is only six years away, immigration will become the sole source of Canada's new workforce. However, over the past decade, although close to two million immigrants have arrived in Canada, funding support for the settlement sector, infrastructure, programs, and services have remained static during that time.

What does this mean in a tangible way? In the year 2005, last year alone, Canada welcomed a recent high of 262,000 permanent residents. This is 26,000 more than the city of Saskatoon, over two-thirds the population of Victoria, half the city of Kitchener, and twice the city of St. John's. This figure does not include ancillary services to international students or visitors, who number again in the hundreds of thousands.

On average, immigrants arrive in Canada better educated, in better health, in their peak working years, and with higher fertility rates than those born in Canada. However, studies now show that over 35% of immigrants arriving in Canada in the 1990s are living in poverty, according to the 2001 census. This means that while newcomers arrive, often with the skills that Canada needs to help us compete in a global economy, they do not have the support or the services they require to unlock their skills to contribute to our economy. We've all heard about the real live situations where trained doctors are driving taxis or nurses are housecleaning. For the past two decades Canada has undervalued immigrant skills, resulting in lost revenues of between \$4.1 billion to \$5.9 billion each year, as reported by the Conference Board of Canada.

In April 2006 the federal government increased funding for settlement programs for the first time in over a decade. However, this is just a drop compared to what is needed out there. This amount, while a welcome first step, is still woefully inadequate as a planning tool to help attract, retain, and optimize immigrant contributions towards building Canada's economy.

The settlement sector is where the rubber hits the road, as they say. In the past few decades we've experienced waves of newcomers arriving at the doors of our agencies. We've cried with them, shared their successes, and felt their pain. As you know, the issues are many and complex: refugees arrive; there are victims of torture; highly educated doctors cannot get accredited; and families are separated because of long wait times.

• (1600)

My task today and the task of the settlement sector is to make it all better. Within our agencies, within our communities, greater and greater needs, and more and more groups want to partner with us to attract, retain, and integrate newcomers to their communities.

To do this well and to do it effectively, the Canadian settlement sector needs your help. Out of the hundreds and possibly thousands of issues that we cope with every day, we believe that the Standing Committee on Finance can be a better leader by providing resources and therefore direction to identify the immediate and long-term solutions that are required to ensure that Canada has a sustainable population and a skilled work force.

We welcome this opportunity to speak, and our brief holds more details about our position. Thank you so much.

**The Chair:** Thank you, Ms. Young.

Thank you all for complying with our five-minute limit and compressing so many good suggestions and thoughts into a brief period.

We'll move on to questions immediately now. We'll make them five-minute rounds just to allow more questioners today because of the time constraints we have.

We'll begin with Mr. Savage, for five minutes.

**Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.):** Thank you, Chair,

Thank you all for taking the time to present. We have heard from other witnesses that a number of your organizations are doing great work, and they are asking for some of the same things as you are.

CFI, Mr. Phillipson, in my view is an absolute success story in Canada in the last number of years.

Mr. Andersson, you've spoken about the investments in research, and I know that Dr. McMillan and Mr. Tholl are involved in that as well.

The expansion of research has gone a long way in Canada. It has created a few problems too, almost an abundance of riches, in that there was a request from Monsieur Giroux that we go to 65% of indirect costs. If we go to 65% of indirect costs to the universities, the Heart and Stroke Foundation doesn't get indirect costs and it makes it more difficult for them to get funding. It's a matter of where we put our priorities. As a former executive director at the Heart and Stroke Foundation of Canada, Bill Tholl knows that and knows how that organization reformed itself in many ways to take advantage of CIHR in particular.

My question, first of all, to Mr. Phillipson is, if Canada hadn't invested, going back into the late 1990s, in research, in CFI and CIHR as well as in NSERC, SSHRC, and all of those things, what would it look like in Canada now? I think that's a good judge of how we should go forward in making these decisions.

• (1605)

**Dr. Eliot A. Phillipson:** If the investments had not been made, what would the situation look like now? Well, one can never be sure about predicting the future, but I think we can look at what the situation was in the 1980s and early 1990s. Hardly a day that went by when a newspaper didn't feature an article about the so-called brain drain. We were losing highly skilled personnel—university faculty, graduate students, post-doctoral fellows—to other jurisdictions, particularly the United States. I don't think it is rocket science to state that we would have been depleted at the very time that so many university and college faculty members are reaching retirement age. The advent of the investments in CFI and the research councils has essentially stopped the brain drain and in fact reversed it.

We know, for example, based on grants made by CFI—and those are only a portion of them—that in the last five years there was recruitment of 7,200 new faculty members to Canadian universities and colleges, of whom 40% came from outside Canada, because as we just heard, Canada will not be able to depend on simply its own population to produce. Many of them are, of course, returning expatriate Canadians, but they weren't rushing to return prior to the advent of these investments.

I could go on, but I think that is probably the greatest threat, that we would have simply depleted ourselves of highly qualified personnel.

**Mr. Michael Savage:** I absolutely think that's right, and we've talked about it. We've heard from witnesses how this has transformed Canada. In terms of research, if you ramp up and then stop, you may as well not have done anything at all. We need to keep the focus on that.



I do want to ask Dr. McMillan and Mr. Tholl this. You mentioned childhood obesity in your brief. Is the CMA part of the trans fats task force that was put together from the health committee?

**Dr. William Tholl (Secretary General and Chief Executive Officer, Canadian Medical Association):** I'm not sure.

**Mr. Michael Savage:** Pat Martin mentioned to me in the lobby of the House that New York City or New York State is actually looking to ban trans fats. That's an initiative that was passed by the House of Commons. Canada should be doing a similar thing.

Is the CMA, Dr. McMillan, doing some stuff on its own about childhood obesity?

**Dr. Colin McMillan:** In Charlottetown last August, we had a major discussion at our annual meeting in which the broader determinants of children's health were discussed in detail, with a phenomenal public and media response. To deal with the issue, we're trying to organize a November summit with some of our professional and government colleagues. Out of that summit, we are hoping to produce a charter for children's health to map the future. They are our future generation, and that's why it's so important.

We know the facts; the future is what we're looking at. Perhaps out of that charter we could determine some health goals in that area. We haven't been that good in this country, in the last 20 years or so, at defining health goals. Maybe this would be the way to get it back on track.

[Translation]

**The Chair:** We go now to Mr. St-Cyr.

You have five minutes.

**Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ):** Thank you.

Thank you for taking the time to come and make your presentations. I realize it must be frustrating for you to have only five minutes to explain your views, but I can assure you that it is just as frustrating for us to have only five minutes to ask our questions.

I have a question for Mr. Giroux.

I was pleased to note in your brief that you talk about the need to increase federal transfers for post-secondary education by \$4.9 billion in the next budget. That would really just allow us to return to 1995 funding levels. I am also pleased to note, unlike what we often see in this Committee, that you are not asking for national programs or performance criteria to be established. At least, I did not see that in your brief.

Am I to understand that the students you represent believe more strongly in the need to respect the provinces' jurisdiction and that national programs would interfere with Quebec's and the provinces' jurisdiction in this area?

•(1610)

**Mr. Philippe-Olivier Giroux:** Yes, absolutely. As far as CNCS members are concerned, education is the prerogative of the provinces, meaning that the federal government should be providing core funding to the universities through what is called a dedicated transfer for post-secondary education. There is consensus on that in Quebec.

As recently as December 2005, the Quebec Minister of Education, the Fédération québécoise des professeurs et professeurs d'université, the Conférence des recteurs et des principaux des universités du Québec, the Fédération des cégeps, CEGEP and university student unions, and even representatives of the Federation of Chambers of Commerce and the Conseil du patronat all said that they are in favour of a \$4.9 billion increase in the transfer for post-secondary education. Of that, Quebec would receive approximately \$1.2 billion. That would be more than adequate to address the problem of underfunding that Quebec universities currently suffer from.

**Mr. Thierry St-Cyr:** Thank you very much. I just want to say once again how happy I am to hear you say that. The fact is that people frequently come before this Committee asking that the federal government interfere in areas of provincial jurisdiction. That is the case again today. People are asking for national highway policies. It's just as frequent in such areas as health care and immigration. Committee members may be thinking that you are from another planet. Or maybe you've just come from another country. In any case, the difference is quite striking.

