



TIME TO THINK BIG

THE CASE FOR FREE TUITION

October 2016



Time to Think Big is dedicated to students around the world fighting for free tuition, and generations of activists who paved the way.

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CUPE 1281

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“We need a post-secondary education system that dismantles barriers instead of building them. A crucial first step is the fight for free tuition.”

- Bilan Arte, National Chairperson, Canadian Federation of Students, 2016.

“Now is not the time for thinking small.”

- Bernie Sanders, 2016.

In February 2016, the Canadian Federation of Students (CFS) prioritized the demand of free tuition, reaffirming this call in June for our Day of Action on November 2, 2016.

Why? Because it’s time to think big.

It’s time to change the legacy we leave in post-secondary education (PSE), and for our society in general. It’s time to move beyond piecemeal reforms that reduce public funding and burden students with huge debt. It’s time to defend universal access to public PSE, education justice for all learners and the value of public education for the public good.

We know that vocational training, and college and university education itself is not free; it requires significant investment. But the case for free tuition does not ignore the cost of education; it seeks to reduce that cost at the front end for students. It seeks a post-secondary system without barriers for those who study or work on campus. It seeks a system financed through a progressive system of income tax, not an arbitrary fee. The case for free tuition begins from this premise.

It continues by acknowledging that times have changed. In our dynamic world, PSE and training is not a luxury. Research indicates that 70 percent of jobs today require some form of PSE;¹ and for the insecure employment that dominates the remaining 30 percent of jobs, people want pathways to a better future. A skilled trade, college diploma, or university degree are required for a decent income, and a just society. All students deserve that opportunity, and Canadian society

benefits from the skills people gain in getting there. That’s why tuition fees and education do not mix; there is no “progressive” case for tuition in PSE, just like there isn’t for elementary school, high school, or health care. We need universal access without up-front cost.

As this paper also explains, the pursuit of free tuition is part of our history. In the 1960s, the Canadian Union of Students took up this demand from earlier generations. They defended a free tuition precedent won by World War II veterans, when our PSE system was first changed from an elitist model.

More recently, Quebec students reminded us of this history.² In 2012, they rejected tuition hikes and resisted efforts to silence dissent. The government who opposed them was ousted after the largest student mobilization in Quebec’s history. Since then, the ground has shifted in public debates. Where we once discussed band-aids for a broken system, we now see movement for a new system altogether.

In February 2016, the Government of Ontario announced a policy of “free tuition” for families earning less than \$50,000 per year and rebates for households earning up to \$83,000 per year.³ Two months later, New Brunswick introduced similar legislation, effectively immediately, for families with gross incomes of \$60,000 or less.⁴

A more ambitious plan was offered by Bernie Sanders in his recent bid for US President: eliminating tuition at state colleges, financed by a tax on financial speculation (that would raise \$300 billion in revenue).⁵ This vision prompted Hillary Clinton’s campaign to adopt a version of the same

¹ Association of Canadian Colleges, *Canada’s Demographic and Advanced Skills Crisis: People Without Jobs, Jobs Without People* (August 2010).

² See: Gabriel Nadeau-Dubois, *In Defiance* (Toronto: Between the Lines, 2015); “[In Quebec It’s Official: Mass Movement Leads to Victory for Students](#)”, [commondreams.org](#) (September 21, 2012).

³ “Free tuition” is written with quotation marks here because the initiative remains means-tested to the lowest income segment of Ontario’s student population. See: Government of Ontario (Ministry of Finance), “[Improving Access to Postsecondary Education](#)”, 2016 Ontario Budget (February 25, 2012); Nora Loreto, “[Ontario Liberal Promise of Free Tuition Could Usher in Long-Held Dream of Privatizing the System](#)” *Rabble.ca* (February 26, 2012); Ashley Csanady, “[Sure, There Are \(Some\) Catches, but Ontario Really is Getting Free Tuition for Low-Income Students. Here’s How](#)”, *National Post* (February 29, 2016); Alex Usher, “[When is Free Tuition Free?](#)” (Blog Post, March 1, 2016).

⁴ Government of New Brunswick (Office of the Premier), “[Free Tuition for Low-Income and Middle-Income Families](#)” (April 14, 2016); Government of New Brunswick (Student Financial Services, Postsecondary Education, Training and Labour), “[Tuition Access Bursary](#)” (April 14, 2016).

⁵ Robert Pollin et al., “[The Revenue Potential of a Financial Transaction Tax for U.S. Capital Markets](#)” (PERI Institute, University of Massachusetts, March 2016).

policy: free tuition at state colleges for families earning less than \$85,000 (and this threshold would climb to \$125,000 by 2021).⁶

Chile and Germany have returned to PSE systems of free tuition. Why? Because tuition was found to create barriers to learning and progressive taxation was preferred as a means for redistributing wealth. This idea is shared by fifteen other countries that have zero or nominal tuition fees in their PSE systems.

Today's momentum for free tuition tells us that **students have power**. Governments are turning to models of free tuition because students (and their allies) have mobilized and made a persuasive case to the general public. We can do this across Canada.

We can challenge decades of “fend for yourself” thinking in PSE policy — where tax cuts or RESPs were promoted over public funding for PSE — and remember we are strongest when working together. We can tell our grandchildren we fought for them, as earlier generations fought for us. We can be inspired by those fighting for strong PSE systems elsewhere and build a better system here. Inspired by these ideas, we make a case for free tuition in vocational institutes, colleges and universities.

Of course, the case for free tuition angers Canada's PSE establishment: the politicians, campus executives and consultants who defend the status quo. They claim free tuition privileges “well off students” and siphons public dollars for a “private benefit”. They say free tuition is “costly” at a time when our society “can least afford it”.⁷

But the opposite is true. Our existing PSE system privileges upper income students and wastes billions on ineffective strategies. Huge perks and salaries are given to those who run post-secondary institutions and to banks who profit from our broken system of student aid. If they say the system works well, it's no surprise; it works very well for them.

Left behind are students with crushing debt and post-secondary institutions starved of needed funding. Left behind are those most marginalized on campus: Indigenous students, racialized students, international students, students with disabilities, queer and trans students, or workers in precarious jobs. Left behind is the

opportunity and space for free inquiry given the ongoing commercialization of research and corporate control of resources on campus.

A free tuition model, in contrast, takes us back to an era when our PSE system expanded thanks to a more progressive tax system and strong public funding. A free tuition approach allows for better campus services, fairer wages and reinvestment in core funding for PSE, given the heights to which tuition fees have risen.

At what cost? \$10.2 billion, or 0.6 percent of Canada's GDP.⁸ To fund this investment, we support the revenue-generating proposals in the 2016 Alternative Federal Budget and recommendations made by Canadians for Tax Fairness. They involve following through on government promises, re-directing existing public expenditures and introducing forms of progressive taxation.

More specifically, in what follows, our case for free tuition is based on these arguments:

1. Our PSE system is broken;
2. We must learn from our history;
3. We need fundamental change;
4. Free tuition is possible.

1. Our PSE system is broken

The case for free tuition angers Canada's PSE establishment. Why? Because according to them, our PSE system is the envy of the world.

Canada, they note, has a high rate of post-secondary participation. In 2014-2015, a third of 19 year olds were enrolled in universities, while a quarter were enrolled in colleges.⁹ Existing tax credits and student aid programs, they say, make our PSE system affordable. In fact, one analyst claims students pay “net zero” tuition when all forms of student aid are considered, which hardly suggests the need for fundamental change.¹⁰

That rosy picture, however, conceals an ugly reality. While many Canadians access PSE, they do so at a tremendous cost. From 2001-2014, revenues from tuition fees at

⁶ The Clinton campaign has promised zero tuition immediately at state colleges for families earning less than \$85,000 per year. By 2021, this will extend to households with incomes of less than \$125,000 per year. See: <https://www.hillaryclinton.com/issues/college/>

⁷ See: Jeff Collins and Ben Eisen, “Free Tuition No Magic Bullet” (January 7, 2015); Alex Usher, “Yet More Reasons Free Tuition is a Bad Idea” (November 4, 2014).

⁸ See Appendix A to this report for details.

⁹ Statistics Canada, *Education Indicators in Canada: An International Perspective* (April 28, 2016).

