



Report of the

Standing Senate Committee on

National Finance

FEDERAL POLICY

ON

POST-SECONDARY

EDUCATION

Chairman

The Honourable Fernand-E. Leblanc

Deputy Chairman

The Honourable William M. Kelly

Second Session

Thirty-third Parliament

March 1987

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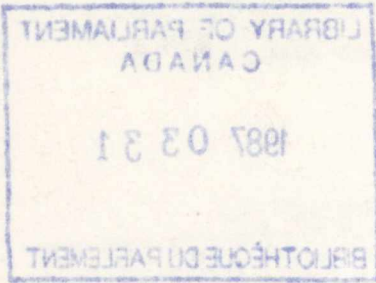
Deputy Chairman

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Order of Reference

On Thursday, September 26, 1985, the Senate resolved:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the activities of the Government of Canada in its financial support of post-secondary education and vocational training; and

That the Committee have power to engage the services of such professional, clerical and other personnel as may be necessary for the purpose of the said examination.

Members of the

**STANDING SENATE COMMITTEE ON
NATIONAL FINANCE**

(as of December 16, 1986)

**The Honourable Fernand-E. Leblanc, Chairman
The Honourable William M. Kelly, Deputy Chairman
and
The Honourable Senators:**

**R.J. Balfour
Michel Cogger
Anne C. Cools
Louis de G. Giguère
Stanley Haidasz
Henry D. Hicks**

***Allan J. MacEachen or Royce Frith
Lorna Marsden
*Lowell Murray or C. William Doody
Jean-Maurice Simard
John B. Stewart**

**Ex officio Member*

Note: The Honourable Senators Bosa, Corbin, Davey, De Bané, Doody, Flynn, Kenny, Kirby, Le Moyne, MacDonald (Halifax), Macquarrie, Marshall, Murray, Pitfield, *Roblin, Sherwood, Sinclair, Steuart (Prince Albert-Duck Lake) and Turner also served during the First and Second Sessions of the Thirty-third Parliament.

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SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Chapter 2: Established Programs Financing

The Committee does not support the action of any province in redirecting money transferred to it in respect of post-secondary education despite the legal right of each province to do so. However, we believe that there should be no retroactive penalty for such action. (p. 19)

In our view, as long as Parliament authorizes the unconditional transfer of money to the provincial governments and the provinces retain constitutional responsibility for post-secondary education, it is most unlikely that meaningful dialogue on post-secondary education will ever take place. (p. 30-1)

In the Committee's view, EPF may be a success as a financial program, but there is no way to determine its effectiveness as a program designed to support post-secondary education in Canada. (p. 32)

The Committee believes that EPF has been a destabilizing influence on federal-provincial relations because it encourages the two levels of government to blame one another for deficiencies in the levels of financial support to post-secondary education. (p. 32)

It may be that the principal error of the federal government in establishing EPF was its reliance upon one omnibus piece of legislation to address both the financial balance of the country and the generation of a high quality post-secondary system, while at the same time recognizing the constraints of the Canadian constitution. (p. 34)

Chapter 3: Equal Opportunity to Higher Education

The Committee concludes that accessibility to college and university in its aggregate form is not a problem of national dimension. (p. 41)

The Committee believes that the issue of accessibility is a distributional matter and therefore the focus should be on ensuring that there be fair access to higher education for adults, native peoples, the

handicapped, and low-income groups, and furthermore that fair access should not be encumbered by provincial borders. (p. 42)

The Committee believes that when a student is unsettled or lacks the motivation, educational costs often are stated as the reason for dropping out after high school. (p. 47)

The Committee is also convinced that even if tuition fee levels fell to zero, the percentage of high school graduates who fail to go to college or university would not be affected substantially. (p. 47)

Improving accessibility for people from lower-income families and facilitating re-entry for adults cannot be achieved by massive federal transfer programs like EPF. Rather, these problems are dealt with by programs aimed at specific problems. (p. 48)

Student aid programs will have only a marginal effect on participation by children from lower-income families. In order to increase their participation, programs would have to be targeted to helping them much earlier in their educational careers. (p. 49)

Chapter 4: Research and Excellence

The Committee believes that the overhead costs of research must be financed adequately; it recommends that the budgets of the granting councils be increased to meet this need. (p. 56)

The universities are so disproportionately dependent on provincial grants that increasing the proportion funded by granting councils probably would be a positive step. The Committee believes that this is to be preferred because funding through granting councils is determined on the basis of quality, a criterion which we believe should receive greater attention in determining the overall level of university funding. (p. 56)

The Committee thinks that the Canadian Association of University Business Officers' study on the overhead costs of research is a very useful contribution to the determination of the value of the overhead costs and could be used as the basis for developing a formula for funding the overhead costs. (p. 57)

The Committee recommends that when government departments conclude agreements with academics for contracted research, an additional, non-negotiable 65 per cent of the payroll costs be included for overhead. (p. 57)

The Committee recommends that the granting councils find ways of communicating to the public the results of the work they support and build mechanisms to ensure this communication continues. (p. 65)

We recommend that a Centres of Research Council be created to make grants in support of the full costs of fundamental research in the natural sciences by financing the operations of designated research centres with approved programs of work; these centres would be located at selected Canadian universities and would be capable of doing research of an international calibre. The grant money should come from a new and separate fund, and should not be deducted from the monies now provided to the granting councils. We believe that the selection of the centres to be supported cannot be left to the peer-review system traditionally used in Canada. (p. 65)

We recommend that the Centres of Research Council be composed of scholars and scientists of international calibre, perhaps ten or twelve in number including three or four from other countries, that it meet once a year after the initial period, and that the administrative work of the Council be done by NSERC. (p. 65)

The Council should receive at least \$100 million each year for an initial ten-year period. The effectiveness of the Council should be examined at the end of that time. (p. 66)

Chapter 5: Selected Topics

Regardless of the costs or benefits to Canada, the setting of foreign student tuition fee levels is the responsibility of provincial governments and the universities; the federal government should not attempt to intervene. (p. 70)

The Committee is not convinced that, from a national perspective, foreign student fee differentials are wrong. (p. 70)

