

## **INTRODUCTION: A PROFOUND DISAPPOINTMENT**

The Canadian Federation of Students was founded on the principle that post-secondary education is a fundamental right, not a business opportunity or a privilege limited to the wealthy. When we say 'education is a right' we do not make a distinction between primary, secondary and post-secondary education. We mean that a free and democratic society and a vibrant and socially just economy depend on universal access to post-secondary education. A high school diploma is not enough; a post-secondary degree is an essential part of being a full and equal citizen.

The system of education we defend is one that is based on the five principles of the Canada Health Act: public administration, comprehensiveness, universality, portability and accessibility. To preserve this public system, Canada's post-secondary education system requires a complex and comprehensive framework of federal provincial and territorial policies, laws and funding arrangements that restrict the rights of private investors and service providers. We believe that Canadian governments must enact laws to enhance and protect the public system, laws that reflect and enhance the regional, cultural, linguistic and political complexities of the country itself.

In this broad philosophical and political context, the Federal Government's "Budget Update" (or 'Revised' Budget), announced October 18, 2000, is a profoundly disappointing document for the students of Canada. First, because the governing federal Liberal Party continues to defend and promote an elitist view of post-secondary education and has shaped public policy accordingly. Second, because when we examine the details of the February 2000 budget and the October 18, 2000 Revised Budget it is clear that the governing Liberals are abandoning the Federal Government's long-established responsibility to provide meaningful federal funding for Canada's colleges and universities to guarantee universal access and promote high-quality.

## **DETAILED SUMMARY**

### **1. MASSIVE SURPLUSES TO BE HANDED TO WEALTHY CANADIANS**

Based on conservative private sector forecasts and after adjusting for the "Contingency Reserve" and after also deducting the \$23.4 billion arising out of the recent "Agreements on Health and Early Childhood Development", the cumulative surplus is expected to be \$63.6 billion between 2000-2001 and 2005-2006.

The Government of Canada has refused to restore the dramatic cuts it has made in provincial transfer payments for universities and colleges. Instead of rebuilding Canada's crumbling education infrastructure, instead of reversing the cuts and

adding new investment in education the Government announced in the October 18, 2000 Revised Budget an accelerated tax-cut plan, from \$58-billion over five years, (as announced in the February, 2000 budget) to \$100-billion by 2004-2005.

Instead of heeding the Federation's call for restored federal funding and real debt relief through needs based grants, the government has chosen tax credits, which help only those students with significant taxable incomes. The governing Liberals have ignored the student debt crisis in Canada, while accelerating the privatisation and commercialization of research at our public institutions. These are shortsighted and dangerous policies.

Finance Minister Paul Martin told the House of Commons that education is a fundamental "building block" in the emerging new economy and espoused "equality of opportunity." Without committing a portion of the burgeoning surpluses to education and to eliminating student debt, the minister's words are hollow rhetoric. Martin said that the ballooning federal surpluses "are not a license to spend freely, they are an opportunity to choose wisely." It is disturbing fact that by not allocating significant funding the federal government does not consider post-secondary education a wise choice. Unfortunately, this is a public policy decision for which Canadian students will continue to pay.

## **2. TRANSFER PAYMENTS**

In the February 2000 budget the federal government allocated \$2.5 billion on a one-time basis to the Canada Health and Social Transfer to be used for both health care and post-secondary education over 4 years (or \$625 million per year). In response, the Federation expressed concern that the provinces would allocate any of this so-called "reinvestment" to education, and even if they did it would not even cover inflation. It is a fraction of what the Liberals cut from post-secondary education transfer payments - \$7-billion since 1993. It is also woefully short of the \$3.5-billion in federal transfers for post-secondary education the provinces have stated is necessary to solve acute problems in Canada's system of higher education.

The October 18, 2000 revised federal budget does not propose to increase this meager commitment to post-secondary funding.

As the Federation stated in its brief to the Federal Department of Finance in September, 2000, the restoration of federal transfer payments for post-secondary education is an integral component to solving the accessibility and quality crises at Canadian universities and colleges.

Those provincial governments ideologically committed to limiting accessibility (Ontario, Alberta, Nova Scotia) or otherwise unwilling to make up the federal shortfall have passed on these federal cuts onto students through massive tuition fee increases, resulting in rising student debt. Others, British Columbia and Quebec in particular, have made up for federal cuts with provincial reinvestment in education to secure a long-term tuition fee freeze. The Federal Government's

refusal to restore core transfer funding for post-secondary education will result in the further erosion of access and quality. The damaging effects — a patchwork of provincial systems with varying levels of accessibility, cost, and quality — will continue to mount as a result of the October 18, 2000 revised budget.

### **3. EDUCATION TAX CREDIT**

The Government proposes to double the Education Tax credit from \$200 per month to \$400 for full-time students (and \$60 to \$120 for part-time students) at an estimated cost of \$1-billion over 5 years.

By definition, a tax credit helps those whose annual income is taxable. Since most post-secondary students have low incomes, and therefore little taxable income, the increase in the tax credit will do little for the vast majority of students.

### **4. STUDENT DEBT**

The Revised Budget offers no debt relief measures for Canada's students. Approximately half of Canadian students graduate with an average debt load of more than \$25,000, up from \$8,700 in 1993, when the governing Liberals were first elected. The doubling of the education tax credit is not a solution to the crippling financial pressures facing students and will not help indebted students in any substantive or meaningful way.

Students entering the system need a cut in costs — tuition fees and other user fees — and a truly progressive student aid system based on grants not loans. Students graduating need a more aggressive debt relief program.

### **5. RESEARCH**

The Revised Budget proposes an additional \$500-million for the Canada Foundation for Innovation and an additional \$100-million for the Social Sciences and Humanities Research Council for research into the “knowledge economy”.

The Federation firmly believes in and has repeatedly called for a federal reinvestment in Canadian research. However, public research in Canada is actually weakened by the policy objectives of the Canada Foundation for Innovation (CFI). The CFI favours private for-profit research over research that is undertaken in the public interest. The CFI increases private for-private participation in Canadian research by demanding that 60% of any CFI project must come from private industry. This provision institutionalizes public/private partnerships to the detriment of research in the public interest. In addition to the accelerated cut in corporate taxes from 21% to 27%, the new funding for the CFI is massive subsidy to private industry research.

As the Federation stated in its brief to the Federal Department of Finance in September, 2000, the federal government should eliminate the stipulation that 60 per cent of the funds disbursed for projects under the CFI must come from the private sector. Further, the federal government should increase the base

operating budget of the Social Sciences and Humanities Research Council by 20 per cent, not a one-time targeted expenditure of \$100-million. The Federation also calls for an increase of the base-operating budget of the National Science and Engineering Research Council by 5 per cent.

## **CONCLUSION**

As a Federal election nears, students across Canada must send a clear message to our politicians: a real and substantial reinvestment in post-secondary education is vital for Canada's future. Without such a commitment, Canada's system of post-secondary education will be less accessible and of lower quality. Worse, in order to finance such their post-secondary education a generation of Canadians will be financially crippled by staggering student debt loads. The policy initiatives outlined in the October 18, 2000 revised federal budget will deepen the crisis of soaring student debt, crumbling infrastructure and skyrocketing tuition fees.