



December 11, 2008

The Honourable James Flaherty, P.C., M.P.
Minister of Finance
Minister's Office - House of Commons
Wellington Street
Ottawa, Ontario K1A 0A6

Dear Minister;

I am writing to you on behalf of the one-half million members of the Canadian Federation of Students. As Parliament was unexpectedly prorogued, our Federation did not have the opportunity to present in person our submission to the Standing Committee on Finance. I am writing to briefly summarise our recommendations and, in light of the recent economic downturn, discuss additional considerations for short-term stimulus.

Before I review our policy recommendations, I would like to share with you an interesting finding from polling undertaken last month by Harris-Decima for the Canadian Federation of Students and the Canadian Association of University Teachers. When asked if it was acceptable to run a small budgetary deficit to maintain social program spending or whether programs should be cut to maintain a balanced budget, more than six in ten Canadians said that it was preferable to maintain social programs. As you prepare a federal budget to protect Canadians from economic hardship, I hope you consider that public tolerance for short-term deficit financing of the social safety net is higher than many pundits and the official opposition might lead you to believe.

Our submission to the Finance Committee describes how the recent investments in post-secondary education by your government were forward-looking and good steps in improving the quality and affordability of post-secondary education in Canada. In particular, replacing the beleaguered Millennium Scholarship Foundation with a more accountable and effective grant program was a welcomed change. Yet this achievement and others, such as the funding increase to the Canada Social Transfer, are threatened by the lack of a coherent long-term strategy for equality of access to post-secondary education.

Despite the \$800 million increase to the post-secondary education component of the Canada Social Transfer, tuition fees are still increasing in many jurisdictions, resulting in the continued erosion of the value of federal investments in student grants on an annual basis. The federal government must move swiftly to coordinate a strategy with the provinces to protect the integrity of federal student aid by putting in place the funding required to halt these increases. The Canadian Federation of Students recommends this be accomplished by consultations with the provinces on a federal Post-Secondary Education Act akin to the Canada Health Act.

Although some provincial premiers are quick to resist federal involvement in what they view as their jurisdiction, there is a vital distinction to be made between "jurisdiction" and "responsibility". Post-secondary education is within the legislative jurisdiction of provincial governments. However,

National Office • Bureau national

170, rue Metcalfe Street • 5th Floor/5^e étage • Ottawa, Ontario • K2P 1P3
Telephone/Téléphone: (613) 232-7394 • Fax/Télécopieur: (613) 232-0276 • www.cfs-fcee.ca

this assignment of legal and legislative authority should not be confused with the responsibility of all levels of government to coordinate their behaviour in order to build the best system of post-secondary education possible. If the federal government wants to play a role in reducing socio-economic inequality and increasing global competitiveness, federal coordination is not just an option, it is a requirement. Canada's envied healthcare system is a testament to what is possible when all levels of government work together in the national interest.

Although our Finance Committee submission did not touch on the role of innovative research and graduate student support (due to the very constraining criteria imposed by the Committee chair), the national organisation of graduate students, the National Graduate Caucus, put forward the following recommendation, which we support:

Increase, in both proportion and amount, basic research funding for graduate students through the granting councils, with greater funds asymmetrically allocated through SSHRC, to support innovation in graduate student research.

There is little doubt that innovative research and highly skilled workers will drive growth in the economy. Investing in graduate student research provides the federal government with a clear way to build upon past university research investments while adding value to the private sector, as several studies suggest that a growing portion of those with doctoral credentials work outside of academia. The National Graduate Caucus also recommends that future investments be directed through the tri-councils without targeting particular disciplines. Recent federal budgets have sought to limit research spending to a narrow range of areas, an approach that could ultimately stifle innovation since government has never proven to be effective at predicting research breakthroughs.

The Finance Committee's strict guidelines also prohibited a fulsome discussion of Aboriginal education issues in our submission. The national organisation of Aboriginal students, the National Aboriginal Caucus, has submitted the following budget proposal, which we also support:

The federal government should remove the funding cap on the Post-Secondary Student Support Program [PSSSP] and adopt all of the recommendations of the multi-party report by the Standing Committee on Aboriginal and Northern Affairs regarding post-secondary education.

There is a consensus in the post-secondary education sector that the disturbing under-representation of Aboriginal students in universities and colleges must be dealt with immediately. Lifting the limit on funding to the PSSSP could help thousands of Aboriginal students overcome the financial barriers that contribute to the current participation deficit. In addition to fulfilling an important responsibility of the federal government, dramatically increasing Aboriginal post-secondary education participation rates will also fill important holes in the workforce, improve health and well-being outcomes for Aboriginal Canadians, and reduce socio-economic disparities that exist in many regions, particularly Western Canada.

In addition to what has been formally submitted by the above student organisations to the pre-budget consultations, there are additional considerations that we wish to recommend in light of the current economic conditions. First, it could be beneficial to both students and struggling small

businesses if the federal government expanded the Canada Summer Jobs program. In 2007, your government re-adjusted application procedures to accompany a 10% cut in funding. The Canadian Federation of Students opposed the cuts in 2007, but believes that a shrinking economy is an excellent opportunity to give small businesses and non-governmental organisations a short-term labour boost in the form of expanded Canada Summer Jobs funding. Furthermore, we recommend that beginning in the summer of 2009, and continuing indefinitely pending the economy's recovery, a defined portion of increased funding to this program be set aside for new graduates in regions of economic depression. Past federal government decision-making (stretching back over a decade) is responsible for today's massive student debt levels. Short-term labour market support, especially in high unemployment regions, could help begin to alleviate pressures caused by student debt as well as boost small business.

The recent economic problems have exposed deep flaws in some areas of federal education policy-making. Much has been said about how the stock market's ongoing volatility has jeopardised the retirement savings of hundreds of thousands of Canadians. The same volatility has also threatened the value of Registered Education Savings Plans. According to our estimates, the federal government has spent over one billion dollars on foregone tax revenue for RESPs since 2000, and more than \$3.62 billion on Canada Education Savings Grants in the same period. Despite this massive investment, no data has been collected on their effectiveness at improving access to post-secondary education, and the government's own research suggests that the majority of the \$4.6 billion has been used on families who already have the resources to save for post-secondary education. Furthermore, the recent losses experienced by the market serve to highlight the folly of using private investment schemes to fund post-secondary education.

Recent federal budgets have made RESPs more attractive for those who can afford to save, but it would be wise to end this massive subsidy and re-direct federal resources to other, more worthy, programs. The Canada Student Grants Program is a superior vehicle to the Millennium Scholarship Foundation, but there is a valid concern that grant levels will be insufficient to make a significant dent in student debt. The federal government could more than double the value of currently available student grants by ending the RESP and associated programs and putting the savings towards the Canada Student Grants Program.

In closing, it is our belief that the federal government can use strategic investments in post-secondary education and training to not only cushion the downturn's impact of job losses, but also to prepare a skilled workforce to propel Canada out of an economic slump. Given the extent to which we were restricted by the submission guidelines imposed on Standing Committee on Finance pre-budget submissions, we would welcome the opportunity to further discuss ideas with you through a separate process at your earliest convenience.

Yours sincerely,



Katherine Giroux-Bougard
National Chairperson