¹⁰ Alex Usher, “Canadian Students Pay Net Zero Tuition” (April 22, 2014); Alex Usher, “The Implications of Net Zero Tuition” (April 23, 2014).

colleges more than doubled (a 214 percent increase);¹¹ and from 2000-2015, revenues from tuition fees at universities nearly tripled (a 268 percent increase).¹² The consequence of this trend was a sharp increase in student debt.

In 2012, the last year for which data is available, public student loan debt was \$28 billion (it was \$19.6 billion in 1999),¹³ but that number does not capture private loans, or fully account for high-cost programs (like aviation, engineering, law, dentistry, pharmacy, or medicine). Clearly, student aid programs have not stopped unprecedented levels of debt. Instead, while some measures help, a confusing federal-provincial system of student aid is wasting public funds and financially burdening recent graduates.¹⁴

In 2011, 42 percent of Canadians between 20-29 years old lived in their parents' homes, up from 27 percent in 1981.¹⁵ In 2013-2014, 203,887 graduates couldn't make a single payment on their Canada Student Loans and this claim requires reporting pre-tax incomes of less than \$20,000 per year.¹⁶ In May 2016, Canada's Parliamentary Budget Officer noted that PSE is disproportionately accessed by higher income Canadians, with 60 percent of students coming from the upper 40 percent of income earners.¹⁷

We also know these income barriers interact with related forms of discrimination. For Indigenous students, it means broken promises. In 2011, Statistics Canada indicated that half of Indigenous adults aged 25-64 had a post-secondary qualification, compared to almost two-thirds of the non-Indigenous population.¹⁸ The study also noted that Indigenous post-secondary graduates are concentrated in vocational institutes and colleges, while under-represented in universities. There is a connection between this reality and the barrier represented by higher tuition fees. But wait, some might object, aren't Indigenous people entitled to free PSE given Canada's treaty obligations? While this is true for those deemed "status Indians" living

on Reserves, it is not applied to Métis, Inuit, or Indigenous people living off Reserve Lands. And even for those who do qualify, Canada's poor record in meeting its treaty obligations has hurt Indigenous students. The Postsecondary Student Support Program (PSSSP) was created to help Indigenous Nations fund post-secondary students, but the number of students funded through the program has steadily declined (from 22,938 in 1997 to 18,729 in 2009), given a 2 percent funding cap that's been in place for 20 years.¹⁹

Because of this, Indigenous Nations face a cynical choice each year about who they decide to fund via PSSSP transfers, while many get left behind; in 2016, over 10,000 Indigenous students were on a waiting list for PSSSP funding. Prime Minister Trudeau has pledged to lift the PSSSP cap and invest an additional \$50 million in the program annually,²⁰ but that did not happen in the 2016 Federal Budget.²¹ Meanwhile, Indigenous people are mired in deep poverty given decades of broken treaty promises, but greater PSE access for Indigenous youth is a way this could change. Demographic trends indicate the Indigenous youth population is growing at three times the national average, but state policies to empower them are stalled.

For other racialized students,²² whose families are disproportionately low income, high tuition fees reinforce existing social barriers to pursuing PSE.²³ The colour of poverty in Canada remains disproportionately black and brown, and higher tuition fees reinforce this problem. Charles C. Smith has noted how this happens in Canadian law schools, where exponential rises in tuition fees has deterred racialized students from changing a predominantly white profession.²⁴ But as the African Canadian Legal Clinic has noted, this starts with "safe schools" and "zero tolerance" policies in elementary and secondary schools which have led to high drop-out rates for racialized youth.²⁵ All too often, such disciplinary policies are applied to individual students without attention to social or structural issues and create barriers before many racialized students can attend PSE.

¹¹ Statistics Canada, CANSIM 477-0060 (2016).

¹² Statistics Canada, CANSIM 477-0058 (2016).

¹³ Statistics Canada, *Survey of Financial Security* (February 24, 2014).

¹⁴ Jordan MacLaren, *It's Complicated: An Interprovincial Comparison of Student Financial Aid* (Canadian Centre for Policy Alternatives: July 2014).

¹⁵ Anne Milan, *Diversity of Young Adults Living With Their Parents*, (Statistics Canada: June 15, 2016).

¹⁶ Government of Canada, *Statistical Review: Canada Student Loans Program* (2013-2014).

¹⁷ Office of the Parliamentary Budget Officer, *Federal Spending on Postsecondary Education* (May 5, 2016).

¹⁸ Statistics Canada, "The Educational Attainment of Aboriginal Peoples in Canada", *National Household Survey, 2011 Census* (2013)

¹⁹ Assembly of First Nations, *"Fact Sheet: First Nations Postsecondary Education"* (ND).

²⁰ Liberal Party of Canada, *"New Investments in Postsecondary Funding for Indigenous Students"* (2015).

²¹ Bilan Arte, *"Trudeau Fails to Deliver on Election Promise to Support Postsecondary Students"*, rabble.ca, (May 26, 2015).

²² The term "racialized students" refers to those on campus who are socially constructed as belonging to a given "race" by virtue of physical appearance, cultural practices and social assumptions. This process of racialization, however, is based a biological myth; there are no definitive categories of human beings that align with one's skin colour, eye shape, hair type, or cultural practices.

Still, race is a dominant category in our society and it is linked to historical forms of prejudice, discrimination and oppression. It is also linked to assumptions of white supremacy, where 'whiteness' is deemed "normal" or "appropriate". Anti-racist education begins by recognizing the social construction of race and challenging racism; this is far preferable to efforts which promote "colour-blindness".

For more background, see: University of Guelph (Human Rights and Equity Office), "Understanding Racialization: Creating a Racially Equitable University" (ND); Elizabeth 'Bettita' Martinez, "What is White Supremacy?" in Chris Crass and Catalyst Project, eds., *Catalyzing Liberation Toolkit* (ND).

²³ Government of Canada (Employment and Social Development Canada), *Snapshot of Racialized Poverty in Canada* (August 16, 2013).

²⁴ Charles C. Smith, *"Tuition Fee Increases and the History of Racial Exclusion in Canadian Legal Education"* (December 2004).

For those who do, systemic racism is everywhere: under-representation of racialized people as full-time professors, librarians and support staff and over-representation in low-wage work; the relative absence of serious analysis of race in course offerings, or adequate supports for students engaged in critical race studies; and repeated instances of racism on campus.²⁶ Heightened rhetoric around the global “war on terrorism” has also made Muslim or Arab students a target of Islamophobia. Tuition fees are another barrier for those facing Canada’s ongoing and systemic troubles with racism.

Students with disabilities also face unique barriers with high tuition fees and this is true for physical and mental health needs. They take longer to complete post-secondary studies given reduced course loads and require accommodations that are often not present on campus.²⁷ The reality of needing to study longer without necessary supports is intensified under a PSE system with high tuition; this is likely why students with disabilities, much like Indigenous students, are concentrated in vocational institutes and colleges, where fees are lower and program duration is shorter. High unemployment rates for students with disabilities also intensifies the challenge of struggling with debt accrued from comparatively longer periods of study.²⁸

International students suffer intense exploitation from differential tuition fees they must pay relative to Canadian students. In the late 1970s, the federal government promoted the notion of differential tuition fees for international students to increase revenue for colleges and universities. By 1982, six of ten provinces had pursued the option. Today, all provinces allow differential tuition fees and post-secondary enrolment for international students has tripled between 1992 and 2014.²⁹ Table 1 demonstrates what this means for three semesters of tuition at different post-secondary programs in Ontario.

For queer and trans students, high tuition means further oppression. The BC Poverty Reduction Coalition recently conducted a study which drew attention to high rates of poverty among queer and trans youth.³⁰ One in four reported being forced out of their homes given severe family conflict and being five times more likely than straight youth to go to bed hungry. If they make it to campus, trans youth face a lack of access to safe washrooms and life-saving medical procedures or accommodations. Tuition fees are yet another barrier for those who do not fit heteronormative assumptions, or a male/female gender binary.