I would like to take your reasoning one step further. You are asking for a post-secondary education transfer. What the Bloc Québécois is asking for is that, with a view to resolving the fiscal imbalance, there eventually be a fiscal transfer — in other words, that this money be paid directly to Quebec, to be used as Quebec saw fit. To avoid a repeat of the 1995 cuts, the \$4.9 billion would be paid out now, and in two or three years, when the federal government's priorities change, we would come back again.

Do the members of your organization support that position or would they simply prefer, even over the long term, that the federal government be the one to set these amounts?

**Mr. Philippe-Olivier Giroux:** As regards the dedicated transfer, accountability is what we find attractive about this. Indeed, with this kind of transfer, it is very easy to determine exactly what the federal government's contribution to education is. That is perfectly feasible. That was done at the time the Canada Health and Social Transfer was split into two separate transfers. It's also a way of respecting provincial jurisdiction.

But to answer your question directly, I would say that for our members, the transfer constitutes a first step towards addressing the fiscal imbalance. The work in that area would need to continue and, in that context, tax transfers or tax point exchanges, for example, are certainly something that could be envisaged.

**Mr. Thierry St-Cyr:** I see.

I have a third question with respect to the indirect costs of research. You said in your presentation that the government currently supports about 25 per cent of the total cost of scholarships in this area, as opposed to 65 per cent, which is the actual level and what should be supported.

Did you conduct studies to determine that percentage?

**Mr. Philippe-Olivier Giroux:** The 65 per cent figure in relation to the indirect costs of research was set by an interministerial committee of the Government of Quebec composed of representatives of the Ministry of Education, Recreation and Sport, the Ministry of Economic Development, Innovation and Exports, and the Ministry of Health and Social Services. The amount was calculated based on practices in the United States and data provided by the Ministry with respect to current infrastructure maintenance costs.

**Mr. Thierry St-Cyr:** Could you pass that information on to the Clerk?

**Mr. Philippe-Olivier Giroux:** I could give you the reference.

**The Chair:** Our next speaker will be Ms. Ablonczy.

[English]

You have five minutes, madam.

**Ms. Diane Ablonczy (Calgary—Nose Hill, CPC):** Thank you, Mr. Chairman.

I appreciated the presentations. What I really appreciated was that you actually stuck to the theme we had hoped to address more substantively in these consultations: global competitiveness. No matter how well one sector or another does in Canada, as sort of a sum zero game, unless it feeds into a bigger place for Canada, a more successful place for Canada in the global marketplace, then we've missed something important. You've all seen this.

I want to start with the immigration settlement presentation, because that's a particular interest of mine. I worked in that area for a long time and really enjoyed it.

We reversed the freezing of settlement funds that had been in place for quite a number of years and increased it by over \$300 million. We also cut the right of landing fee in half, initially. We intend to reduce it even more as time goes on. First of all, I wonder if you can tell us what impact that might have had. Secondly, what would be your next priority in the area of settlement if you could move to substantively address one area more effectively than you can now?

•(1615)

**Ms. Wai Young:** Thank you for the questions.

Indeed, when the government announced new funding for the sector, we were very grateful. We actually issued a news release saying that it was a great first step in addressing the needs within the sector.

To answer your question specifically, the reduction in immigration application landing fees was of course very substantive in attracting and retaining immigrants, which is the true goal of building a competitive economy. That was substantive in that those fees were cut on an individual basis. I don't know if Canadians have a sense of that. When you are a family of five and you are going from paying a fee of perhaps \$8,000 to \$4,000, that is quite substantive when you have the cost of moving to a new country and starting out again, etc. I say thank you to this government. However, as we have noted in all these reports, certainly more help in the attraction and retention of a new workforce and a new population is critical.

In terms of setting new priorities for the 2007 fiscal year and beyond, we are very aware of how fragile our sector is, because of the frozen state of the funding in the decade prior to the new funds we just received. The infrastructure within the system is at a critical point, to be quite frank. We have caseloads where things are unbelievable. I think you have all heard the stories of what is happening currently in what we call CTV—Calgary, Toronto, and Vancouver.

There are outstanding issues. I just returned from a conference in the Atlantic region, and they are in a different situation. They are so quickly losing population that they're quite anxious to look at ways that we can help to increase their population in the smaller centres.

I would say that our number one priority is to work with our partners—the government, the universities, research, etc.—to come up with a larger framework, because right now we're all working in different silos to address this population need.

Second, there are many things that historically have not been addressed within the sector. We already talked about infrastructure; the settlement workers' caseloads are incredibly high. There is an amazing amount of needs, both in terms of immigrants and refugees. I don't want to get into the specifics of that, but what I do want to say is that in addition to developing a framework, we as a sector, and the department itself, do not have a set of outcomes. For example, we do not know how much it costs to settle an immigrant, so how does one do funding formulas, look at comparable services across Canada, set national standards for service delivery, or any of those things? Looking at outcomes is one project that we are definitely interested in. Establishing those outcomes would give us a very good gauge to look at things such as productivity within the settlement sector.

We are looking very seriously at the professionalization of the settlement workers right now. Historically it has been sort of a "let's go and help these people" type of thing, but with the labour market needs, it has gradually become an increasingly skilled and specialized sector. These are macro projects that require a window of three to five years of study and development.

Those are the kinds of things we would be interested in.

Thank you.

•(1620)

**The Chair:** Thank you.

We have to move on now to Madam Wasylycia-Leis.

You have five minutes, Madam.

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

First, I was really struck by the similarity between the consortium's paper on research and post-secondary education and the Conseil national des cycles supérieurs. Is there anything that you two disagree on? You both said there should be a significant increase in transfers for education to provinces. You say there should be investment in research. You both identify the importance of this as building a competitive society. It is very important to have two diverse groups in solid agreement. I just want to check to see if you do agree and why you would feel this way.

**Mr. Roland Andersson:** First of all, I agree. Secondly, I have never seen his report. The first I heard of it was today, as he was making his presentation. It shows the consistency across the country, when you hear from various groups. You get reinforcing messages. You can start to filter through what's important and what's not.

**Ms. Judy Wasylycia-Leis:** I understand that you are actually from the Chemical Institute.

**Mr. Roland Andersson:** That's right.

**Ms. Judy Wasylycia-Leis:** Isn't that a group of producers, corporate people, and business people?

**Mr. Roland Andersson:** Not quite. The Chemical Institute of Canada is a technical professional association of chemists, chemical engineers, and chemical technologists employed in industry, academia, and government.

**Ms. Judy Wasylycia-Leis:** I was just going to ask how come you seem to get it and so many others from the corporate world don't put the necessary emphasis on investing in education?

**Mr. Roland Andersson:** I can speak to that directly. I worked in a chemical industry for approximately 20 years. When globalization hit in 1990, I saw companies like Ashland Chemical pull 30 researchers out of Canada and put them down in the States, where their head office is.

**Ms. Judy Wasylycia-Leis:** Mr. Chairperson, I hope you heard that. That was an important point.

**The Chair:** I'm excited to hear more questions.

**Ms. Judy Wasylycia-Leis:** To the *conseil*, you've identified the need for a \$4.9 billion transfer. It seems reasonable. I wondered how you calculated that, and whether you think that, instead of putting all \$13 billion against the debt, maybe we could have put some towards education.

[Translation]

**Mr. Philippe-Olivier Giroux:** Let me quickly explain how we made that calculation.

In the mid-1990s, the post-secondary education transfer was cut by \$2.2 billion. We are asking for that money to be returned and that cost inflation and increased student enrollments in the universities be included, for a total of \$4.9 billion.

Following the cuts made in the 1990s, there was a direct impact on universities' core funding, and at the present time, that is a huge problem for Canadian universities. Considering that the Council represents graduate students engaged in research and that the members of the consortium are university and professional researchers, it is perfectly natural that we would be providing you with the same feedback in terms of what is going on in the universities and research laboratories. That is where the real need is.

**Ms. Judy Wasylycia-Leis:** Thank you. I really appreciate your answer.

[English]

Now I'll turn to the Canadian Medical Association. I want to know who you consulted on the whole announcement yesterday on the budget cuts and the allocation of the debt. There's a significant amount of money being cut out of health research and other

miscellaneous expenditures. Were you consulted? Will you be consulted?