The Committee believes that in view of the substantial federal involvement under the Canada Student Loans Program, there is an urgent need for a parliamentary review of student assistance in Canada, and that such a study should examine the question of the proper roles of the two levels of government in this area. (p. 73)

In our view, the time has come for disengagement between the two levels of government over responsibility for post-secondary education in Canada; disengagement is the only effective way to ensure accountability while at the same time making clear where the responsibilities lie for coming to grips with the need for high quality post-secondary education. (p. 77)

We believe that retirement during the next ten or fifteen years by a large proportion of those who now teach in Canadian universities will provide universities with opportunities: first, to introduce better and distinct procedures by which to determine salaries; second, to introduce more rigorous procedures for rank and tenure decisions; and, third, to

devise procedures which ensure that tenured professors do not neglect their teaching and research obligations, while retaining protection for academic freedom. (p. 81)

We recommend that a Canadian Scholars Development Fund be created. (p. 82)

The purpose of this Fund is to create a reservoir of talented scholars and scientists who would undertake research at the larger Canadian university centres and become a source on which to draw in filling the academic vacancies that are expected to occur in the 1990s. (p. 82)

Chapter 7: Conclusions

In the Committee's view EPF is a program which never was intended to have a direct impact on the post-secondary education system in Canada. (p. 95)

The Committee recommends that the overhead costs of research be supported by NSERC and SSHRC. (p. 98)

The Committee recommends that the overhead costs of medical research supported by the MRC be met, but that a separate formula be developed to address the special funding needs of this research. (p. 98)

With regard to contract research with government departments, the Committee recommends that an additional, non-negotiable sum equivalent to 65 per cent of the payroll costs be included for overhead. (p. 98)

To address the need to pay for the core operations of research, we recommend that a Centres of Research Council be created independent of each of the three granting councils but administered by the Natural Sciences and Engineering Research Council. (p. 99)

The Committee proposes that \$100 million in 1986-87 dollars be set aside annually for such a Council; more might be required if the initial results warranted the expenditure. We also propose that an annual report to Parliament be tabled on the activities supported by the Centres of Research Council. (p. 99)

We suggest that the proposed Canadian Scholars Development Fund be re-examined after five years to ascertain whether the intentions of the scheme are being thwarted by the use of promotion and tenure. (p. 100)

The Committee believes that it is desirable that the Council of Ministers of Education, Canada become an open national body far beyond its current format as a closed forum for provincial ministers of education. (p. 100)

We have concluded that federal support in respect of post-secondary education through EPF no longer is beneficial; indeed, because EPF tends to blur responsibility it ought to be terminated. (p. 101)

The Committee suggests that the solution is for the federal government to terminate the PSE portion of EPF and transfer adequate financial resources to the provincial governments. This could be done by converting some or all of the money currently transferred in the form of cash payments into equalized tax points to be given to the provinces along with the personal and corporate tax points already transferred for health and education. (p. 102)

Foreword

When the Fathers of Confederation planned the Canadian constitution they allotted to the federal government those responsibilities that in their view were national, dynamic and likely to expand, and left to the provinces those that were local and static. To meet its constitutional responsibilities the Dominion was given unlimited powers of direct and indirect taxation. To pay their expenses the provincial governments were expected to rely on certain cash transfers from the federal treasury known as "statutory subsidies" and on natural resource revenues. In 1907-08, after Alberta and Saskatchewan had become provinces, the statutory subsidies totalled \$9.0 million; in 1985-86, these payments to the provincial governments totalled \$35.8 million. Under the *British North America Act* the provincial governments also were given the power to impose direct taxes, but this was to enable them to authorize local authorities to levy property taxes for municipal purposes; the thought that provincial politicians would ever bring themselves to introduce direct taxation for provincial purposes was regarded as risible. The founding Fathers never envisioned the importance of direct taxation; nor did they foresee the development of the national character of post-secondary education. The problems in post-secondary education financing today are a direct result of these decisions, which in hindsight appear to be misjudgments. The provinces have the constitutional responsibility for post-secondary education, while the federal government provides much of the money.

By the turn of the century the provincial governments, having found the statutory subsidies completely inadequate, were deeply involved in direct taxation of various kinds. During World War I, the Parliament of Canada introduced on a temporary basis income taxes on individuals and on corporations. Thus began the federal-provincial contest over access to the direct taxation fields. During World War II the federal government, by tax-rental agreements, paid the provincial governments to vacate entirely the individual income tax field, the corporate income tax field, and the estate (succession) tax field. After the war, by the abatement technique, the federal government made room for the provincial governments to revive provincial taxation in these fields; later this was replaced by "tax-sharing" arrangements.

This places in context the realities of the world of federal-provincial tax revenue sharing and the situation facing post-secondary education financing in Canada today. The Government of Canada currently copes with these realities by means of a block funding program popularly known as Established Programs Financing. This Committee has come to the conclusion that after ten years of operation this program has failed. This report demonstrates these failings and

submits proposals that take into account the constraints of the Canadian constitution.

We also considered excellence in Canadian universities. Many of the people who met with the Committee recounted the decline in the quality of teaching and research at our universities; mediocrity we were told has become a way of life. In our view, the quality of teaching and undergraduate education is not a matter that can be addressed by a federal parliamentary committee. Research, however, is different. We were told that research is both underfunded and deteriorating in quality. We believe that these trends must be reversed and that a change in the way we fund research will be required.

Our order of reference called for an examination of activities of the Government of Canada in its financial support of post-secondary education and vocational training. Early in our hearings we decided that we could not adequately examine the vocational training programs of the Government of Canada while attempting to do justice to the fiscal transfer programs in respect of post-secondary education and to the research programs of the three research granting councils. We therefore leave a review of the vocational training programs of the federal government to another day.

A few words respecting the National Finance Committee, as well as the intent of its members, are in order. The general responsibility of the National Finance Committee is to contribute to a more effective and efficient use of federal expenditure: specifically, in this study, we sought to gain a better understanding of the financial role of the federal government in the field of post-secondary education in Canada.