TABLE 1: DIFFERENTIAL TUITION FEES (2016-2017)

INSTITUTION	DOMESTIC TUITION	INTERNATIONAL TUITION
St. Lawrence College (Kingston, ON) - Health Information Management	\$5700.36	\$26,475
Seneca College - Aviation Technology	\$18,214	\$71,723
University of Ottawa - Common Law	\$26,560	\$68,201.19
McMaster University - Medicine	\$27,531.77	\$95,955.02
Nova Scotia College of Art and Design - Post-Baccalaureate Certificate in Design	\$3,822	\$17,678
University of British Columbia - B.Ed.	\$11,331.60	\$48,958.20
McGill University - Bachelor of Arts	\$2,328 (Quebec residents)	\$15,942.90

Source: Tuition data at named institutions.

²⁵ African Canadian Legal Clinic, “[ACLC Policy Papers](#)” (ND).

²⁶ Sefanit Habtemariam and Sandy Hudson, “[Canadian Campuses Have a Racism Problem](#)”, Toronto Star (March 1, 2016); Claire Theobald, “[Racist Posters at University of Alberta Tell Men With Turbans to go ‘Back Where You Came From’](#)”, National Post (September 20, 2016). Harriet Eisenkraft, “[Racism in the Academy](#)”, University Affairs (October 12, 2010).

²⁷ Standing Senate Committee on Social Affairs, Science and Technology, “[Opening the Door: Reducing Barriers to Postsecondary Education in Canada](#)” (December 2011), pp. 28-31; Liam Kilmurray, Neil Faba and Laurie Alphonse, “[Access to Academic Materials for Postsecondary Students with Print Disabilities](#)”, Report for the National Educational Association for Disabled Students (May 2005).

²⁸ Martin Turcotte, “[Persons with Disabilities and Employment](#)” *Statistics Canada: Insights on Canadian Society* (December 3, 2014).

²⁹ Statistics Canada, CANSIM 477-0019 (November 2015).

³⁰ BC Poverty Reduction Coalition, “[Poverty is a Queer and Trans Issue](#)” (2015). For a national report of a similar nature, see: Egale Canada Human Rights Trust, “[Every Class in Every School: Final Report on the First National Climate Survey on Homophobia, Biphobia and Transphobia in Canadian Schools](#)”, (2011).

And no survey of our PSE system is complete without noting the growing prevalence of low-wage, temporary employment on campus. The post-secondary sector in Canada employs almost 400,000 people, a minority of whom are full-time support staff, librarians, professors, or administrators. But today 24 percent of jobs at colleges are temporary, while the figure reaches 39 percent at universities.³¹

Among these ranks are cleaners, food service workers and contract instructors who earn minimal wages despite performing crucial services. As a recent CBC documentary noted, most undergraduates are taught by people working

short contracts.³² Kimberly Ellis Hale, a Contract Instructor in Sociology at Wilfred Laurier University (and single mother of two kids), had this to say about her lot in life: *"I never imagined myself in this position, where every four months I worry about how I'm going to put food on the table."*

And yet, as Tables 2 and 3 explain, some are handsomely paid in our public PSE system:

TABLE 2: COMPENSATION FOR UNIVERSITY EXECUTIVES (2016)³³

NAME	JOB	INSTITUTION	COMPENSATION (2016)
William Moriarty	Past-President, CEO	University of Toronto Asset Management Corporation	\$1,475,281.14
M. Elizabeth Cannon	President	University of Calgary	\$943,000
David H. Turpin	President	University of Alberta	\$888,000
Arvind Gupta	Past-President	University of British Columbia	\$598,942
Gary Kachanoski	President	Memorial University	\$483,276
Richard Florizone	President	Dalhousie University	\$449,929

Sources: Government of Ontario, Public Salary Disclosure List, 2016; [University of Calgary 2015-16 Consolidated Financial Statements \(see Note 21, Salary and Employee Benefits\)](#); [University of Alberta 2015-2016 Consolidated Financial Statements \[see Note 18: Salaries and Employee Benefits\]](#); [UBC Public Sector Executive Compensation Reporting \(2015-2016\)](#); [Dalhousie University Public Sector Compensation Disclosure 2016, Contract \(2012\)](#); [Dalhousie University and Dr. Richard E.J. Florizone; Contract \(2014\)](#); [Memorial University and Dr. Gary Kachanoski](#).

³¹ CUPE National, ["Sector Profile: Postsecondary"](#), (June 11, 2015).

³² Ira Basen, ["Most University Undergrads Now Taught by Poorly Paid Part-timers"](#), *CBC News* (September 7, 2014); Mary Wiens, ["More Contract Work in Postsecondary Education - A Former Bastion of Secure Work"](#), *CBC News* (March 5, 2015); Cynthia Field and Glen A. Jones, [A Survey of Sessional Faculty in Ontario Publicly-Funded Universities](#) (Centre for the Study of Canadian and International Higher Education: April 2016).

³³ Moriarty's salary had increased by 550 percent since 2009 (when it was \$268,178.81) and he announced his retirement from the University of Toronto Asset Management Corporation (UTAM) on April 15, 2016. UTAM manages the U of T's Endowment Fund, its Pension Master Trust Fund and its short-term investment pool (totalling \$8.1 billion in assets by 2015). UTAM executives were the top four salaries in Ontario's university sector, grossing almost \$3.1 million. This amount would fund free college tuition in the Yukon and Northwest Territories.

Dr. Arvin Gupta resigned as President of UBC following a internal dispute (see: Brian Hutchinson, ["Former UBC President Breaks Silence About Mysterious Resignation"](#), *The National Post* (January 29, 2016)). But Dr. Gupta's situation is part of a longer trend: eighteen university Presidents have either resigned or been fired in the last ten years (see: ["UBC President's Resignation Latest in Trend of Failed University Leaders"](#), *CBC News* (August 21, 2015)). Dr. Gupta was replaced on an interim basis by Dr Martha Piper (a previous UBC President) and permanently by Dr. Santa J. Ono on August 15, 2016. UBC remains contractually obliged to pay Dr. Gupta his compensation for the 2016-2017 academic year.

TABLE 3: COMPENSATION FOR COMMUNITY COLLEGE PRESIDENTS (2016)³⁴

NAME	JOB	INSTITUTION	COMPENSATION (2016)
Christopher Whitaker	President	Humber College	\$455,256.76
David Agnew	President	Seneca College	\$412,737.69
John Tibbets	President	Conestoga College	\$411,369.85
Anne Sado	President	George Brown College	\$360,951.40
Kathy Kinloch	President	British Columbia Institute of Technology	\$300,079
Stephanie Forsyth	Past-President	Red River College	\$256,726

Sources: Government of Ontario, Public Salary Disclosure List, 2016; [Winnipeg Free Press](#); [Board of Governors, BCIT](#).

The PSE establishment insists these salaries are required to recruit the best talent. But for students and parents dealing with tuition hikes, lavish executive compensation is obscene. It also sends a clear message to PSE workers: keeping campuses organized, safe and accessible is less important; teaching and research are also secondary concerns. What matters is ensuring strong leadership at the top and paying top dollar to get it.

A related problem is the way this culture of executive perks has evolved with ongoing corporate involvement in PSE. Historically, corporations took an interest in PSE to recruit workers and hone various research capacities. But in the context of huge funding cuts, corporate involvement on campus has reached new heights. As institutions scramble to raise funds, it is common for corporate CEOs to play key roles in campus governance and to influence research priorities and results. It has gotten to a point where, as one study explains, “[t]he critical question is to what extent the corporatization of governance shifts the priorities and universities and colleges to reflect those of the private sector.”³⁵

High fees, soaring debt, unequal access and precarious work: these are not the attributes of a high-quality post-secondary system. Despite what apologists for the status quo say, our PSE system is broken and it must be fixed.

2. We Must Learn From Our History

How did this happen? A review of our PSE system’s history helps answer that question.

Today’s high tuition fees and student debt reflect a major shift in our PSE system. Over time, as we noted earlier, it changed from enjoying strong public funding to a model where tuition plays a crucial role. This shift created the problems we face today.