**Dr. Tholl,** yesterday you were at a committee that got the strange question from a Conservative member of what you think about deregulating physician services. For the life of me, I don't know why this is coming out of the Conservatives now and where it's going, but I would like you to address that.

**Dr. William Tholl:** No, we were not consulted on the cuts that were announced yesterday. We would be interested in hearing the rationale behind some of the cuts and what could be done to address some serious issues in alternative ways, if in fact the ways that were being announced weren't exactly the right ways.

As for deregulation, it was a bit of a confused question. If by deregulation we mean deregulating the professions, we're against that. We think it's important to maintain the quality of care throughout the health professions, beginning with doctors. As for deregulating the market for physician services, we already indicated that we're living in a global environment for physicians. It was mentioned that we're starting to see a back-flow of highly qualified personnel, as Dr. Phillipson indicated. For the first time in 30 years, we actually saw a net balance of trade surplus in physicians last year vis-à-vis the United States, with 55 net physicians coming into Canada. We already think we're in a global market for physician services. Canadian doctors are respected, and their credentials are acknowledged throughout the world.

• (1625)

**The Chair:** Mr. McCallum.

**Hon. John McCallum (Markham—Unionville, Lib.):** First of all, Mr. Phillipson, I think I'm correct in saying that CFI is going to run out of money soon and won't be able to make new commitments. Can you confirm if that's correct and tell us when?

**Dr. Eliot A. Phillipson:** That is correct.

We have a competition currently. Once approved by our board, the results will be announced in November. Thereafter, apart from \$440 million in the research hospital fund, which is dedicated specifically to research hospitals, we will in a sense have largely committed all of our available funds and will not be able to mount another competition.

**Hon. John McCallum:** Thank you.

Mr. McMillan, I totally agree with you that wait times should be a key priority. The government also agrees in the sense that it was one of its top five priorities, but there was no money allocated to it.

My question to you is, what has to be done? Can anything be done about wait times without the federal government allocating more money?

**Dr. Collin McMillan:** Thank you, sir.

We need the money, and we think that wait times are simply a symptom of a human resources problem. In terms of training doctors and nurses, we're looking at some options in the short and medium terms, such as increasing the number of qualified immigrant positions, which has been referred to, repatriating physicians who have left the country, and trying to find ways to get doctors from this country who are training outside of the country to come back.

**Hon. John McCallum:** I have one last question. Ms. Young, I enjoyed your remarks; some of them I've said myself. I certainly agree with you about more immigrants being necessary.

I think it's important to be able to spread the immigrants more equally across the country while still respecting the charter. Do you have a position or any thoughts on that?

**Ms. Wai Young:** We would certainly support that. In fact, there are several pilot projects happening throughout Canada looking at regionalization, which is the term we use. Certainly these pilot projects are very small. We would definitely support that.

**Hon. John McCallum:** Thank you.

**The Chair:** Thank you all. We appreciate the time you've taken to be with us today, and also the time you invested in the preparation of the materials that we will be reviewing. Thank you again.

I invite our next panel to make their way as quickly as possible into the chairs presently occupied by our first panel.

• (1630)

**The Chair:** We are going to recommence.

I invite those who wish to present to take their seats.

As you are aware, the House of Commons finance committee is mandated to consider and make reports on proposals regarding the policies of the government in the next budget. We are pleased that you are able to be here today and to submit materials to our committee.

You've been asked to limit your presentations to five minutes. I'll remind you that this will be the case and encourage you to make eye contact with me during your presentation. I'll give an indication that you have a minute remaining or less. I will ask you to conclude at the five-minute mark in order to allow time for our committee members to ask questions and for further dialogue.

We will begin with Makivik Corporation. Nancy Maloley, the treasurer, is here.

Yes, madame.

**Mrs. Nancy Maloley (Treasurer, Makivik Corporation):** I'm sorry. Mr. Alaku, the vice-president of Makivik Corporation, will be doing the presentation.

**The Chair:** Very good.

Mr. Alaku, welcome. You have five minutes, sir. Please proceed.

**Mr. Adamie Alaku (Vice-President, Economic Development, Makivik Corporation):** Thank you, Mr. Chairperson.

In the absence of time, I would like this brief to be given in its entirety.

My name is Adamie Alaku. I am an Innu person from northern Quebec. We are referred to as Inuit. I am here with my colleagues Nancy Maloley, the treasurer of the Kativik Regional Government, which is also an ethnic body in northern Quebec; and Eileen Klinkig, who heads the construction division and who also started the income tax project in the region, as we don't know how to fill out income tax forms and the like.

I'll provide some background on Makivik Corporation and the Kativik Regional Government. They were created in 1978 under the James Bay and Northern Quebec Agreement, the first modern treaty. It was signed in 1975 by the Inuit of Quebec, the James Bay Cree, the Government of Canada, the Government of Quebec, Hydro-Québec, and la Société d'énergie de la Baie James. We have used this as a pivotal tool for economic and social development for the last thirty years.

During the negotiations for this treaty, the Inuit opted to have it fall under federal-based governance as opposed to being on a reserve. So we are regular taxpaying citizens of Canada, paying to both the federal and the provincial governments, which causes a huge burden because of the high cost of living in the region.

The Makivik Corporation takes care of the interests and the rights of the Inuit of Nunavik—social, political or economic—with the help of the other ethnic institutions in our region, like the school board and the health board.

The corporation's board is composed of 21 members—16 elected locally by the respective communities, five elected by the Inuit of Nunavik. The head office is in Kuujuaq, and we have offices in Montreal, Ottawa, Quebec City, and two Inuit communities of Kuujuaaraapik and Inukjuak. It employs close to 90 personnel.

The Kativik Regional Government is the municipal arm of the region. It is represented by 16 members, including the band council chief of Kawawachikamach. It employs close to 500 people, of which 300 are Inuit. They work in 11 departments, including municipal affairs, transportation, policing, child care services, and employment.

This causes quite a cost burden, since Nunavik is not road-connected. The 14 communities are not interconnected. The closest community is about 1,500 kilometres from Montreal. All the goods and services have to be provided by air transportation. We have a 12-week window in maritime shipping, which allows construction and bulk supplies to come in.

• (1635)

The income tax right to a northern residence deduction, which was brought into effect in 1990, hasn't been addressed since that time, so this has caused a burden also. The goods and services tax, which we know will not be abolished, is also a burden in our region.

**The Chair:** Sorry, Mr. Alaku, I'll have to cut you off now because we have to hear from everybody, but there will be time for questions afterwards. Thank you for much for your presentation.

We will continue with a representative from the Northern Alberta Institute of Technology, William Shaw. You have five minutes, sir.

**Dr. William A. Shaw (President, Northern Alberta Institute of Technology):** Thank you so much. My message will be brief and succinct.

We have a crisis in Canada in terms of skills shortage. As you start looking at the sectors, there is no sector untouched by the skills shortage. In oil and gas, certainly in my home province of Alberta, it is severe, but so is it in the manufacturing sector, the forestry sector, and so forth. In fact, as concerns one of the papers that I write for, they can't deliver the paper because we also have an unskilled labour shortage in this country that is affecting the quality of life.

As you start looking at some of the data presented in our brief, you will see sector after sector reporting significant skills shortages. What we would ask the government to do in the upcoming budget is not to blink; stay the course. In the last budget in May 2006, there were some good measures, tools, if you will, in terms of supporting apprenticeship. Certainly on the employers' side there were some incentives, and for the apprentices there were some incentives. You had also indicated a billion-dollar fund, if a surplus was there, for infrastructure. I'm telling you, the infrastructure is crumbling across Canada.

You may say, well, you're from Alberta and you can afford it. I would say to you that in fact in Alberta we paid the cost in terms of the 21% cut in our budgets, and if you look at just the post-secondary side, there is a \$1.5 billion to \$2 billion deficit on infrastructure. So infrastructure is very important. As the government has created the demand, we have the challenge now of meeting that demand, for looking at the skilled labour shortage. How do we do that? We need the kind of infrastructure that will support that kind of training. It is not done simply over the Internet. You need the hands-on equipment and facilities to look at apprenticeship.