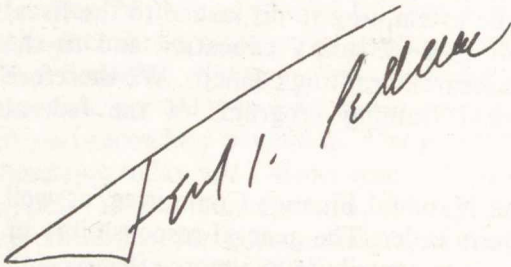
We were most fortunate to have had as wide a composition of membership on our Committee as we did. Each was able to view the subject-matter from his or her own perspective. Academics, accountants, public servants, businessmen, interested citizens, politicians — federal and provincial — all of whom in their roles as parliamentarians provided objective and dispassionate advice.

Solutions, however, were not easily arrived at. Our report might have become mired in the past. We weighed carefully whether, with our individual experience of the past, we could make any contribution to the intellectual future of the country; there was concern that historic political baggage would slow us down, even to a stop. It was with considerable disruption of those traditional views that we opted to address the future.

In the chapters that follow we examine some of the issues related to post-secondary education which will have to be addressed if this country is to achieve that high quality — that “Grail” — sought by us all.

The Committee wishes to express its gratitude to the many witnesses whose concern for the future of education led them to appear before us. It also wishes to express its appreciation and thanks to those who offered advice and made suggestions that frequently the Committee found to be helpful.

The Committee is also indebted to its technical adviser, Mr. Ralph Mitchener and to Mr. Jeff Greenberg and the staff of the Parliamentary Centre for Foreign Affairs and Foreign Trade, who organized our research and, under the Committee's direction, gave form to the report. A special note of appreciation is expressed to Mrs. Shirley Waller of the Senate Committees Branch and to Dr. John Desmarais, Clerk of the Committee, who organized our program.

A handwritten signature in dark ink, written in a cursive style. The signature is enclosed within a simple rectangular box that is slightly tilted. The signature itself is slanted upwards from left to right.

Fernand-E. Leblanc

• Chairman

Acronyms

ACCC	Association of Community Colleges of Canada
AUCC	Association of Universities and Colleges of Canada
CAAT	College of Applied Arts and Technology (Ontario)
CAUBO	Canadian Association of University Business Officers
CAUT	Canadian Association of University Teachers
CBIE	Canadian Bureau of International Education
CEGEP	Collèges d'enseignement général et professionnel (Quebec)
CFS	Canadian Federation of Students
CIAR	Canadian Institute for Advanced Research
CMEC	Council of Ministers of Education, Canada
CSLP	Canada Student Loans Program
DPSAP	Dominion-Provincial Student Aid Program (1939- 1964)
DSS	Department of Supply and Services
EPF	Established Programs Financing
FPFAA	Federal-Provincial Fiscal Arrangements Act (1967)
MRC	Medical Research Council
NCCU	National Conference of Canadian Universities (later to become the AUCC)
NRC	National Research Council
NSERC	National Sciences and Engineering Research Council
PSE	Post-Secondary Education
SSHRC	Social Sciences and Humanities Research Council

Studies referred to in this report

- Rowell-Sirois Commission Royal Commission on Dominion-Provincial Relations, 1937-1940. A federal royal commission chaired initially by Newton H. Rowell and later by Joseph Sirois which reported in 1940.
- Massey Commission The Royal Commission on National Development in the Arts, Letters and Sciences 1951 (1949-1951). A federal royal commission chaired by Vincent Massey which reported in 1951.
- Bladen Commission Commission on the Financing of Higher Education, 1965. A commission established by the AUCC, chaired by Vincent W. Bladen which reported in 1965.
- Breau Task Force The Parliamentary Task Force on Federal-Provincial Arrangements, 1981. (Report entitled *Fiscal Federalism in Canada*). A federal parliamentary task force chaired by Herb Breau which reported in 1981.
- Bovey Commission The Commission on the Future Development of the Universities of Ontario, (Report entitled *Ontario Universities: Options and Futures*) a provincial royal commission chaired by Edmond C. Bovey which reported in December 1984.
- Macdonald Commission The Royal Commission on the Economic Union and Development Prospects for Canada 1982-1985. A federal royal commission chaired by Donald S. Macdonald which reported in August 1985.
- Royal Commission on Post-Secondary Education Royal Commission on Post-Secondary Education 1983-1985. A Nova Scotia royal commission chaired by Rod J. MacLennan which reported in December 1985.

Nielsen Task Force
Report

Task Force on Program Review, a federal government task force chaired by Erik Nielsen, 1984-1986. *Education and Research*, one report of nineteen produced, was prepared by a study team chaired by Benson Wilson.

Chapter 1:

History

Perhaps some of the past and present malaise in government financing of post-secondary education might have been avoided if the September 1864 Charlottetown draft of the *British North America Act, 1867* — retitled the *Constitution Act, 1867* in 1982 — had been followed. The Charlottetown draft specifically excluded the care of universities from the provincial realm.¹ A month or so later, at the Quebec pre-Confederation conference, the primary responsibility for education was committed to the provincial legislatures.

In 1864 Sir Arthur Hamilton Gordon, then Lieutenant-Governor of New Brunswick, commented on the fact that post-secondary education was being assigned to the provincial governments:

I am fully aware of the great difficulties attending the subject of Education, but it is with extreme regret that I see it committed to the Local Legislatures. At all events, the Universities should have been placed under the guardianship of the Central Power. The local governments, needy, rapacious, and ignorant, with little money at their disposal, are pretty certain to appropriate the University Funds to what they will call more useful objects, that is to say, objects which will enable them the [sic] scatter the money among their political adherents. My government quite admits this, and professes to lament it; but sees no remedy unless means are taken to check the freedom of action of the local assembly, so far as the University of New Brunswick is concerned.²

George Brown, one of the Fathers of Confederation, speaking in Toronto on November 3, 1864, stated that while the citizens of Upper Canada would have been content to have education left to the central government, it and certain other areas were assigned to the local authorities “in order to afford that protection which the Lower Canadians claim for their language and their laws, and their peculiar institutions.”³ Well over a century later, the sharing of the financing of

¹ Great Britain, Colonial Office Records, C.O. 188 Vol. 141, Public Archives of Canada (M.G. 11, microfilm, reel B-1234), *Gordon to Cardwell*, 26 September 1864.