Canada’s PSE system first expanded in the years after World War II. In recognition of military service, the federal government extended grants for free tuition and living costs to returning soldiers. Between 1945-1946, university enrolment (no college system existed yet) surged by 46 percent, as 20,000 veterans entered the system. The following year, over 35,000 veterans enrolled.³⁶

According to Canada’s *Constitution Act of 1867*, PSE fell under the purview of provincial governments. But it was the federal government who funded a free tuition system for veterans and retained a critical role later for university funding and student aid. Almost immediately, our PSE system changed. Traditionally, as one historian notes, it “... trained the children of the political elites; [and] served as a finishing school for their daughters and prepared their sons for admission to the liberal professions.”³⁷

³⁴ The salary provided here for Dr. Stephanie Forsyth represented its level in 2014. According to the *Winnipeg Free Press*, Dr. Forsyth left Red River College “under a cloud” after submitting several questionable expense claims (including one instance of ‘left over’ granite from a campus construction project being used for Dr. Forsyth’s own residence) and firing sixteen senior executives in four years. See: “RRC Discloses New President’s Salary: \$225K”, *Winnipeg Free Press* (August 17, 2015).

³⁵ Canadian Association of University Teachers, “Do You Know Who Sits on Your Board?”, *CAUT Bulletin* Vol 63; No. 7 (September 2016), p. 18.

³⁶ Glen Jones, “An Introduction to Higher Education in Canada”, in K.M. Joshi and Saeed Paivandi, eds., *Higher Education Across Nations* Vol 1 (Delhi: B.R. Publishing, 2014), p.12.

³⁷ H.B. Neatby, “The Historical Perspective”, *Governments and Higher Education: The Legitimacy of Intervention* (Toronto: Higher Education Group, Ontario Institute for Studies in Education, 1987).

The presence of veterans on campus disrupted this elitist culture. As one study explains, "...veterans who became students were older than typical pre-war students and many were from a working class background ... [H]aving just returned from a war against fascism, they challenged elitism and bigotry, especially in the fraternity system."³⁸

A mass influx of students followed on the veteran example; at first, PSE enrolment increased by 71 percent between 1941 and 1951.³⁹ But later, from 1960 to 1975, PSE enrolment surged by over 300 percent, with a notable rise in the proportion of women (24 percent in 1960 and 44 percent in 1975).⁴⁰ With these challenges to elitist campus culture, politicians faced strong public demand for accessible education, which at this time meant nominal or free tuition. Over the next two decades, an intense struggle ensued. Students demanded a low-cost system, based on the veterans' example, while most politicians preferred tuition fees and student aid only for "those in need".

In 1965, the Canadian Union of Students (a predecessor to the Canadian Federation of Students) called for a National Day of Action on October 27. The action supported a vision for "universal accessibility", which proposed the abolition of tuition fees. The idea was promoted as a means to ensure "the fullest development of human potential".⁴¹ Students mobilized and thwarted a federal plan to double tuition fees. Tuition was frozen and increased only gradually over the following decade. In 1967, the federal and provincial governments agreed to a 50/50 cost-sharing model for PSE. Provinces would control decisions on policy, programs and spending, while the federal government would match provincial funds. Ottawa would also maintain the Canada Student Loan program, along with other student aid programs.

In 1976, Canada took a step further when it ratified the United Nations International Covenant on Economic, Social and Cultural Rights. As the Article 13(1-2) of the Covenant makes clear, this signaled a direction for education policy:

Article 13:

- 1. The States Parties to the present Covenant recognize the right of everyone to education...[t]hey further agree that education shall enable all persons to participate effectively in a free society, promote understanding, tolerance and friendship among all nations and all racial, ethnic or religious groups and further the activities of the United Nations for the maintenance of peace.*

- 2. The States Parties to the present Covenant recognize that, with a view to achieving the full realization of this right... [PSE] shall be made equally accessible to all, on the basis of capacity, by every appropriate means and in particular by the progressive introduction of free education.*⁴²

In 1976, tuition fees ranged in the hundreds of dollars and most Canadian politicians had utilized this system. A shift to free tuition was possible to imagine. Unfortunately for today's students, our PSE establishment pushed in a different direction.

The energy crisis and related economic crisis of the early 1970s brought the spectre of tuition hikes back. In 1977, the federal government cancelled its cost-sharing arrangement on PSE and created a more limited system of tax points and cash transfers called "Established Programs Financing".

This is the moment when our PSE system (and public services more generally) changed for the worse. From 1986-1996, reductions in federal transfer payments for PSE amounted to \$8 billion, a funding squeeze that would intensify in 1996. At that point, federal PSE funding was cut in historic terms, with the stated objective of seeking fairer outcomes. In 1994, Lloyd Axworthy, the federal Human Resources Development Minister, pledged a "total reform of the social safety net" to create a fairer society. "We have a society", he claimed, "where there are people who are able to drive stretch limousines with the windows blocked out in order to ignore the homeless. It's time we stopped that car, opened the doors, to give everybody a good ride into the future."⁴³

Two years later, Canadian public services were forever changed. Axworthy's Canada Health and Social Transfer (CHST) combined health, welfare and postsecondary education into a single fund, cancelling national standards established by decades of public policy debate. The CHST slashed federal transfers by \$10.9 billion (from their level in 1993-1994), representing an unprecedented cut of 18.1 percent. For PSE, it meant a loss of \$2.29 billion over the same time period, leading to massive funding shortfalls on campus.⁴⁴ That led to an era where provinces (starting with Ontario) allowed tuition to balloon for university-based professional programs like engineering, dentistry, law and pharmacy, following a model set earlier with differential fees for international students.

³⁸ Nigel Moses, *All That Was Left: Student Struggle for Mass Student Aid and the Abolition of Tuition Fees in the Province of Ontario 1946-1975* (Ph.D. Dissertation, University of Toronto, 1995).

³⁹ D.M. Cameron, *More Than an Academic Question: Universities, Government and Public Policy in Canada* (Halifax: Institute for Research on Public Policy, 1991).

⁴⁰ Statistics Canada, "Education in Canada" [[Archived Tables, Descriptions](#)], (1974, 1975, 1976).

⁴¹ See: Robert F. Clift, "The Fullest Development of Human Potential: The Canadian Union of Students 1963-1969" (masters thesis, University of British Columbia, 2002).

⁴² Quoted in CFS-Ontario, "[Fact Sheet - Free Postsecondary Education in Ontario: The Case for Eliminating Tuition Fees](#)" (December 2015).

⁴³ Barry Wilson, "Axworthy Will Avoid 'Slash and Trash' Approach to Social Program Reform", *The Western Producer* (February 10, 1994).

The funding cuts of the 1980s and 1990s marked a major shift. In 1974, government funding represented 92 percent of revenues in university operating budgets.⁴⁵ By 2012, that figure had dropped to 55 percent, and a similar pattern was true for vocational institutes and colleges.⁴⁶ How did post-secondary institutions respond? In most places, by hiking tuition fees. Tuition represented 14 percent of revenue in university operating budgets in 1982. By 2012, that figure was 38 percent.⁴⁷

Of course, our PSE establishment had an answer for those worried about the consequences of higher tuition fees. The 1998 Federal Budget, widely dubbed the “education budget”, introduced the Canadian Millennium Scholarships and government subsidies for Registered Education Savings Plans (RESPs).

These measures, Canadians were told, would ensure broad access to PSE, but research suggests otherwise. In 2015, an internal report for the federal government noted RESPs are disproportionately used by upper-income Canadians. Half the funding put towards RESPs is used by Canadians earning over \$90,000 per year or more, while a third is taken up by Canadians earning \$125,000 or more.⁴⁸ UBC Economics Professor Kevin Milligan had issued a similar analysis in 2002 and 2008, noting that high-income earners are 3.5 times more likely to have RESP savings.⁴⁹

So, to recap, while Canada’s UN representatives endorsed the goal of free tuition in 1976, politicians at home have cut funding, diminished standards and allowed for tuition hikes, particularly for international students. Campus executives seized the opportunity to raise fees and lavish themselves with benefits. Wealthy donors were solicited for donations and CEOs were invited to sit on governing boards. Banks were well-placed to earn billions through the sale of private student loans, student lines of credit and fees charged to RESPs.

“Neoliberalism”⁵⁰ is the academic term used to describe this trend in PSE policy. A plain language shorthand for the idea is “fend-for-yourself”; in all circumstances, at all times, government must reduce taxes and the scope of public services to allow more “free choice” for individuals. People must be then encouraged to provide for themselves, for doing otherwise enables laziness and a lack of entrepreneurial spirit.