In terms of apprenticeship, the statistics are there to show you that, for Canada to be competitive, we must have a strong apprenticeship system, and I would say to you that you need to invest in the infrastructure program so that in the post-secondary sector we can benefit from that to supply the kind of skilled labour needed in this country.

Just to give you a couple of statistics, which I'm sure you have, 16% of the employment in Ontario is directly related to the oil and gas sector. Even at \$60 a barrel, we have a skills shortage. We need to invest in turning out more. At NAIT, we will do 15,000 apprentices this year alone. There will be 65,000 apprentices registered in Alberta, and that message is translated in other provinces in terms of the need for trades, and so forth.

So I would humbly ask you to stay the course, invest in the infrastructure, a billion-dollar-plus program for infrastructure in post-secondary, and I will leave you this thought: NAIT was created in 1960 with the Technical and Vocational Training Assistance Act, which invested federal dollars into the bricks and mortar to make apprenticeship happen in this country.

Thank you so much.

•(1640)

**The Chair:** Thank you very much, Mr. Shaw.

Continuing on, we will hear from Polytechnics Canada, with Sharon Maloney, who is the executive director.

Welcome. Five minutes is yours.

**Ms. Sharon Maloney (Executive Director, Polytechnics Canada):** Thank you, Mr. Chairman, and good afternoon, members of the committee.

Polytechnics Canada is the collective voice of Canada's eight public polytechnic institutions, nationally and internationally. Located in the regions that drive the Canadian economy and working in close collaboration with industry both in curriculum development and applied research, our members play a pivotal role in providing education, training, and research solutions to industry's problems.

We believe there are four fundamental actions that should be taken to strengthen the Canadian economy and secure the future prosperity of Canadians.

Number one, we should abandon attitudes that view some education sectors and types of learning as superior to others, and promote a full range of learning that is market responsive. The number of Canadians who think they need to go to university is out of proportion with the number of jobs that require a university education. As recently stated by Mr. Laurie Hawn, Conservative MP for Edmonton Centre and spokesperson for western economic diversification: "Without the availability of skilled workers, our economy won't be as strong as it should be." We need workers who can transform new technologies and processes into improved productivity—water welders, radiologists, petroleum engineering technologists and technicians, palliative care nurses, and civil engineers—the very people who polytechnic institutions are training across Canada and internationally.

Number two, we should eradicate cross-jurisdictional barriers to student and worker mobility. Currently, Canada does not have a national credit transfer system, with the result that students have difficulty transferring from one region of the country or from one level of education to another. For example, in certain provinces, students who have applied degree programs at polytechnic institutions are often prevented from transferring into university bachelor programs, because their credits are not recognized. Similarly, graduates of polytechnics who want to pursue graduate studies are often forced to go outside of Canada, to universities in the United States and the United Kingdom, because Canadian university graduate programs will not accept their credentials.

In response to this, members of Polytechnics Canada have adopted protocols that will allow for the complete transferability of credits between members and are instituting their own graduate programs. We should maximize and leverage the ability of these institutions to provide cross-jurisdictional mobility training to apprentices, technicians, technologists, nurses, and other skilled workers, so that we can address local shortages and facilitate cross-jurisdictional mobility of the knowledge workers needed in crisis sectors across this country.

Number three, we must encourage private sector investment in workplace training by providing sufficient financial support to those institutions that are best positioned to provide market-responsive education and training. The recent announcement of a one-time \$1 billion investment in post-secondary infrastructure is a positive step but will only enhance the capacity to provide market-responsive education and training if the funds are apportioned in a manner that adequately supports those institutions that are best positioned to provide comprehensive market responsive education and training. As governments do not have unlimited funds or the organizational structure to do it alone, we need to work in partnership with all levels of government, the private sector, and with those institutions that have the expertise to provide skilled workers nationally.

The recent announcement by a member of NAIT, Shell Canada, and the provincial government is an excellent example of what we need to be doing. It acknowledges the key role played by institutions like NAIT in providing the trades, technologists, and operators needed by industry and seeks to leverage that resource by the joint investment of government and the private sector. This is the model that should be mirrored across the country with all eight polytechnics, which have the proven track record of providing Canadian businesses, locally and nationally, with the trained workers they need.

Number four, we must produce more market-driven research by supporting those institutions that have the ability to work with industry and provide solutions to industry problems. While a solid foundation has been established for basic research, we have not invested enough in helping businesses, particularly SMEs, find solutions to their business problems. We have to adopt a different approach, one that is driven by industry problems rather than one that creates an idea and looks for a market. We need to invest more in applied research and development in terms of prototype development and commercial validation studies.

An excellent example of what I'm talking about is the Dr. Tong Louie Living Laboratory at our member BCIT. The living lab conducts research and training activities that aim to improve the relationship between people and their living and working environments. Its goal is to create products that facilitate independent living sensitive to the needs of older adults and the disabled.

Thank you.

•(1645)

**The Chair:** Thank you very much, Madame Maloney.

We continue with the Canadian Association of University Teachers. James Turk, executive director, is with us. Welcome, sir, the floor is yours.

**Mr. James Turk (Executive Director, Canadian Association of University Teachers):** Thank you, Mr. Pallister.

I must begin by expressing our admiration for the stamina of this committee, given the number of witnesses you have to hear over many days, so we're grateful even for our five minutes.

I have one message for you, but before giving that message, I want to ask you this. How many of you have said to your constituents or in a speech that the future of Canada depends on how educated a population, how educated a workforce we have? Some

have said it used to be that the resources were under our feet and now the resources are between our ears. This is expressed in a variety of ways, but it's a message that almost every elected parliamentarian in this country has expressed in one way or another.

My message for you today is that your desire and our desire will not be realized without a significant increase in federal funding leadership for post-secondary education. That's the key message. Before the early 1950s, funding was exclusively a provincial responsibility. The Massey commission was appointed and reported in 1951, and following that, the federal government began to play an increasingly significant role in funding post-secondary education. It was only after the federal government came to play that role that we began to have the national system of post-secondary education of which we're so proud today. It has put Canada on the map internationally for having one of the best post-secondary educational systems.

That system has come to be in increasing jeopardy as the federal government has cut back on its support for post-secondary education over the last decade or so. Measured in constant-dollar terms, per full-time equivalent student, federal funding for post-secondary education has fallen 20% between 1989 and 2004. It's not just an issue of the amount of funding, but how it's delivered. Right now there is no transparency in how federal funds for post-secondary education are spent, if they are spent at all in post-secondary education. Surely federal dollars intended for post-secondary education should end up supporting our universities and colleges and not be used to build roads, pay down provincial debt, or cut provincial corporate taxes. That's why we propose in our brief the creation of a separate funding envelope for post-secondary education, governed by a Canada post-secondary education act that would set out pan-Canadian guidelines and objectives.

We believe that a new federal post-secondary education fund should be based on gross domestic product—that is, the wealth created in our economy—rather than a fixed dollar amount. The target that we recommended, and it's a target that Canada achieved in the late seventies and early eighties, is one-half of 1% of GDP, or in other words, one-half of one penny for each dollar created by the Canadian economy. Surely as a society we can afford to spend one-half of one penny of every dollar created by our economy.

On reaching that target, a target we reached in the late seventies and early eighties would require an additional \$4 billion in federal expenditures. That's a huge amount of money, but when we saw a few days ago that the federal government was able to write a cheque for \$13 billion to reduce the debt and to spend billions on the military, given the economic, social, and cultural benefits that Canadians achieve and the importance that each of you has described in your own speeches to have an educated workforce, meeting that objective is clearly within our means.

We just want to raise two other issues with you relating to post-secondary education, and one is the issue of access. A growing problem with the reduction in federal support for post-secondary education has been skyrocketing tuition fees. Universities and colleges are left with the dilemma of how they're going to be able to afford to continue their operations, and they have had to shift more of the burden on to the students through increased tuition fees. The dilemma has been a dramatic increase in student debt. Canada now has one of the highest levels of student debt of any industrialized country, and that's having an effect on who goes to university and college. We believe that what determines who goes should be the ability of the student, not the wealth of the student's family. That can be dealt with by the federal government shifting its priorities to reduce those barriers by transferring money that it puts into the Canada millennium scholarship fund—and in the future, the registered education savings plan and the Canada learning bond—into needs-based grants so that ability, not family wealth, is the determinant.