² *Ibid.*, 21 November 1864.

³ As quoted in Edward Whelan, *The Union of the British Provinces* (Charlottetown, 1865), pp. 196-7.

Canadian post-secondary education between the two levels of government is still the subject of intense debate.

The Government of Canada's direct involvement with post-secondary education began shortly after Confederation. In 1874 Parliament enacted a statute to establish an institution to be known as the Military College, to be located in "one of the garrison towns of Canada." Kingston was selected as the site; the college opened on June 1, 1876, with a class of 12 cadets. Other early federal initiatives include the provision of a land endowment in 1885 for the University of Manitoba and the establishment of the National Research Council (NRC) in 1916 to expand Canada's research facilities during World War I. Increasing industrialization and urbanization, and manpower shortages in agriculture and manufacturing, prompted the appointment of a Royal Commission on Industrial Training and Vocational Education in 1910; this led to the provision of grants to the provinces for the purposes of developing agricultural techniques and training and of upgrading vocational, technical and industrial education.

During the 1930s and until the end of World War II, university enrolment did not show a marked increase. With demobilization, university facilities were overburdened by returning veterans — in 1946-47 they accounted for about half the enrolment — who received subsidization to complete their education. At the urging of the National Conference of Canadian Universities (NCCU), later to become the Association of Universities and Colleges of Canada (AUCC), the federal government provided the universities with an annual grant of \$150 for each veteran student. By 1950 most of these veterans were graduating, and the universities were facing the prospect of maintaining expanded facilities and increased civilian enrolment without the same level of federal financial support. In 1951 the report of the Royal Commission on National Development in the Arts, Letters, and Sciences (the Massey Commission) recommended that the federal government make direct grants to the universities.

One response to this recommendation was, beginning with the 1951-52 academic year, a federal program of grants to help pay university operating costs at the rate of 50 cents per capita of provincial population. By 1966-67, the last year of this per capita university grants program, the amount had risen to an average of \$5.00 per capita of provincial population (or about \$100 million for 1966-67).

While speaking of the proposed university grants to the House of Commons on June 19, 1951, Prime Minister Louis St. Laurent referred to national interests relating to education, and to his concern about provincial reactions to the proposal.

The government has also reached the conclusion that it is in the national interest to take immediate action to assist the universities to perform functions which are quite essential to the country, and indeed to the proper administration of the government of the country. . . .

In making this announcement I feel I should emphasize that the federal action is intended to provide a necessary supplement to the assistance to universities already made available by the provincial governments, and it is our earnest hope that no provincial authorities will regard this federal contribution as in any way replacing their own obligations to the institutions which they have been supporting in the past.

These federal grants are designed, moreover, primarily to assist the universities to maintain the highly qualified staffs and the working conditions which are essential for the proper performance of their functions — in other words, to maintain quality rather than to increase existing facilities. It is our feeling that if in any province increased facilities involving increased capital outlays are required by the universities, these should be met from the usual sources rather than from federal assistance. . . .

I might add that in making these recommendations to parliament it is intended to avoid any possible suggestion that we are interfering in any way with the policies respecting education in the respective provinces I am sure there can be no suggestion that in doing this there will be any interference with the absolute autonomy of the provinces and the provincial institutions in the field of higher education.⁴

During the 16 years of these grants, payments in all provinces except Quebec were made directly to eligible institutions through their national association. Quebec universities, at the insistence of the provincial government, refused to accept payments from 1952-53 to 1955-56. The Quebec government's position was that it would be more in keeping with the terms of Confederation if the federal government returned to the provinces all the direct tax fields which it had "rented" during the war. The renewal of federal-provincial tax-sharing agreements did not satisfy Quebec. In 1954, Quebec introduced its own individual income tax system. In 1956, the federal government announced a doubling of the per capita rate to \$1, and invited the AUCC to distribute the funds as an intermediary agency. From 1956-57 to 1958-59, Quebec payments, if refused (two small church-related colleges accepted), were held in trust by the AUCC until the institutions saw fit to accept them. For 1959-60 all Quebec institutions accepted. In 1960-61 an agreement was made between the Government of Canada and the provincial government in Quebec whereby the latter made grants directly to its post-secondary education institutions from

⁴ House of Commons, *Debates* (June 19, 1951), p. 4278.

provincial revenues, which had been increased as a result of a change in federal-provincial tax-sharing arrangements, whereby one additional point of corporate income tax room had been made available to the provincial government.

The Massey Commission report also recommended the creation of what became, in 1957, the Canada Council, which was to operate on behalf of the arts, humanities, and social sciences in the same way the National Research Council (NRC) had operated for the natural sciences and engineering since 1916, and as the Medical Research Council had operated for the medical sciences since its separation from the NRC in 1960. The Canada Council distributed over \$60 million under its University Capital Grants program between 1957 and 1967 by sharing equally the eligible building construction costs with specific post-secondary institutions and allocated these funds across the provinces on a provincial per capita basis. During this same period the federal Central Mortgage and Housing Corporation provided universities with loans for the building of student residences.

An important new federal involvement in post-secondary education began in 1964 with the introduction of the Canada Student Loans Program (CSLP). Its purpose was to make financial help available to students who required assistance in pursuing post-secondary education studies on a full-time basis. The 1964 program superseded an earlier Dominion-Provincial Student Aid Program (DPSAP), begun in 1939. Under the DPSAP, Ottawa had made a financial contribution to each participating province, with the province being expected to provide an equal amount. Not all provinces participated initially, but by 1964 all except Quebec (which had withdrawn in 1954) were participating.