Conservative activists have pushed such thinking since the early 1970s and this has influenced our political culture. At the root of this shift, as Diana Gibson explains, is

...a compelling story that has captured the imaginations and hearts of the public: that the wealthy and corporations are the only ones responsible enough to invest wisely and create jobs and thus should be the ones with the wealth; that the poor are poor because they are unworthy; that those who work hard get rewarded by becoming wealthy and successful; and that those who remain poor are irresponsible and make poor choices and thus should not be given money ... corporations and the wealthy will invest in ways that benefit us all – that those investments will create jobs, opportunities and more wealth for us all, wealth that will trickle down to those at the bottom.⁵¹

Two measurements reveal how convincing this story has been. The first is the size of Canada’s public sector, which is close to what it was just after the Second World War (federal government spending currently sits at 13 percent of GDP, its lowest level in sixty years).⁵² The second is the degree to which tax cuts and tax evasion have shrunk Canada’s public purse. In 1997, the federal corporate tax rate was 31 percent, but today it is 15.5 percent. The vast sums of money saved have created huge surpluses on the balance sheets of Canadian corporations.⁵³

⁴⁴ Canadian Federation of Students, “A Blueprint for Access, a Strategy for Change: An Alternative for Accessible, High Quality Postsecondary Education” 4th Edition (CFS: September 1997), 11-14.

⁴⁵ Michael Weisenthal, “Section W: Education” Archived Content

⁴⁶ Statistics Canada, “[Education in Canada](#)”

⁴⁷ Canadian Association of University Teachers, [CAUT Almanac of Postsecondary Education in Canada 2014-2015](#) (Ottawa: CAUT, 2016), 1-3.

⁴⁸ Government of Canada (Employment and Social Development Canada), “[Canada Education Savings Program \(CESP\): Summative Evaluation Report](#)” (November 6, 2015).

⁴⁹ Kevin Milligan, “[Tax Preferences for RESP Saving: Are RESPs Effective?](#)” (CD Howe Institute: November 2002); Kevin Milligan, “The RESP Bill is Bad Tax Policy and Even Worse Education Policy”, *The Globe and Mail* (March 11, 2008).

⁵⁰ See: Vandana Shiva, “Our Violent Economy is Hurting Women”, *Yes Magazine* (January 18, 2013); David Harvey, “[Neoliberalism is a Political Project](#)”, *Jacobin* (July 13, 2016).

⁵¹ Diana Gibson, “The Overton Window and the Left”, in Richard Swift, ed., *The Great Revenue Robbery: How To Stop the Tax Cut Scam and Save Canada* (Toronto: Between the Lines, 2013), 32.

⁵² Canadian Centre for Policy Alternatives, “[Alternative Federal Budget 2016: Time to Move On](#)” (March 10, 2016); Daniel Tencer, “[Canada’s Government Smallest in 60 Years, Needs Corporate Tax Hikes: CCPA](#)”, *Huffington Post Canada* (March 10, 2016).

⁵³ Jordan Brennan, “[Canada’s Failed Experiment With Corporate Income Tax Cuts](#)” *Behind the Numbers* (CCPA: September 9, 2015); David MacDonald, “[The Truth Behind Corporate Tax Cuts \(In One Chart\)](#)”, *CCPA (Blog Post, August 19, 2014)*; Jim Stanford, “[Having Their Cake and Eating it Too: Business Profits, Taxes and Investment in Canada: 1961 Through 2010](#)” (CCPA: April 2011).

The International Monetary Fund estimates the glut of corporate savings in Canada at \$680 billion, larger than Canada's national debt, but that only captures what is reported on corporate balance sheets.⁵⁴ Making matters worse are ongoing revelations about tax evasion and Canadians named in the infamous Panama Papers. Modest estimates suggest Canada's tax evasion yearly losses range from \$6 billion to \$7.8 billion,⁵⁵ and this does not count the legal ways in which important tax revenues are lost.

History has shown that "fend for yourself" policy has damaged our PSE sector, as it has damaged other public services. The unrelenting push towards funding cuts, tax cuts and tuition hikes has created campuses with hardwired inequalities. This marks a significant change; in the era of predictable public funding, strong standards and low tuition fees, a decent summer job (and work during the school year) could pay one's PSE costs. That era was ended given a lack of political leadership. That's why, as the next section explains, we need fundamental change.

3. We need fundamental change

We, the students of today, even though we are obviously members of that privileged class ... will not forsake our peers who for financial, sociological and other reasons have been denied the opportunity to partake in what we are fortunate to have.

- Patrick Kendriff, President, Canadian Union of Students, 1965.⁵⁶

Critics of free tuition say eliminating PSE costs is regressive. It's wrong, they claim, to eliminate tuition for upper income earners who predominate in PSE with the tax revenue contributed by everyone. A better approach involves targeting those "in need".

That was the argument levied at student leaders in the mid 1960s. Proponents of free tuition were accused of being "leeches on society" or "enablers of laziness". But as we see from Patrick Kendriff's remarks, that did not hold water then and it does not hold water now. We want a PSE system without barriers, accessible to all.

We have seen this debate before. At one point in our history, we decided our society should be more literate and numerate, so fees for elementary and secondary education were abolished. Public education was paid for through public spending and financed by a progressive system of income tax. In 2016, a similar case is being made for PSE.

When accusations of regression are debunked, critics of free tuition usually say that fundamental change is impossible. Thankfully for us, recent history suggests otherwise.

In 2012, Quebec students defended a system of low tuition and the most outspoken voices called for free tuition. The government opposing them lost the next election. The sitting Premier, Jean Charest (who had argued for free tuition as a student)⁵⁷ lost his seat in Quebec's National Assembly. At its height, over 400,000 students participated in what came to be known as Quebec's printemps érable ("Maple Spring").

In July 2015, Newfoundland and Labrador announced the elimination of provincial student loans in favour of more non-repayable student grants. In the previous decade, the government held a fifteen-year tuition fee freeze and added a series of other subsidies for student housing and learning costs.⁵⁸ While student loans were unfortunately re-introduced for 2016, Newfoundland and Labrador maintains the lowest tuition fees in Canada, due in large part to pressure by the student movement.

We've also seen impressive progress on PSE from our American neighbours. In May 2015, Bernie Sanders declared he would seek the Democratic Party's nomination for President of the United States. In PSE, Sanders pledged to eliminate tuition fees in state colleges and finance the initiative through a progressive tax on financial speculation.⁵⁹ More broadly, Sanders led a grassroots political revolution in US politics, rejecting the idea that elite maneuvering was needed for electoral success.⁶⁰

This political revolution made its impact on Hillary Clinton's campaign. On PSE, as most youth supported Sanders, Clinton pledged free tuition in state colleges for families with earning less than \$85,000 per year and the program would be extended to households with incomes of \$125,000 or less per year by 2020-2021. Lower interest rates will also be legislated on all student loans and student debt forgiven after 20 years.⁶¹

⁵⁴ See: Joseph W. Gruber and Steven B. Kamin, "The Corporate Saving Glut in the Aftermath of the Global Financial Crisis" (Washington: IMF, June 2015).

⁵⁵ Robert Cribb and Marco Chown Oved, "How Offshore Banking is Costing Canada Billions of Dollars a Year", *The Toronto Star* (April 4, 2016).

⁵⁶ Quoted in Clift (2002), 38.

⁵⁷ For background on Charest's student days, see: "Présumer l'illégalité de la grève étudiante: un instant!", *Le Devoir* (March 23, 2015).

⁵⁸ Jane Taber, "Newfoundland Reaps Rewards of Low Tuition Strategy", *CBC News* (September 13, 2016).

⁵⁹ See note 5.

⁶⁰ The Sanders campaign drew over twelve million votes, won 22 state primaries and caucuses and came very close (within two points or less) in five other states. Sanders won most voters under age 45 and took most contests where independents were allowed to vote. 2.7 million people made over eight million individual campaign contributions to the campaign, most of which came from low income people, whose donations averaged \$27 each. Harry Enten, "What Bernie Sanders Meant", *FiveThirtyEight.com* (July 12, 2016).

⁶¹ See note 6.