• (1650)

The final issue is research. I think all of you would agree that there's a desperate need to build the research capacity in Canada. Most of the research that turns out to be commercially relevant doesn't begin as commercialized research, it begins as basic research. Anybody in any of the applied disciplines, in engineering, chemistry, mathematics, physics—if you talk with industrial people like Mike Lazaridis from Research in Motion—will tell you that most of what's been important for them commercially, and what pays off in the long run, comes out of basic research.

You've significantly increased research funding, but much of it has been pushed towards commercialized ventures that is starving basic research funding. The hardest hit, in fact, is the Social Sciences and Humanities Research Council. More than half of the students and faculty in this country teach in the social sciences and humanities, and the Social Sciences and Humanities Research Council receives a much smaller share of funding than does NSERC or CIHR.

So the larger issue of the total amount and its balance is a key priority as well.

Thank you very much.

**The Chair:** Thank you very much for your presentation, sir.

We continue with the Association of Universities and Colleges of Canada. Claire Morris is here.

Welcome. Five minutes is yours.

**Ms. Claire Morris (President and Chief Executive Officer, Association of Universities and Colleges of Canada):** Thank you for the opportunity to speak to the committee, Mr. Chairman.

We're here today because we believe universities have a vital role to play in improving Canada's productivity and helping Canadians compete and prosper in a highly competitive world.

Over the past two decades, Canada has transformed itself from an economy that is heavily based on resource extraction and export to an increasingly knowledge-based economy. Today, many Canadians are employed in traditional industries that are using knowledge and technology to add value and increase productivity, while others are employed in newly emerging, knowledge-intensive industries that did not exist 20 years ago. Across the economy, Canadians are working with new knowledge and technologies to be more productive and competitive.

[*Translation*]

Investments in higher education and research will be a key driver for future productivity gains in Canada. Research generates the new knowledge that a highly skilled work force can transform into new products and processes.

Currently more than one third of the research conducted in Canada is done at Canadian universities. A thriving university research enterprise is a platform for other sectors, including the private sector, to launch research efforts. More than \$5 billion worth of research was conducted in Canadian universities for the private sector in the last decade. It is clear that, given the structure of the Canadian economy, universities play a uniquely important role in this country's overall research effort.

University research also ensures that all regions of the country can experience the benefits of knowledge creation and application. Over the past decade, only the university sector increased its research performance in all provinces and regions, with federal investments in university research playing an important catalytic role in this regard.

University research now accounts for between 27 and 71 per cent of all research performed in each province.

• (1655)

[*English*]

The investments made in recent years by successive provincial and federal governments and universities themselves have turned Canada from a country at risk of experiencing a major brain drain to one that's benefiting from a brain gain. This success story is happening because these investments have been made in each of the four key areas that make excellent university research possible.

The first is ideas. The federal research granting councils fund research projects that generate new ideas, insights, understandings, and applications.

The second is people. The Canada research chairs program, the Canada graduate scholarships, and individual graduate support programs administered by the three federal research granting councils provide support to attract, retain, and develop highly qualified researchers.

The third is infrastructure, and you heard from CFI earlier. The Canada Foundation for Innovation, as well as Industry Canada through its support of CANARIE, funds state-of-the-art infrastructure—the buildings, the equipment, the networks—that is critical to conduct research.

Finally, there's institutional support, the indirect costs program that supports the institutions that provide researchers.

In the last federal budget the government made welcome investments in all of those four pillars—a \$40 million increase to the granting councils, a \$40 million increase for the indirect costs of research, a \$20 million annual investment in the leader's opportunity fund through CFI, as well as an increase in the value of graduate scholarships by making those scholarships tax exempt.

The point I want to make, Mr. Chairman, is that Canada is among the world leaders in university research, but our position is fragile. Our competitors in the G8 and newly emerging competitors like China and India are investing in research in the global race to attract talent and high-paying jobs. Canada must produce more highly qualified graduates to meet labour market demands and to meet the need for replacing the retiring baby boom workers.

Universities are prepared to do their part, expanding their research efforts, producing the highly qualified graduates with the employment-related research skills and creating more networks that bring people together. Universities are also prepared to continue to account for the results of the research investments that have been made. These are key elements of increasing Canada's productivity that will ensure that all Canadians can continue to benefit from the high quality of life that we have in this country.

Thank you, Mr. Chair.

[Translation]

**The Chair:** Thank you very much, Ms. Morris.

We will now hear from Ms. Tracy Ross, from the Canadian Association of Science Centres.

Welcome, Ms. Ross. You have the floor.

[English]

**Ms. Tracy Ross (Executive Director, Canadian Association of Science Centres):** Thank you very much for inviting us here today.

The future of Canada depends on our capacity for the ingenuity of our Canadians. You've heard here today much of that and very strong arguments for improving that at the technical and the university level.

Today I appear before you on behalf of Canada's network of science centres. We are more than 40 science centres in every region

of the country. We are a powerful, on-the-ground grassroots resource that nurtures the curiosity, creativity, and ultimately the practical ideas that will lead to our prosperity in the future.

Seven million people a year visit Canada's science centres. They get a chance to ask their questions with face-to-face contact. They engage in exhibitions and programs designed to nurture their curiosity and allow them to ask whatever they want to. It is often a family experience, something that you don't often see in your members' communities. In Manitoba, in Ontario, and in Quebec these examples exist.

We spend most of our time outside of school, 80% of it, roughly. Science centres are a place where people can ask questions that they wouldn't normally get to ask in a formal, structured environment. We are part of the important fabric of what you might call a culture of science in this country. There are other ideas, other projects along the way that science centres engage in—science festivals, workshops. You'll be familiar with *Quirks & Quarks*, *The Daily Planet*, and shows like that. Science centres are an integral part of that culture in this country.

Science centres complement the formal education program with field trips, curriculum-linked programs, teacher professional development. Generally about 25% of the people who visit science centres are children in organized school groups. We are reaching a critical time in this country. We're planting the seeds for a flexible and nimble workforce of the future, and at the same time we need to deal with the implications of the technologies and biology and engineering that are coming online at an incredible pace. We need to use every tool we can to get people interested and motivated in science so that they can access the tools and skills and programs that my colleagues have talked about today.

Today, science centres are building a vision around what we can do that will engage the public in science and technology in this country. In three areas, at least, science centres know we share this vision with the government. We support a national science agenda. We know that Canadians want to learn more about the implications of current science, and science centres help bridge the gap between scientific research and everyday experience. For example, "The Gee! in Genome" project is on display in P.E.I. right now. It's a major exhibition on the role of genetics in our daily lives. That's one excellent example, and it is travelling across the country.



Science centres engage at-risk youth and underserved communities. Before they even have a chance to get to university, many people lose interest in science and lose motivation to even pursue it. Science centres can help attract some of those people back with programs that are out of school or complementary to school, with science clubs or even semi-work environments such as camp counsellors and volunteers, engaging them in projects along the way.

Finally, accountability. We've heard a lot about that. Science centres are definitely accountable. They have major private and public sector partnerships already. Yet our science centres constantly struggle to find the resources to do what they can in their local communities. In terms of funding, science centres are supported. Their funding models are often as diverse as the histories of their inception. Sometimes they receive core funding from their municipalities, sometimes they don't. They are definitely supported with significant gate admissions and private sector support, in addition to application to the few funding programs that do exist.

The situation facing us today is that we know several communities are changing. The Calgary Science Centre, for example, needs to change to meet rapid changes in their community. Quebec City, we know at this point, has a program, but they don't have a science centre. That is a major project that we know will be coming to the federal government with interest in the future.

At the moment, there is no coherent strategy to deal with what's happening with science centres at a federal level. We know that internationally other countries are much further ahead than we are—Sweden, the U.K., Finland. All those that performed well in those competitive rankings that were released yesterday have plans for science awareness. They're usually linked to their science and technology strategy. We don't have such a case in this country.

● (1700)

[Translation]

There is no plan, nor is any financial support provided for the Canadian Science Centres strategy.

[English]

Meanwhile, Australia, as part of their 2004 strategy, has committed more than \$37 million over the next seven years. We seek a framework under the science and technology strategy to engage science centres across this country—\$200 million over five years. Considering that \$2.7 billion is given to science and technology at universities across the country, we suspect that a \$200 million investment over five years is a reasonable ask for science centres.