In 1966 the Department of the Secretary of State became directly involved in post-secondary education support, primarily due to the need for a federal response to the 1965 report of the AUCC-sponsored Commission on the Financing of Higher Education in Canada (Bladen Commission). The Bladen Commission had recommended that federal aid to universities be greatly increased for both operating and capital purposes. It also saw a need to consolidate the financial support for some technical and vocational training with the per capita university grants payments as a means of meeting increasing provincial demands for more tax revenue and for control of funds for post-secondary education. Post-secondary enrolment was increasing rapidly at this time — at both the university and non-university levels — and there was a great deal of public support for this trend. The Economic Council of Canada, among others, endorsed the view that a high level of educational attainment would make valuable contributions to the overall economic prosperity of the country.

For 1966-67, the Department of the Secretary of State paid the federal grants for nine provinces to the AUCC, which distributed these to the eligible institutions. It also made a cash payment to the Quebec government, which, together with the corporate tax abatement, made up the Quebec entitlement. The per capita rate was raised from \$2.00 for 1965-66 to an average of \$5.00 for 1966-67 as an interim response to the Bladen Commission recommendations pending further federal study of them.

Other Bladen Commission recommendations included a proposal that the federal government initiate annual discussions with the provinces to review the adequacy of the federal contribution; another urged the federal government to assign responsibility for the coordination of assistance given to universities by all its agencies to a designated minister of the Crown. The latter recommendation led to the establishment of an Education Support Branch in the Department of the Secretary of State — just in time to make the 1966-67 per capita payments and to be involved in the implementation of a new federal funding program starting in 1967. It was no coincidence that an agency of the provincial governments, the Council of Ministers of Education, Canada (CMEC), was formed at the same time.

An important shift in post-secondary education support policy occurred following 1966-67, when, under the terms of Part II of the *Federal-Provincial Fiscal Arrangements Act, 1967* (FPFAA), payments were authorized in *all* cases to provincial governments, rather than to institutions through the AUCC. The program has been characterized as one developed as part of an integrated policy for the general restructuring of fiscal relationships with the provinces: in a real sense it was what the Organization for Economic Co-operation and Development, in its 1976 review of the Canadian education system, called federal “aid for the solution of other political tasks”. The basis of payment was broadened to include all post-secondary education above the junior matriculation level (i.e., to include the senior matriculation high school year in those provinces that had it), so as to give reasonable comparability among provinces. Certain other federal programs of assistance to non-university post-secondary education were altered or suspended. At the same time, the fact that the payments were made directly to the provinces accelerated the creation of provincial government departments or agencies to oversee the development of post-secondary education and to distribute funds to the appropriate institutions.

Prime Minister L.B. Pearson, in his opening statement on October 24, 1966, to a federal-provincial conference on higher education, spoke of the need for a federal presence in post-secondary education financing:

Education is, under our constitution, a matter of provincial jurisdiction. The federal government does not dispute this or wish in any way to do so. At the same time, education is obviously a matter of profound importance to the economic and social growth of the country as a whole. This is particularly true of higher education. Apart altogether from the general interest in fostering equality of opportunity for Canadians wherever they may live or wherever they may be brought up, the federal government has specific and particular responsibilities to which higher education is relevant. While education itself is provincial, the federal government accepts primary responsibility for employment and economic activity generally in the country. We recognize that provincial governments share our concern in these matters and pursue these common aims in the conduct of their own affairs. It is, however, the responsibility of the federal government to devise and apply national policies and measures that are necessary to ensure that the economy of Canada will continue to expand and will become increasingly productive, in order that there may be full employment and an increasing level of prosperity for all our citizens. The preparation of our young people for productive participation in the labour force of the country is a matter of vital concern to all Canadians. We have also to keep in mind that young people of a particular province do not necessarily receive their education and training in their home province, and that people, after graduation, do not necessarily live out their lives and take up employment in the province where they received their education. These facts affect the burden of costs that falls upon the different provinces.

Because of this broad interest in the adequacy of educational opportunity, the federal government is prepared to take action to help alleviate the financial difficulties that provinces may encounter in shouldering the burdens placed on them, especially by the increasing costs of an adequate standard of higher education. This does not mean that the federal government can or should impose on the provinces any views as to how much money should be spent for education or in what way it should be applied. Those are matters for provincial decision. The federal government wishes by its actions to recognize the needs and priorities of the provinces. It is for provincial governments to take the action that, within their fields of jurisdiction, they think most appropriate and desirable.

This latter point is of particular relevance to our conviction that the financing of universities and of other post-secondary institutions should be considered together. Under existing agreements, the federal government has borne 50 per cent of the operating costs of much of post-secondary technical and vocational education. Although the need for further expansion of such institutions remains, there is a growing danger that federal cost-sharing in this field could distort the post-secondary educational structure. Under the present system, a province has a stronger incentive to establish and operate a post-secondary institution that can qualify under the training agreements,

than it would have to provide additional university facilities for which there is no shared-cost incentive.

The expiration of the training agreements provides an opportunity to remove this anomaly and to treat all post-secondary institutions alike. Technological institutes can be included with universities in determining the basis of the proposed new financial arrangements. As a consequence, the action of the federal government can be essentially neutral in its effect on the institutional structure of post-secondary education within any province.⁵

The 1967 Act provided for federal fiscal transfers for 1967-68 of either \$15 per capita of provincial population or 50 per cent of eligible (as defined by the Act and its Regulations) operating expenditures for post-secondary education incurred in the province, whichever was higher. It also provided that each province originally on the per capita basis (Newfoundland, Prince Edward Island, and New Brunswick)⁶ would have its basic transfer increased from year to year at the same rate of increase as the transfer to the other provinces. The total transfer encompassed two general components: first a transfer of additional taxing power (or tax points), and second, cash-adjustment payments to bring the total transfer up to the amount of each province's entitlement. The cash-adjustment payments were made by the Department of the Secretary of State.

Costs under the FPFAA rose rapidly, averaging over 20 per cent per year for the first three years, with the cash payment component rising faster than the tax-point component. The fact that a province's entitlement was determined by the amount spent by its colleges and universities meant that the Government of Canada had no control over the total amount of cash it paid out; this fuelled growing federal concerns, which led to discussions of the need for some form of capping.