In 2016, the movement for free tuition spread to Canada. On February 25, 2016, the Government of Ontario announced tuition fees would be eliminated in 2017-2018 for students from families earning less than \$50,000 per year. Families earning less than \$85,000 per year will also qualify for reductions in tuition fees.⁶²

Two months later, the Government of New Brunswick outlined a similar plan. It announced that tuition fees would be eliminated for families with incomes of less than \$60,000 and that the measure would take effect immediately. Citing demographic challenges (students leaving New Brunswick) and declining college and university enrolment, Premier Brian Gallant framed the move as a step towards a more accessible system. "Education", he said, "is the key to New Brunswick's economic future."⁶³

At the same time, "free tuition" in Ontario and New Brunswick has arrived with limitations. In targeting low income students, the two-tier approach of our student aid system repeats itself, where only certain people are depicted as being "in need". A far better approach is a universal solution; because PSE training is essential, all Canadians deserve access without up-front cost. This is the logic behind our elementary schools, secondary schools and health care system. That is what we are fighting for today.

Students in Chile and Germany have made this case to their societies, which are now reverting back to free tuition systems. For Chile, this means returning to an era before the dictatorship of Augusto Pinochet, who abolished public education in 1981. Pinochet's regime deregulated the PSE sector and encouraged the flourishing of for-profit private institutions. The results were catastrophic. As one study notes, today

...[m]iddle class Chilean families spend 40 percent of their income per child on PSE expenses ... tuition at public and private universities has increased by more than 60 percent (in current dollars) over the past decade. One result is a high post graduation debt burden on many students. Chilean college graduates pay three to five times more of their income in student loans than their peers in [other] countries.⁶⁴

These were the conditions that led Chilean students into the streets from 2011 and 2013, demanding a change to the status quo. Impressively, the students won broad support and a promise from President Michele Bachelet to introduce free tuition at the PSE level. President Bachelet stated this would be financed by new corporate taxes.

More recently, the modest roll-out of this promise has impacted only 264,000 of Chile's 1.12 million students,

leading to a new round of protests. The government has blamed this on Chile's economic conditions, given slumping commodity prices, notably copper. As these words are being written, a major conflict is looming between the student movement and the Chilean 1 percent; students are demanding ambitious measures in progressive taxation to fix a broken system.

In Germany, a public debate on tuition fees has brewed since the mid 1990s and a movement (the "Alliance Against Tuition Fees") was founded to contest the option. This movement argued tuition was an affront to the principle of universal PSE access written into the German constitution. By 2014, the movement included over 200 student, labour and community organizations.

In 2002, German courts granted state governments permission to charge tuition and between 2006-2007 seven states did so. In response, protests persisted for years. One report offers a flavour of what this looked like at a campus level:

In Hessen, students occupied their universities and in Hamburg there was a fee strike. Meanwhile, in Bavaria, a movement that began with hundreds of students protesting in 2008 grew rapidly. By 2013 there were several thousand protesters and public opinion had shifted. The group delivered a petition for a state referendum on higher education policy. It was signed by 1.35 million voters and caused the state's conservative premier to scrap tuition fees just a few days later.⁶⁵

From 2007-2014, in light of these events, a u-turn happened in German politics. In 2014, Lower Saxony was the last state to abolish tuition fees. Deborah Hermanns, a British student who took part in the German student protests, credited a grassroots organizing strategy as crucial to this outcome:

The German student movement won in large part because it kept going and did not compromise. Since the foundation of the "alliance against tuition fees" in 1999, it has fought consistently for free education ... The German conception of student unionism is relatively simple: it is to politically represent the student population to the university, to advise on issues such as financial support or visa questions for international students and to take on wider political questions. These aims are reflected in union structures, which allow for much direct democracy and very little bureaucracy... Decisions about campaigns and allocation of funding are made at a weekly meeting which is open to all students.⁶⁶

⁶² See note 3. It is also worth noting that applicants for the new Ontario Student Grant will be required to contribute \$3000 per year towards their education to qualify for this funding.

⁶³ Government of New Brunswick (Office of the Premier), "[Free Tuition for Low-Income and Middle-Income Families](#)" (April 14, 2016).

⁶⁴ Gregory Elacqua, "[Education: Chile's Students Demand Reform](#)", *Americas Quarterly* (Winter 2012).

⁶⁵ David Smith, "[Germany Scraps Tuition Fees After Mass Student Protests Cause Shift in Public Opinion](#)", *Economy Watch* (October 8, 2014).

⁶⁶ Deborah Hermanns, "[Abolishing Tuition Fees: Lessons From Germany](#)", *Times Higher Education* (November 19, 2014).

If Chile and Germany can embrace free tuition, so can Canada. At the moment, seventeen countries around the world have no tuition fees or nominal fees.⁶⁷ Canada can have an inclusive approach to PSE without burdening students with debt.

The case for free tuition has resonated in Ontario and New Brunswick, but students must offer a more ambitious plan to earn broad public support. We turn to that task in the final section of this paper.

Free tuition is possible

“Be realistic: demand the impossible.”

- Student slogan first seen in France (inspired by situationist art movement), 1968.

Is free tuition possible in Canada? Yes, it is. But it requires expanding the limits of conventional thinking. We must demand the impossible and propose a strategy that leaves no one behind. A good first step involves eliminating tuition fees.

What will it cost? As Appendix A to this paper explains, \$10.2 billion will fund free tuition in our vocational institutes, colleges and universities. This investment represents 0.6 percent of Canada’s GDP.

Our PSE establishment will laugh, as will many media pundits. They will insist the status quo works well, that free tuition subsidizes rich students, and that fundamental change is impossible. When the case for free tuition is made, we can expect these replies.

But as this paper has explained, students have persuasive answers:

Our PSE system is broken. Government funding cuts have led to high tuition fees, which have burdened more students with crushing debt. It has also intensified barriers for those most marginalized on campus: Indigenous students, racialized students, queer and trans students, students with disabilities, international students and campus workers in precarious jobs. Meanwhile, campus executives reap lavish compensation, ongoing corporatization threatens free inquiry and banks reap huge profits from our ad-hoc system of student aid. Our PSE system is broken and it must be fixed.

Let’s learn from our history. When veterans of World War II came home, we honoured their sacrifice by ensuring free tuition for PSE. These veterans cracked the elite culture of our PSE system and on their heels came a surge of enrolment by women and traditionally marginalized

students for the next four decades. Generations of students enjoyed low tuition fees and our society benefitted from its investment in them. It is time to learn from our history, eliminate tuition fees, and invest in our future.

We need fundamental change. Our PSE system is disproportionately used by well-off students who are less likely to be deterred by high tuition fees. Decades of fend-for-yourself policies have not slowed the massive growth of student debt. We need a values shift around PSE, as we’ve seen with elementary school, secondary school and health care. The case for free tuition is about ensuring universal access to skills that are required for a decent income and a just society. We all deserve that opportunity, and we need fundamental change to get there.

Free tuition is possible. Free tuition is being discussed in Canada, where more are realizing that tuition fees are an unnecessary burden. Ontario and New Brunswick have adopted models of “free tuition”, while Quebec and Newfoundland have maintained low fees. The Sanders and Clinton campaigns have championed free tuition in state colleges, creating hope for millions of people. Chile and Germany have reverted back to free tuition systems, while fifteen other countries have zero or nominal tuition fees. Free tuition is possible, but we need inspired leadership and mobilization to get there.

That leadership starts with us. Students must work with our allies to build a grassroots movement for change. This movement must challenge decades of fend-for-yourself policies and the damage they have caused. Today the top 1 percent of income earners in Canada contribute a lower share of income in taxes than the bottom 10 percent.⁶⁸ As we already noted, a galling amount of money — over \$680 billion, more than Canada’s national debt — sits as surplus in corporate bank accounts, or in offshore tax havens.

Clearly, “fend for yourself” has failed and we need a different way forward. Our society generates more wealth than ever before, it’s in the distribution of that wealth where we see major problems. We must say it’s possible to restore public programs through progressive taxation and smart public spending. We must identify the policy tools needed to fund free tuition and restore public services. We must illustrate how our society’s resources can be more fairly distributed to our collective benefit.