Science centres are evolving. We're home to one of the first in the world with the Ontario Science Centre. We are changing to attract new audiences and new target markets. We hope that you will support us in our bid for a common strategy.

Thank you.

**The Chair:** Thank you very much, Ms. Ross.

And thank you all for your informative and sincere presentations.

We'll move to questions now with Mr. McKay, for five minutes.

**Hon. John McKay (Scarborough—Guildwood, Lib.):** Mr. Shaw, you say in your presentation, on page 12 :

A financial commitment was made by the former Liberal government in November 2005 for the NCAT project, which is presently under review by the Conservative government.

We know what “under review” means around here.

Canada is suffering from a chronic skills shortage. The NCAT project presents a solid, sustainable solution to this dilemma.

Can you give me an update on where the NCAT project is? Did you survive yesterday's round of cuts?

● (1705)

**Dr. William A. Shaw:** Certainly in your terminology, “review” means there is no answer yet. I agree with you, there is no answer.

We certainly were not in any funding envelope when that was earmarked for the \$15 million, so we're still hopeful. And we're hopeful that the billion-dollar infrastructure fund will come to fruition.

**Hon. John McKay:** Okay, thank you.

Mr. Alaku, in your second recommendation, you say that the basic goods and services tax credit for adults should be doubled, or at least upped by 40%, and that the threshold should be upped by 40%. This is a solid idea. If you actually want to benefit poor people, you up the credits rather than cut the GST, which is just a dumb economic thing to do.

Can you give me any kind of costing as to how much that would be for the folks you represent? Is it for everyone in Nunavut, or everyone north of 60? Is that the way you would calculate it?

**Mr. Adamie Alaku:** I will ask Eileen to answer that.

**Ms. Eileen Klinkig (Construction Division, Special Projects Manager, Makivik Corporation):** We don't have an exact calculation. If we're talking Nunavik itself, there are 11,000 people; it's not a big population.

**Hon. John McKay:** How many families would there be with an income over \$30,000?

**Ms. Eileen Klinkig:** Approximately 15% to 20% are over \$30,000.

**Hon. John McKay:** In terms of overall numbers, it is a pretty insignificant number of families that would actually benefit from this initiative.

**Ms. Eileen Klinkig:** That's right. However, the low-income families would benefit.

**Hon. John McKay:** Exactly. You're actually getting the benefit to the people who need it the most, which is intelligent economic theory, as opposed to this current government's theory.

Ms. Morris, you say in your executive summary, "In the 2006 federal budget, the government set out to improve the prosperity of Canadians by dealing with the challenge of increasing Canada's productivity and competitiveness." Then you list three or four items that generously total about \$200 million. I don't quite see how you can make that statement and then at the end of your presentation say that we need investing at international competitive levels, federal research, that you want the indirect cost for university research upped to 40%, etc. The two statements don't live in the same universe. In the last budget you got nothing, and this government shows no interest in actually dealing with this issue.

Give me some reason for hope here. If you only got about \$120 million to \$200 million in the last budget when they were flush with cash, why do you think you're going to get anything in the next round?

**Ms. Claire Morris:** Mr. Chairman, in fact, in last year's budget, as I indicated in my statement, we did receive \$100 million: \$40 million to the direct costs of research, \$40 million to the indirect costs, and another \$20 million to the Canadian Foundation for Innovation. The important thing for us was the recognition of the importance of university research as a major contributor to Canada's competitiveness and productivity. No, it's never everything that we want, but it was a major contribution.

The point I would like to make is that the shortfall, and you will have seen in our brief that we've identified that it is the most critical for the universities.... We have set a target of reaching 40% of indirect costs as being the real cost of supporting research inside the universities. We are still at an average of only 26%, and this is an area that really does have to be shored up.

**Hon. John McKay:** You got chump change in the last budget.

[Translation]

**The Chair:** The next questioner will be Mr. St-Cyr.

You have five minutes.

**Mr. Thierry St-Cyr:** Thank you for taking the time to be with us today.

My first question is for Mr. Alaku. I read your recommendations, and I would like you to tell us what the impact on your community would be if these recommendations are implemented.

One can easily imagine the social impact they would have if people had more money to buy food and meet their basic needs. Do you think the impact would be the same across all your communities?

• (1710)

[English]

**Mr. Adamie Alaku:** It would benefit a lot more if it became a refundable tax benefit, instead of a deduction, because as Eileen says, a lot of our people don't have much education, and they hold the low-end jobs in every job market.

[Translation]

**Mr. Thierry St-Cyr:** I see. Thank you.

I also have a question for Mr. Turk from the Canadian Association of University Teachers, who is asking for an increase in education transfers.

Earlier, other groups asked that 1995 funding levels be restored, taking into account inflation and higher student enrollments, for a total of \$4.9 billion. Is your organization also asking for the same amount?

[English]

**Mr. James Turk:** It's very difficult to estimate what it will need precisely, because with the creation of the Canadian health and social transfer, the CHST, everything was lumped together, and one can only estimate what percentage was allocated for post-secondary education.

As I tried to mention in my presentation, we're recommending that the federal government fund post-secondary education based on the capacity of the economy. That's why we think it should be a percentage of the gross domestic product, the wealth created, and we figure one-half of one penny of every dollar created by the economy is an appropriate level of funding. To get to that level would require more than a \$4 billion increase in funding.

[Translation]

**Mr. Thierry St-Cyr:** I see.

As far as transfers are concerned, I don't really know whether you're talking about national programs or requirements, similar to what used to be done for health care.

Like most stakeholders in Quebec, the Bloc Québécois is vehemently opposed to any strings being attached to these education transfers, since education is a provincial responsibility, and particularly since the Canada Health Act, which does force the provinces to meet certain conditions, has never prevented the government — it's important to point this out — from making drastic cuts in education transfers.

So, would you like to see national standards put in place or do you feel that the provinces' jurisdiction should be respected and that the choices should be left to them in that regard?

[English]

**Mr. James Turk:** I don't know if you'll be happy with my answer.

My answer would be “both” in the sense that, on the one hand, as you know, when the British North America Act was created, there was no post-secondary education. So the description of education as a provincial jurisdiction was in the context primarily of elementary school. Since that time, there has been the evolution of post-secondary education, and clearly post-secondary education in some dimensions is very much a national market. Students transfer from one province to another. Faculty move across from Laval to UBC, to the University of Alberta, to the Université de Montréal. There's a lot of movement in that sense. So at some level there's a national aspect to post-secondary education and, as well, very much a provincial aspect.

We recognize that the growth of our post-secondary education system happened only after the federal government started making significant contributions. Secondly, as the federal government cut back in its contributions, our system has suffered. Some provinces, such as Quebec, have really held the line to make their system accessible to students by keeping tuition low. Others have seen student tuition as a way to make up for absent government funding.

Our proposal comes out of a notion that the federal government is not in fact going to increase the level of funding necessary without some assurance that the provinces will actually spend that money on post-secondary education, but it has to be very much a joint federal-provincial determination of what the guidelines are. As well, we're quite clear in our draft post-secondary education act that the right of Quebec has to be recognized in the same way as we recognize the right of Quebec in terms of our national pension system and other matters. But in the absence of some assurance for the provinces that the federal government will transfer this money, and without some assurance for the federal government that the money will actually be spent, there is not going to be that kind of money; we've seen that over 20 years.

• (1715)

**The Chair:** *Merci beaucoup.*

We must move on to Mr. Del Mastro. It's your opportunity, Mr. Del Mastro, for five minutes.

**Mr. Dean Del Mastro (Peterborough, CPC):** Thank you, Mr. Chair, and thank you, everyone, for your presentations.

I'm going to try to get three questions in, so I'll ask for some fairly succinct answers.

Mr. Shaw, you had a number of what I think were very good comments with regard to staying the course with respect to investment into apprenticeship programs and hands-on training. Personally, I think this is a road to filling some of our skilled trade shortages. It's also a good way to help get people out of low-income jobs. Maybe you could comment a bit on that.