A revised Act in 1972 extended the program through 1973-74. With some changes in calculation of the tax-abatement component, but continuing the 50 per cent or the escalated per capita formula, the 1972 (FPFAA) Act set a limit of 15 per cent on the national rate of annual increase of the total federal contribution. It was possible to grant increases over 15 per cent to individual provinces as long as the overall federal contribution to all the provinces did not exceed the 15 per cent ceiling.

⁵ *Statement by the Prime Minister for the Federal-Provincial Meeting* (October 24th, 1966), Appendix B, p. 3-4.

⁶ A common misconception in several otherwise accurate accounts of this program is that the three provinces opted for the \$15 per capita; they did not. They automatically received it because this formula gave them more money than under the alternative.

The appropriate part of the 1972 Act, Part VI, was extended in late 1973 for another three years, through 1976-77, keeping the 15 per cent maximum annual increase provision.

In 1977 the *Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977* (EPF) changed the principle of federal financial support for post-secondary education, hospital insurance and medical care. Up to that time, these had all been financed along roughly similar shared-cost lines. Beginning in 1977-78 the old programs were replaced by unconditional block grants (or transfers of funds) to each provincial government and, for the first time, to the two territories. These transfers, however, were still in the form of the two general components: a transfer of taxing power and a cash payment.

In 1978, with the passage of the *Government Organizations Act, 1976*, the Social Sciences and Humanities Research Council (SSHRC) and the National Sciences and Engineering Research Council (NSERC) came into being. Prior to 1978, the SSHRC function had been performed by a division of the Canada Council, while NSERC operated under the umbrella of the National Research Council.

By 1980, thought was being given to the need to reduce EPF costs and at the same time to explain more fully to the Canadian public the rationale for the involvement of the Government of Canada in the financial support of post-secondary education.

On June 11, 1981 the Secretary of State of Canada, the Honourable Francis Fox, outlined a five-point rationale for continuing federal involvement in post-secondary education.⁷ His points included:

1. the achievement of specific national objectives in such areas as general economic growth, manpower training, accessibility, mobility, research and technological advancement, official languages and Canadian studies;
2. a strong interest in the general health of the post-secondary system and in wide and equitable access to it;
3. a long-standing role in support of research and manpower training;
4. the national and international, as well as provincial, character of post-secondary institutions, especially universities; and
5. a number of trends that clearly pointed to the increased merging of federal responsibilities in the areas of the training and the operation

⁷ Secretary of State, *Notes for a Statement by the Secretary of State to the Special Parliamentary Committee on the Federal-Provincial Fiscal Arrangements* (June 11, 1981), p. 1-5.

of the labour market generally as well as in culture and communications with the more formal post-secondary education process.

In an address to the AUCC, Mr. Fox said with regard to post-secondary education that "the time has come when the national government wishes to clearly identify those areas where its dollars are going. We want to know that our money is used to address pan-Canadian concerns, and to contribute to resolving problems of regional and national dimensions."⁸ He suggested that the renegotiation of EPF was a key instrument of change; it was "an opportunity . . . to achieve a new consensus between the federal and provincial governments."⁹

In 1982, and again in 1984, under the EPF Act the amounts of the cash payment transferred to the provinces were reduced. These changes are discussed in the next chapter.

In the 1983 publication, *Support to Education by the Government of Canada*, the Secretary of State listed ten objectives for federal involvement in education:

- general support;
- educational opportunity;
- mobility;
- employability;
- research;
- official languages in education;
- Canadian understanding, citizenship and cultural identity;
- international relations;
- federal direct schooling; and
- needs of the federal government as an employer.

The federal objectives continued to be cited in this form until the 1985 report from the Secretary of State of Canada, *Federal and Provincial Support to Post-Secondary Education in Canada: A Report to Parliament, 1984-85*, which omitted them.

In 1985, a publication of the Council of Ministers of Education, Canada entitled *Principles for Interaction: Federal-Provincial Relations and Post-Secondary Education in Canada*, suggested four principles for interaction between the two orders of government:

⁸ Secretary of State, *Address by the Honourable Francis Fox to the AUCC*, Brock University, St. Catharines, Ontario (June 16, 1981), p. 12.

⁹ *Ibid.*, p. 13.

Given the related interests of the federal and provincial governments in various aspects of the post-secondary education sector, and given the interconnections between that sector and various other dimensions of government policy, the Council of Ministers of Education, Canada believes it is important to establish a set of principles to govern interactions between the two orders of government in the post-secondary area.

- Principle 1: The provincial and federal governments recognize the significant role to be played by post-secondary education in furthering economic and social development.
- Principle 2: In keeping with their respective constitutional responsibilities, it is desirable for the federal and provincial orders of government to work harmoniously and congruently toward maintaining and developing the highest quality of education and training opportunities for Canadians.
- Principle 3: The harmony and congruency between objectives and programs of the two orders of government will be achieved only through concrete and meaningful consultation and cooperation.
- Principle 4: Both orders of government must work together, in keeping with their respective constitutional responsibilities, to ensure the provision of adequate resources so as to allow the post-secondary education and manpower training systems to adapt to a changing environment and to continue to prepare Canadians for full participation in society.

Appearing before the Standing Senate Committee on National Finance on May 15, 1986, the Honourable Benoît Bouchard, then the Secretary of State, said that "there are no simple answers to the basic questions of how we ensure the health of post-secondary education and what form the federal support will take."¹⁰ Mr. Bouchard noted that the federal role "must be one that allows federal and provincial governments to work together to ensure that higher education and research flourish throughout Canada,"¹¹ and that the real issue with respect to federal support "is to redefine the federal presence in a way that balances respect for provincial responsibilities with a need to reflect the importance of post-secondary education to Canada as a whole."¹²

¹⁰ *Proceedings of the Standing Senate Committee on National Finance*, First Session, Thirty-third Parliament, 1984-85-86, Issue No. 50, p. 6. (Hereafter referred to as *Proceedings*.)

¹¹ *Ibid.*, p. 10.

¹² *Ibid.*, p. 11.