To begin, we support the proposal (in the 2016 Alternative Federal Budget) to increase the federal corporate tax rate to 21 percent. This would restore our tax system back to where it was in 2006, and raise \$8 billion in revenue. Canadians for Tax Fairness have also identified over \$15 billion in funds for federal spending with the closure of tax loopholes, and creation of new mechanisms to generate revenue (see

⁶⁷ K.M. Joshi and Saeed Paivandi, *Higher Education Across Nations* (Delhi: B.R. Publishing, 2014); Ontario Undergraduate Student Alliance, *Global Analysis of Postsecondary Education Cost Recovery Models* (August 2011).

Appendix B to this report for details). We endorse all of these ideas, with the additional proposals to cancel the federal tuition tax credit (at a savings of \$1.2 billion), and federal tax expenditures for RESPs (\$125 million).⁶⁹

There is also a place for smarter government spending to fund free tuition, most notably in military procurement policies. Revelations about the costly purchase of sixty-five F-35 fighter jets indicates it's time to heed the words of novelist Robert Fulgham: *"it will be a great day when our schools get all the money they need, and the air force has to hold a bake sale to buy a bomber."*

The life-cycle cost of the F-35 purchase, one study suggests, is \$126 billion, with each plane costing \$1.9 billion for its use and maintenance.⁷⁰ The Trudeau government pledged to revisit this purchase, but is still paying the costly fees associated with remaining in a buyers consortium for the planes.⁷¹ But if we could do without six F-35s, tuition fees in Canada could be eliminated. If we could do without seven F-35s, we could also invest in the well-being of our veterans; 2,250 veterans are homeless today, while thousands of others live with debilitating injuries (both physical and mental).⁷² It is time for spending priorities that fit with Canada's progressive values.

On a final note, we also call for close audits of large reserve funds that exist in many PSE institutions, along with lavish compensation enjoyed by campus executives. The time for hoarding public funds is over. The time for sky-high executive compensation is over. It is inconceivable that campus executives feel entitled to salaries which are double (even triple) the rate earned by the Provincial Premiers where PSE institutions are based. Several contracts of campus executives are attached to this report as evidence of the extent to which executive compensation has ballooned. These funds can be redirected towards financing free tuition, and core funding for PSE. The same is true for large campus reserve funds that must be put towards meeting urgent needs.

Friends, **it's time to think big.**

It's time to honour our elders, and measure up to what history asks of us. It's time to reverse decades of bad choices, and declare a new era of learning without barriers. It's time to insist that a better PSE system is possible.

Let's make the case for universal access, education justice, and public education for the public good. Eliminating tuition fees is a big step in that important journey. Join us!

⁶⁸ CCPA, *Time to Move On*, 7.

⁶⁹ Government of Canada (Ministry of Finance), "Report on Federal Tax Expenditures: Concepts, Estimates, and Evaluations", (2016), 33.

⁷⁰ Michael Byers, "The Plane That Ate the Canadian Military: Life-Cycle Cost of F-35 Fleet Could Reach \$126 billion" (CCPA: April 2014).

⁷¹ Lee Berthiaume, "Liberals Pay \$33 Million to Stay in F-35 Program, Despite Not Committing to Buy Them" *The Canadian Press* (July 26, 2016).

⁷² Murray Brewster, "Ex-Ombudsman 'Gobsmacked' it Took Ottawa Five Years to Track Homeless Vets", *The Toronto Star* (January 10, 2016).

**APPENDIX A: COST OF FREE TUITION (COLLEGES AND UNIVERSITIES),
(x 1,000).**

PROVINCE	COLLEGE, VOCATIONAL SCHOOL TUITION	UNIVERSITY TUITION	TOTAL
Newfoundland and Labrador	\$11,220	\$62,295	\$73,515
Prince Edward Island	\$16,530	\$30,397	\$46,927
Nova Scotia	\$30,217	\$371,051	\$401,268
New Brunswick	\$23,085	\$150,373	\$173,458
Quebec	\$157,468	\$848,391	\$1,005,859
Ontario	\$1,257,386	\$4,395,415	\$5,652,801
Manitoba	\$50,638	\$196,219	\$246,857
Saskatchewan	\$46,515	\$218,591	\$265,106
Alberta	\$272,374	\$645,870	\$918,244
British Columbia	\$299,753	\$1,174,914	\$1,474,667
Yukon	\$1,163	n/a	\$1,163
Northwest Territories	\$1,597	n/a	\$1,597
Nunavut	\$914	n/a	\$914
Total cost	\$2,168,860	\$8,093,516	\$10,262,376

Sources: Statistics Canada, CANSIM 477-0058: Financial Information of Universities and Degree Granting Colleges, Revenues by Type of Fund (June 2016); CANSIM 477-0060: Financial Information of College and Vocational Schools, Revenues by Type of Fund (June 2016).

Note: College and vocational school data is based on tuition revenue for 2013-2014, university data is based on tuition revenue for 2014-2015.

APPENDIX B: Revenue generating proposals by Canadians for Tax Fairness



CANADIANS FOR TAX FAIRNESS
CANADIENS POUR UNE FISCALITÉ ÉQUITABLE



Three Smart Ways to Raise More Revenue

Brief to House of Commons Finance Committee

Pre-Budget Consultations in Advance of the 2017 Budget

From Canadians for Tax Fairness

August 2016

The federal government cannot deliver on all its promises and adequately address the many social, economic and environmental challenges we face unless it can find a way to raise significant amounts of new revenue. Deficit financing will not be sufficient.

There are three ways the government could raise additional revenue that should be given serious consideration. **We estimate that these options, if fully implemented, could raise an additional \$20 billion annually.**

1. Close Tax Loopholes

There are many tax expenditures that are unfair or have outlived their usefulness and that should be ended. This would not only save billions of dollars but would make the tax system simpler and fairer and easier to enforce.

The 2016 Federal Budget promised a review of all tax expenditures and the Finance Minister has said they expect to be able to find \$3 billion in savings. The promise to review tax expenditures is welcome but the government needs to set a more ambitious savings target. We think there is at least **\$16 billion** in savings that could be realized from closing unfair and ineffective tax loopholes.

We hope there will be an opportunity in addition to the Finance Committee's Pre-Budget Consultations to provide more detailed input to the government on their review of tax expenditures but here are some of the most obvious candidates for elimination:

- a. **Eliminate the stock option deduction:** This loophole allows corporate executives to pay tax on their stock option compensation at half the statutory rate most pay on their working income. Not only is the deduction highly regressive, with over 90% of the benefit going to the top 1% of tax filers who make more than \$250,000 annually, it is also bad for the economy as it encourages CEOs to inflate short-term stock prices through share buybacks instead of investing in the economy. Annual savings are estimated to be about **\$840 million**.¹

- b. **End abuse of small business corporations tax rate:** Tax laws allow accountants, dentists, doctors and small business operators to provide their services through Canadian-controlled private corporations (CCPCs) rather than as employees. These individuals then pay tax on income held within these businesses at the much lower small business rate (11%, declining to 9%) on their first \$500,000 of income instead of at the federal personal income tax rates of up to 33%. Some also pay family members, who actually don't do any work for the business. Closing this loophole would save about **\$500 million** a year.

- c. **Limit capital gains deduction:** Individuals and corporations who profit from the sale of investments or assets are able to pay tax at half the rate of tax on income from employment. We recommend maintaining the lifetime capital gains exemptions, but income from capital investments should be taxed at the same rate as employment income after adjusting for inflation. Allowing for an inflation adjustment would still provide some tax deferral benefit to investors but encourage longer term investments rather than short term speculative investments. Annual savings would be **\$10 billion**.

- d. **Lifetime limit for Tax Free Savings Accounts:** The decision to reverse the doubling of the annual contribution limit for TFSAs is welcome as the benefits of TFSAs primarily go to those earning higher incomes. But the cost in terms of foregone revenues will still continue escalate to many billions annually unless a lifetime limit is set. The cumulative amount individuals can contribute to TFSAs will be \$46,500 in 2016. We suggest therefore that a \$50,000 lifetime cap be put on TFSAs to avoid a revenue sinkhole in the future. Annual savings would be modest **at \$100 million** initially, but would increase to billions of dollars in future years.

- e. **Reduce RRSP contribution limits:** High RRSP contribution limits provide government support to high income people who don't need help with their retirement savings while

leaving less revenue available to support lower income seniors who need help the most. Lowering the annual contribution limit to \$20,000 could save **\$2 billion** a year while still providing a retirement savings option for most middle and lower income Canadians.