**Dr. William A. Shaw:** Thank you so much.

One of the organizations we work with is Women Building Futures. I can tell you first-hand that, in fact, if you take some low-income individuals or people who are on social rolls and bring them into the trades to fulfill the skills shortage, it works. We've certainly done things with our mobile education units in places like Conklin, where we've taken people who are on the social roll and now they're working for companies like Shell Canada.

So there is a track record. We need to make that investment, and you'll certainly see the revenues come back.

**Mr. Dean Del Mastro:** Ms. Maloney, you made a comment that I think is very apropos, which is to abandon the theory that one form of post-secondary education is superior to another. I think that's very important. I think we kind of have a theory that tells students, forget about where your interests lie; this is the best, and these others are all substandard post-secondary forms of education.

Maybe you could tell us a little bit about how we as a government could help you reinforce that.

**Ms. Sharon Maloney:** First of all, it's a question of attitudes that are not just government attitudes. We have attitudes with parents, we have attitudes with students, and we have attitudes with respect to people who are in the working community.

One of the things certainly the government could do to address this is to support and acknowledge programs that are directed towards the kinds of institutions that I am representing here, and to speak to the issue that one size does not fit all. We are not going to be able to be competitive on a national basis if we don't recognize this.

So when you're hearing from my member here, Mr. Shaw, talking about investing in programs that will leverage the training of apprentices, when we're talking about building infrastructure for schools like polytechnics, those kinds of concrete approaches need to be endorsed, because they will be the outcomes that actually reflect the change in attitude—and likewise with regard to research and the type of research that we're supporting or not supporting currently, and specifically with relation to applied research.

I think those areas would actually show that there is a change in attitudes, matched by actual actions.

**Mr. Dean Del Mastro:** Mr. Turk, you made a comment that there should be designated funding from the federal government to the provinces. I agree with you. I also think it's a good idea to do it as a percentage of GDP. I haven't had anybody recommend this so far. I think it's a good idea and a way the government should look at going.

My mother is a former financial aid officer at a university, so I have a little experience with this. You mentioned that ability, not wealth, should determine who goes to university. I think there's a number of uncontested qualifiers that haven't worked in the past, whereby somebody has been determined to be wealthy and therefore not qualified for a grant. Maybe we could talk about the benefits. In budget 2006, we opened up the student loan program and made it much easier for people to get student loans. Maybe you could comment on the effect of this on enrollment.

**Mr. James Turk:** One of the difficulties is that universities and colleges have few options when there's a cut-back in federal or provincial funding. Raising tuition and student fees is one such option. About the only thing governments can control is the level of tuition, which is why we focus on it.

Various governments have attacked this through student loans and the student loan program. This is a mixed blessing. It means that the net cost for those students who have to borrow will be dramatically higher than the cost for those who can pay up-front. It also means that for some students, especially those who come from poorer families without a history of dealing with large amounts of money, there's a certain debt aversion. We know that a lot of students choose not to take loans, even though they're available. Then there's the large number of people who are considered middle class and don't qualify. Mr. Rae's report in Ontario said the level at which you cease to qualify was over \$35,000. That creates real difficulty. I think we need to look at needs-based grants to supplement student loans.

• (1720)

**The Chair:** I really hope you're not going to take this personally, but I have to cut you off again.

We've going to move on to Madam Wasylycia-Leis for five minutes.

Madam, please proceed.

**Ms. Judy Wasylycia-Leis:** I have another question for Jim Turk, who has offered valuable advice to us over the years.

I want to ask this general question. We've been hearing from the Conservatives, prominent business organizations, and even some Liberals that we should be focused on paying off the debt. The Conservatives are proud of the record they set yesterday by putting \$13 billion against the debt. They believe we should give more tax breaks to corporations because it will trickle down to all of us. They suggest that if we don't do this we're holding our kids at ransom. If we do this, what happens to our kids and our future?

**Mr. James Turk:** There's a legitimate concern about economic debt. All parties have addressed this in one way or another and debated the question among themselves.

There's been insufficient attention to what I would call social debt. As we deny access to post-secondary education, which is necessary in order to advance, we're creating a different kind of debt. Our message, which I suspect other witnesses would share, is that investment in post-secondary education—and I'm talking about the whole range, not just universities but also colleges, literacy training, apprenticeship programs—is an investment that will pay off.

You don't make money in the future, you don't have a stable economic arrangement as an individual, family, or a country, unless

you make investments for the future. There hasn't been sufficient attention to the investment value of supporting post-secondary education for students who have the ability and can participate, whether in apprenticeship programs, colleges, or universities. The mania of focusing only on the economic debt pits those two against each other. I think there's another way of viewing this. Those who are concerned about the economic debt can also realize their objectives by recognizing the investment in post-secondary education.

**Ms. Judy Wasylycia-Leis:** Thank you.

At this point, I want to go to Claire Morris on the issue of indirect costs. I think it may be misinterpreted. You heard John McKay say that we've already put in as much as anyone has a right to expect. You seem to be saying that a lot of the research done by universities is a benefit to the country. For example, you cite the participation of the University of Laval and the University of Manitoba in the Arctic Net Centre of Excellence, which has a lot to do with climate change and the impact on the north and on Inuit communities. In another example, the Liberal government in the past cut back drastically on things like research into drugs, saying, don't worry, the universities can do it.

What you're saying, and I'd like some clarification, is that this is important work for the country, and that the government has an obligation to help meet the indirect costs.

**Ms. Claire Morris:** Thank you.

Absolutely. Understandably, the indirect costs are not easily captured by everybody. They are really the supports required within a university to support research activity, whether it's computers, networks, libraries, and so on—the kind of regulatory framework that governs most research. So the point we're trying to make in the brief is that without adequate support, universities have to turn to other areas of their budgets to cover it, and that feeds into the concern about the student experience.

To argue that research is critical to this country is a given. You've cited two particularly good examples that bring together a number of researchers from a number of universities, as well as external players from the business community and the government to look at particular issues and problems, and to chart a way forward. Our argument would be that it's absolutely central, and in this country universities are central to performing that research.

• (1725)

**Ms. Judy Wasylycia-Leis:** Thank you. I have one quick question to both Jim and Claire.

**The Chair:** No, you won't have a question for two people.

**Ms. Judy Wasylycia-Leis:** Okay, one quick question.

**The Chair:** You have about 15 seconds, so use it as you will.

**Ms. Judy Wasylycia-Leis:** Is there anyone in the academic community, including professors, students, faculty, and so on, who has said we should be putting money into more millennium scholarships, boutique programs, and RESPs, instead of into transfers to provinces, for building a strong education system? Is there anyone?

**The Chair:** Thank you for that preamble, Ms. Wasylycia-Leis.

Now, I must warn you in advance that you're going to hear some bells going off. That's not me calling anyone to order; that's because there will be a vote called very shortly. Those bells are not a fire alarm or something, so don't run out. We will try to get two or three more questions in; we have a few minutes. I'm just warning you in advance

Unfortunately for Madam Wasylycia-Leis, her time is up—

**Ms. Judy Wasylycia-Leis:** Only a yes or no.

**The Chair:** —or fortunately, for the rest of the committee, I'm not sure.

But we will continue with Mr. Savage now, for four minutes, sir.

**Mr. Michael Savage:** Thank you.

Thank you to all the panellists.

Claire Morris, last year the AUCC put out a publication on a campaign called "Momentum" that celebrated the great success of publicly funded research in Canada at the university level and, in particular, highlighted the Government of Canada's support.

I appreciate the fact that you have to be optimistic and pleasant with the government. But I would have to think this year's publication would be "Momentum Stalled", based on the fact that following "Momentum", the economic update had \$2.5 billion for research, including the full 40% on indirect costs, and then this budget in the spring I think has the total of \$200 million, of which you cite \$140 million. I don't see that there's a lot of optimism there, and I think success in research is very important.

Having said that, I'm not going to put you on the spot in answering that question, but I will ask you and/or Mr. Turk, and anybody else who wants to take a crack at this question.

We've heard that the federal government cash transfers to the provinces have been reduced—which is true—yet the government's own documents indicate that in the last 10 years the government

contribution to post-secondary education has stayed constant at 25%, the difference being that money has gone into research, the millennium scholarships, the Canada access grants, and so on.