Chapter 2: Established Programs Financing

Introduction

In the first chapter we described how federal involvement in the funding of post-secondary education began. We showed how this direct involvement took on the shape of financial support for the general operations of universities after World War II. We also showed how this direct support for the infrastructure of universities developed in 1967 into a program of indirect support through fiscal transfers to the provinces, these transfers being composed of cash and tax points.

In 1972 this fiscal transfer was extended for a two-year period; all the features of the 1967 Act were retained, but a yearly maximum of 15 per cent on the rate of increase in the total contribution was imposed. In late 1973, the provisions of the 1972 legislation were extended to March 31, 1977. (The 1967 Act and its amendments were dealt with in Chapter 1).

Table 2.1 shows that federal contributions grew from \$422 million in 1967-68 to \$1778 million in 1976-77, a four-fold increase averaging out at 17.4 per cent per year. This was made up of an average increase of 21.5 per cent per year in the first five years of the program, and by 15.6 per cent over the last five years.

Over the ten-year life of the program, three provinces had average annual rates of increase in excess of the national rate of 18.2 per cent; these were Newfoundland at 23.8 per cent, Quebec at 20.3 per cent and British Columbia at 20.1 per cent.¹ Saskatchewan exhibited the lowest average rate at 14.0 per cent.² The rates of increase for the other six provinces were slightly lower than the national average.³ Given these

¹ Gerard Gagnon, *Federal-Provincial Fiscal Arrangements 1967, 1972 Post-Secondary Adjustment Payments: A Statistical Review*, (Ottawa: Education Support Programs Branch, Department of the Secretary of State, 1982), p. 6.

² *Ibid.*

³ *Ibid.*

Table 2.1
Eligible Operating Expenditures and Total Federal Contribution under
the Federal-Provincial Fiscal Arrangements Acts, 1967 and 1972
for Canada, 1967-68 to 1976-77
 (\$ thousands)

Year	<u>Eligible Operating Expenditures</u>		<u>Total Federal Contribution</u>		<u>Total Federal Contribution as a % of Eligible Operating Expenditures</u>
	Amount	Year to year Increase	Amount	Year to year Increase	
1967-68	832,611.0		421,885.1		50.67%
1968-69	1,042,844.3	25.25%	527,413.2	25.01%	50.57
1969-70	1,287,733.7	23.48	651,074.2	23.45	50.56
1970-71	1,555,350.1	20.78	785,976.2	20.72	50.53
1971-72	1,810,039.6	16.38	915,019.3	16.72	50.55
1972-73	2,014,318.2	11.29	1,016,657.4	11.11	50.47
1973-74	2,331,834.5	15.76	1,169,156.0	15.00	50.14
1974-75	2,741,765.3	17.58	1,344,529.4	15.00	49.04
1975-76	3,250,141.5	18.54	1,546,190.0	15.00	47.57
1976-77	3,734,485.6	14.90	1,778,097.1	15.00	47.61
TOTAL	20,601,123.8	18.22%	10,155,997.9	17.44%	49.30%

Source: Gérard Gagnon, *Federal-Provincial Fiscal Arrangements Act, 1967, 1972, Post-Secondary Education Adjustment Payments: A Statistical Review* (Education Support Programs Branch, Department of the Secretary of State, 1982), Table 1.

generally high rates of growth, it became clear by the mid-1970s that this program was in jeopardy for a number of reasons.

First, the program tended to distort provincial spending priorities by encouraging the expenditure of "fifty-cent dollars" on post-secondary education; provinces such as British Columbia, Quebec, and to some extent Ontario led the way by taking advantage of fifty-cent dollars.⁴

Second, while the federal government had undertaken to meet half of the operating expenditures, it had no control over the growth of these expenditures; these decisions were made by organizations outside of federal jurisdiction, such as colleges, universities, and provincial governments. Table 2.1 illustrates the extent of this growth, both before and after the 15 per cent ceiling was imposed in 1972.

Third, over the ten years of the program, more than \$10 billion were spent by the federal government with little or no awareness by the federal taxpayer of where this money was going.

Fourth, the program required continuous auditing to ensure that only eligible expenditures were included. In some cases, these audits were almost comical. For example, in provinces where the last year of high school was considered eligible, busing was considered an eligible cost. Since the buses carried children from all grades, it was necessary to prorate the cost of the bus service attributable to the last year of high school. One provincial government insisted that a straight prorating based on student numbers was not acceptable because students in their last year of high school generally were physically larger. This illustrates the difficulty of determining eligible costs. When Quebec changed its secondary system and introduced the *Colleges d'enseignement général et professionnel* (CEGEP) system, a great deal of time was spent in defining which costs were eligible. In general, regardless of the province, reaching a final agreement on eligible operating expenditures often did not take place until three years after the year in question.

Difficulties such as these finally brought the 1967 program to an end and led to the introduction of EPF in 1977.

Negotiations of the Established Programs Financing Arrangements

The EPF proposal was put forward at the June 1976 Conference of First Ministers, where Prime Minister Trudeau set out five principles

⁴ *Ibid.*, p. 7.

that would form the basis of future federal financial support for health and post-secondary education:

1. The federal government should continue to pay a substantial share of program costs.
2. There should be greater equality between provinces in the transfers, i.e., equal per capita rather than the varying amounts under the shared-cost arrangements.
3. Financing should be more stable (for both federal and provincial governments) through more permanent arrangements.
4. The provinces should have flexibility in the use of the money provided for the fields of health and post-secondary education.
5. Continuing joint policy discussions should exist in the health and post-secondary education fields.⁵

It was proposed that the total value of per capita federal contributions in a base year, 1975-76, be escalated at the rate of growth of GNP per capita (three-year moving average) to establish a national per capita base contribution for 1977-78 and for each successive fiscal year. An additional \$20 per capita was provided, beginning in 1977-78, to assist in financing Extended Health Care services. This too was to be escalated at the same rate of growth of GNP per capita. In the penultimate year before the introduction of EPF, 1975-76, the total federal contribution for the established programs — post-secondary education, medical services and extended health care — was divided as follows: 32.1 per cent for post-secondary education and 67.9 per cent for all health services.