- f. **Review and replace ineffective boutique tax credits:** Under the previous government, Canada’s tax system became riddled with “boutique tax credits” for specific activities. These made filling out annual tax forms much more complex, and have generally not been effective in their intended objective. The 2015 Federal Budget eliminated several of these credits. But there are still more that should be cancelled. Ineffective and regressive credits should be eliminated or replaced with effective and equitable measures. Annual savings of up to **\$500 million** could be realized by doing this.

- g. **Cancel the corporate meals and entertainment expense deduction:** Businesses are allowed to deduct half their meal and entertainment expenses, including the cost of season’s tickets and private boxes at sports events. This is widely abused, according to the U.S. study of a similar measure there.² The meal expense for long-distance truckers could be maintained. Annual savings of **\$600 million** could be expected.

- h. **End fossil fuel subsidies:** While some fossil fuel subsidies have been reduced, federal tax subsidies to the fossil fuel industries still amount to **\$1.6 billion** annually according to a recent report from Oil Change International. Canada signed on to a G20 commitment to eliminate fossil fuel subsidies and it is time we delivered on this promise.

2. Stop Corporate Offshore Tax Dodging

The government has taken some welcome steps to combat tax haven facilitated tax evasion by wealthy individuals this year. But we estimate that individual use of tax haven tax evasion schemes is only about one third of the problem. Two thirds of revenue losses related to tax haven abuse is likely due to corporate tax dodging.

Many large and some medium sized companies have offshore subsidiaries. A study we commissioned found that 56 of the 60 major companies listed on the TSX had a total of 973 subsidiaries in tax havens.

Many corporations claim that their use of tax haven subsidiaries is perfectly legal. But the best that can be said is that it is a grey area. There is evidence both in Canada and in other jurisdictions that the primary function of tax haven subsidiaries is to shift profits in order to reduce corporate tax payments. Outdated international corporate tax rules do indeed allow a lot of legal latitude for multinational companies to shift profits in order to minimize taxes. Because of weak enforcement, some corporations are able to cross the line of what is legal, calculating that the risk of getting caught and having to pay up are far outweighed by the additional profits that can be made by short changing governments.

International agreement is needed to fix some corporate tax law problems such as the continued application of the difficult to enforce “arms-length rule” by replacing this with unitary taxation regime that would apportion tax payments by multinational companies to different governments according to the amount of business they do in each jurisdiction (similar to how business revenue is apportioned between different provinces in Canada).

But there are several measures the Canadian government could take to reform corporate tax rules and stem the revenue losses due to corporate profit shifting to tax havens:

- a. **Economic substance** - One way to restrict corporate tax haven abuse would be to require economic substance for any offshore subsidiary to be recognized as a separate corporate entity for tax purposes. Bill C-621, introduced in the last parliament by Murray Rankin, provides a good legislative example of how this could be done.³

We estimate this measure **could raise \$400 million a year**.

- b. **Capping interest payments to offshore subsidiaries** - Canada used to have a cap on tax deductibility of interest payments to offshore subsidiaries but this was removed by the previous government. It is time to re-instate this measure in order to curb offshore abuse. The OECD has recommended doing this in their Base Erosion and Profit Shifting (BEPS) Action Plan. The British government introduced this measure in their 2016 budget, though their fixed cap at 30% is far too high to be very effective. We recommend a Group Ratio Rule, limiting the deductibility of interest to the entity’s share of the group’s consolidated net interest expense, apportioned by earnings (EBITDA). If this is combined with a fixed cap, it should be set at the lowest level of 10%.⁴ We estimate this measure could raise at least **\$200 million** annually.

- c. **Applying a 1% withholding tax on Canadian assets held in tax havens** - Canadian direct foreign investment in tax havens increased to \$270 billion in 2015. This amounts to a quarter of all Canadian direct foreign investment abroad. The main reason for channeling investments through tax havens is to evade or avoid paying taxes in Canada. Applying a 1% withholding tax on Canadian assets held in tax havens would likely raise revenue of over **\$2 billion** a year.

3. Tax E-commerce Companies to Level the Playing Field

E-commerce companies such as Netflix, Amazon Prime, and Google (YouTube), Amazon, Uber, and Airbnb, are capturing a huge and growing share of the Canadian market but pay little or no taxes. They have been exempted from paying taxes by the Canada Revenue Agency because they have no physical presence in Canada and therefore are deemed not to be “carrying on business” in Canada.⁵ This policy is outdated.

The foreign-owned e-commerce sector now has revenues of more than \$30 billion a year and just Google and Facebook together capture 64% of all internet advertising dollars spent in Canada – over \$2.4 billion. Internet advertising is growing rapidly and now captures 34% of all ad spending, compared with 30% for television, 13% for daily newspapers and 14% for radio.⁶

Foreign e-commerce companies are squeezing out many Canadian media companies, taxi services, hotels and retailers, including many small businesses. Good jobs are being lost and in the few cases where they are replaced, they are part-time and insecure low-wage jobs. Canadian companies are losing because of unfair competition to foreign companies that pay little or no taxes.

Companies like Netflix, referred to as “Over-the-Top” media services are also not required to produce, broadcast or contribute to Canadian content. This has a direct impact on our cultural industry. It is depriving many artists and actors of work and impoverishing the Canadian cultural sector. All Canadians lose when our culture is diminished.

The European Union, New Zealand, Australia, Norway, South Korea, Japan, Switzerland, and South Africa, have modernized tax laws to respond to changing e-commerce reality.⁷ The OECD in its BEPS Action Plan on Addressing the Tax Challenges of the Digital Economy

has recommended ways that governments can collect value added taxes where the product is purchased to help level the playing field between foreign and domestic suppliers.⁸

Canadians have embraced e-commerce in a major way. However our tax policies have not kept pace. Failure to update our tax policy creates unfair competition, causes significant job losses in the journalism, media and cultural sectors, threatens the vitality of Canadian culture and squanders to opportunity to raise several billion dollars in revenue for both federal and provincial governments.

We recommend that the Canadian government level the playing field by:

- a. Making all e-commerce companies with Canadian income above a certain threshold pay corporate income tax on profits from products or services sold or rented in Canada whether or not they have a physical presence in Canada. It is difficult to estimate how much revenue this would raise as large foreign companies like Google and Netflix do not separate out their Canadian earnings but could be as high as **\$600 million** a year.
- b. Ending the GST/HST tax exemption for electronic commerce services (above a determined sales threshold) that sell to Canadians and requiring them to collect and remit GST/HST and PST amounts to federal and provincial governments on their sales in Canada. We estimate this would raise **\$312 million** a year.

¹ Many of the revenue estimates are taken from Finance Canada, Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2016. http://www.fin.gc.ca/taxexp-depfisc/2016/taxexpl602-eng.asp#_Toc442180630

² Richard Schmalbeck and Jay A. Soled, Elimination of the Deduction for Business Entertainment Expenses http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=2733&context=faculty_scholarship

³ <https://openparliament.ca/bills/41-2/C-621/>

⁴ For details on this issue see G20 SUBMISSION ON BEHALF OF THE BEPS MONITORING GROUP to UK Parliament, All-Party Parliamentary Group Examination of the OECD'S BEPS recommendations to the G20 <https://bepsmonitoringgroup.files.wordpress.com/2016/01/bmg-submission-to-uk-all-party-parliamentary-group.pdf>

⁵ Canada Revenue Agency, Carrying on business in Canada, GST/HST Policy Statement P- 051R2, Date of Revision April 29, 2005. This policy statement cancels P-051R1, dated March 8, 1999: <http://www.cra-arc.gc.ca/E/pub/gl/p-051r2/p-051r2-e.html>

⁶ John Anderson, Over the Top Exemption, 2016: Canadian Centre for Policy Alternatives, p.11. https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2016/06/Over_the_Top_Exemption.pdf

⁷ John Anderson, Over the Top Exemption, 2016: Canadian Centre for Policy Alternatives, p.18 – 21. https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2016/06/Over_the_Top_Exemption.pdf

⁸ <http://www.oecd.org/tax/addressing-the-tax-challenges-of-the-digital-economy-action-1-2015-final-report-9789264241046-en.htm>