Many people have called for a dedicated transfer, including some here today—which I support in general and which I've supported in the past. My concern is that we have only so much money. What is the number one issue facing post-secondary education today? We know we have decaying infrastructure and new infrastructure needs, but it seems to me that the number one need—and I'll ask your opinion, but I'll give you mine—is access for students.

You can't do the dedicated transfer. CAUT has asked for an education act as well, but we know that's not coming, because the government gave money from Bill C-48 for infrastructure, which wasn't what it was designed for at all.

So if there's only a certain amount of money, do we give it to the provinces and let them decide completely where it goes? Or should the federal government continue to have some determining role and following up the success we've had in research, give direct support to students most in need, so that they have equal access to universities and/or community colleges?

**The Chair:** You have about one and a half minutes for whoever wants to address that. I encourage it to be addressed in brief.

**Ms. Claire Morris:** I'm shorter than he is, so I'll start first, Mr. Chairman.

**The Chair:** Very good.

**Ms. Claire Morris:** The point we have constantly made is that you can't talk about affordability for students without thinking about the quality and the capacity at the other end. We can provide all kinds of assistance to ensure that students get to university, but if we aren't supporting the health and well-being of the university, you end up with classes of—

**Mr. Michael Savage:** Mr. Turk, I wonder if you.... If I misquoted you, I apologize.

**Ms. Claire Morris:** It's more complex than that.

**Mr. Michael Savage:** No, I understand there are all those needs. If you have a certain amount of money, where does it go?

**Mr. James Turk:** In answer to your question, as I tried to say, we think it's important for the federal government to get a dedicated transfer so that there is some assurance, and do that jointly, develop that with the provinces so that the money goes to the universities.

The way we deal with access, first, is that the universities and colleges be adequately funded so their tuition fees can be lowered rather than raised. Secondly, the universities and colleges are in the best position to figure out how to allocate, at any particular institution, the money among the infrastructure, expanding research labs, helping students, various programs for international students, or whatever. And the needs are different by institution.

At the heart of it, figure 3 in our brief shows that the estimated federal cash transfers have indeed declined from 1983 to 2005. Mind you, the money going to the universities—

• (1730)

**The Chair:** A case of popularity, Mr. Turk, is that I get to cut you off again.

We move now to Mr. Paquette.

[Translation]

**Mr. Pierre Paquette (Joliette, BQ):** Good afternoon. I want to thank all of you for your presentations.

Ms. Morris, I was a little surprised to note that your presentation made no mention of provincial transfers for post-secondary education. I realize that the title of your brief is “Investing in University Research”, but in order to do that, universities have to be able to fulfill their fundamental mission, which is education. We know that universities and colleges in Canada are currently underfunded.

Do you agree with what was proposed earlier by the Conseil national des cycles supérieurs, around which there seems to be consensus among university associations, presidents and teachers, as well as student unions, which is that 1994-95 funding levels be restored, resulting in a transfer of \$4.9 billion, to ensure that universities have the core funding they require.

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

That was a very deliberate choice. Several years ago, the Association of Universities and Colleges of Canada decided to support a dedicated transfer for post-secondary education. We know full well that there can't be only one priority on the table and if we are able to increase the level of support for indirect costs to 40 per cent, the universities will already be in a much better position to carry out their activities, since they will no longer have to dip into their operating budget in order to support research.

Our position is very clear. We have just completed a further proposal, which we will be making public, with respect to the roles and responsibilities of the federal government as regards post-secondary education. That proposal includes research, core funding, infrastructure, the Aboriginal population, and international students. I would refer you to that second proposal.

**Mr. Pierre Paquette:** When do you believe it will ready?

**Ms. Claire Morris:** Next week.

**Mr. Pierre Paquette:** Could you send it on to us through the Clerk?

**Ms. Claire Morris:** Yes, certainly.

**Mr. Pierre Paquette:** You're talking about support for 40 per cent of the indirect costs of research.

**Ms. Claire Morris:** We're talking about increased support to cover 40 per cent of direct costs — in other words, the grants provided by the different granting councils. Forty per cent of research cost support should be dedicated to indirect costs.

**Mr. Pierre Paquette:** On what are you basing your assessment of 40 per cent? Earlier, we were told it should be 65 per cent, an amount set as a result of a study carried out by an interministerial committee in Quebec. We also asked for documentation in that regard.

**Ms. Claire Morris:** This is a calculation we made several years ago where we tried, to the greatest extent possible, to identify the costs incurred by universities to support the research performed there.

**Mr. Pierre Paquette:** Would it be possible for you to provide documentation with respect to that method of calculation, so that the Committee can try to agree on what should be proposed? Thank you.

**The Chair:** Thank you very much, Mr. Paquette.

[English]

We will conclude with Mr. Turner.

You have a chance to ask questions for four minutes, Mr. Turner.

**Hon. Garth Turner (Halton, CPC):** On a back-of-the-envelope calculation on this session, I think we have well over \$1 billion that collectively you've asked for from the federal government here today. Obviously, our decisions are about priorities and where we're spending money.

I'll pick on you again, Mr. Turk, because you sounded a little preachy today about our spending priorities. In terms of the payment that was made on the debt yesterday, can you tell us, if you know it, what the benefit of this debt-down payment will be in terms of our cashflow?

• (1735)

**Mr. James Turk:** The figure I saw in the paper was \$700 million a year.

**Hon. Garth Turner:** Yes, it's pretty close to \$700 million. Do you not feel that is a legitimate thing for the Government of Canada to do now, so that each and every year going forward we will have \$700 million more to entertain requests such as these?

**Mr. James Turk:** Your opening comments were absolutely correct, Mr. Turner, that what your committee has to deal with is the issue of priorities. Every group, and I am sure there are thousands of them that come before you, has a compelling case as to why its particular need is worthy of your attention.

We would suggest that there are some foundational needs in this country in terms of health, in terms of social housing, in terms of education. And yes, we have to deal with the economic side and manage the debt—we have actually done remarkably well on that—but at the moment, our post-secondary institutions are in fact suffering as a result of inadequate funding.

So you had to make choices. You made a choice. We're suggesting that there is the capacity within the economy to adequately fund post-secondary education.

**Hon. Garth Turner:** But I gather you're saying you do not agree with that choice.

**Mr. James Turk:** No, I used it as an example to say that you have the ability to provide the level of funding that your predecessor governments did in the late 1970s and early 1980s.

**Hon. Garth Turner:** Okay, why do we have a debt of \$500 billion? Because we have predecessor governments that spent more than they took in. This is what we need to prevent so that going forward, we don't have a similar situation where we have to say, oh, I'm sorry, we're running a deficit so we have no money; in fact, we have to cut back.

**Mr. James Turk:** I don't think it's quite as black and white as that.

I was trying to suggest that investments in post-secondary education are indeed an investment. We know that graduates of colleges and universities earn substantially more income than people who don't graduate. As a result, they pay higher taxes. There are a variety of ways of generating future revenue to meet our needs. Paying down the debt is one of them, but investing in post-secondary education is another one.

And how do we balance that?

**Hon. Garth Turner:** But my point would be this. Is an investment of \$13 billion that yields an annual saving of \$700 million not an investment in our future, to fund our social programs?

I'm just trying to get some kind of glimmer of recognition here that what we're doing is not just being stingy Conservatives for the

point of it, but we're trying to create an environment in which we have more cashflow going forward to satisfy these very worthy needs. Give me a point, come on.

**Mr. James Turk:** I don't think I accused the Conservative government of being stingy Conservatives. I think what I said was that you have to balance a variety of competing needs, and just as paying off the debt is one of the needs to allow us a stable future, so is investing in post-secondary education. How you balance that—whether you cut the debt by \$9 billion and put \$4 billion into post-secondary education, or cut it by \$13 billion, or do something else—is a choice you have to make. I think these factors have to be weighed in.

It's not a simple matter of whether you did something good or bad.

**Hon. Garth Turner:** But don't we wish previous governments had done what we just did? In this case, we wouldn't even be having this conversation; we'd just write you a cheque.

**The Chair:** On that particular note, order, please. Mr. Turk is not the only one who is a little preachy today, but of course, we all have our different philosophies here.

I thank you all for your presentations. As a committee, we very much appreciate your input and the time you've taken in being here today and in the work you've done to prepare your materials for us.

Committee members, we reconvene tomorrow at 10 a.m.

We are adjourned.

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