During the negotiations it was agreed that those provinces receiving less than the national average under the old program on a per capita basis would be levelled up to the national average over a three-year period. Provinces that received more than this national average were to be levelled down to the national average over a five-year period.

The federal contribution to each province for the established programs would consist of cash and income tax room (tax points) vacated by the federal government (12.5 personal income tax points and one point of corporate tax). In the final stages of negotiations the overall EPF transfer was increased, until 1982, by one personal income tax point plus an equivalent amount in cash as compensation for the termination of the revenue guarantee payments. These revenue

⁵ The Honourable Allan J. MacEachen, *Federal-Provincial Fiscal Arrangements in the Eighties: A Submission to the Parliamentary Task Force on Federal-Provincial Fiscal Arrangements*, (Department of Finance, April 23, 1981), pp. 79-80.

guarantee payments were tied to claims for continuing provincial losses resulting from the federal tax reforms of 1972. The provincial governments, in accepting the EPF arrangements, also gave up claims to continued cost-sharing under the hospital insurance scheme, which was not due to expire until mid-1980.

Despite the risk entailed in a GNP-driven formula (unrelated to the growth of actual costs), the provincial governments accepted the new arrangements because the increased flexibility would allow them to rationalize their delivery systems towards lower-cost alternatives. From the federal point of view, tying the transfers to the rate of growth in the economy had the advantage of providing both a ceiling and predictability regarding its payouts. Finally, both levels of government were relieved of the burdensome and contentious administrative requirements characteristic of shared-cost schemes.

When this new arrangement was proposed, it was expected that joint policy discussions related to health and post-secondary education would be required. Yet when the legislation was drafted, only the broad conditions of the old cost-sharing legislation which applied to the health transfer were retained: accessibility, universality, portability, comprehensiveness and public administration. No principles or conditions of any kind regarding post-secondary education were included.

In the absence of any conclusive information, we are left to speculate as to why the EPF legislation did not set forth a statement of principles for post-secondary education. One possible reason is that between the June 1976 First Ministers Conference and the enactment of the legislation, a separatist government was elected in Quebec. The federal cabinet was aware that this government perceived federal involvement in post-secondary education as an intolerable intrusion into an area of provincial responsibility. Furthermore, the federal cabinet was aware that a referendum calling for independence for Quebec was to be held sometime in the next four years. This approaching constitutional struggle may have had an impact on the will of the federal government to insist on the inclusion of any federally determined principles as a basis for its transfers to the provinces in respect of post-secondary education. While it is an aside, it is nonetheless interesting to compare the political struggles of today with those of the past. In 1864, George Brown, one of the Fathers of Confederation, stated that education was left to the provinces because of the concerns raised by "Lower Canadians" for their institutions:

In thus defining the functions of the general and local governments, it will, no doubt, be objected that we have committed certain matters of an important character to the local bodies which the people of Upper Canada would have been well content to have seen left to the general

government. But if the details of the scheme are closely examined, it will be seen that we have given nothing to the local bodies which did not necessarily belong to the localities, except education and the rights of property, and the civil law, which we were compelled to leave to the local governments, in order to afford that protection which the Lower Canadians claim for their language and their laws, and their peculiar institutions.⁶

Established Programs Financing: 1977

A succinct description of the EPF section of the *Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977* was given by the Honourable Allan J. MacEachen, Minister of Finance, in his 1981 submission to the Parliamentary Task Force on Federal-Provincial Fiscal Arrangements (Breau Task Force). He said:

... the EPF arrangements came into effect on April 1, 1977. Under these arrangements, federal contributions to the provinces for the three 'established' programs — Hospital Insurance, Medicare and Post-Secondary Education — are no longer tied to provincial expenditures on the basis of 50:50 cost-sharing formulae. Rather, federal contributions in a base year (1975-76) are escalated by the rate of growth of GNP.

... the federal contribution under the EPF arrangements is in the form of cash payments and tax transfers. The tax transfer under the EPF arrangements consists of 13.5 personal and one corporate income tax points. These are equalized to the national average under the general equalization formula. The cash payments consist of 'basic cash' contributions and 'transitional adjustments'. The 'basic cash' portion is calculated by taking 50 per cent of the federal contributions under the three 'established' programs in 1975-76, and escalating them by the rate of growth of GNP. The 'basic cash' contributions are intended to provide for stable, long-term funding and for continued federal presence. The 'transitional adjustments' top up the value of the tax transfer to ensure that no province loses as a result of accepting part of the federal contribution in the form of a tax transfer.⁷

The cash payments were made and continue to be made to provinces by the two program departments, the Department of the Secretary of State and the Department of Health and Welfare. In 1977, the Secretary of State paid out 32.1 per cent of the basic cash, while Health and Welfare paid out the remaining 67.9 per cent. Table 2.2 shows the tax point and cash values of the fiscal transfers in respect of health and post-secondary education.

⁶ As quoted in Whelan, p. 196-197.

⁷ Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, *Fiscal Federalism in Canada* (Ottawa: Minister of Supply and Services, 1981), p. 68. (Hereafter referred to as the Breau Report.)

Table 2.2
Federal Transfers for Post-Secondary Education and Health under the
Established Programs Financing (EPF) Arrangements
(\$ millions)

Program Year	PSE Cash	PSE Tax	TOTAL PSE	Health Cash	Health Tax	TOTAL Health	EPF Cash	EPF Tax	TOTAL EPF
1977-78	997.6	993.8	1,991.4	2,573.0	2,099.8	4,672.8	3,570.6	3,093.6	6,664.2
1978-79	1,157.9	1,125.4	2,283.4	2,966.9	2,378.0	5,344.9	4,124.8	3,503.4	7,628.3
1979-80	1,321.8	1,287.1	2,608.9	3,374.1	2,719.6	6,093.7	4,695.8	4,006.7	8,702.5
1980-81	1,437.0	1,503.2	2,940.1	3,686.6	3,176.2	6,862.8	5,123.6	4,679.3	9,803.0
1981-82	1,604.3	1,706.5	3,310.7	4,120.4	3,605.7	7,726.0	5,724.6	5,312.1	11,036.7
1982-83	1,804.7	1,911.3	3,716.0	4,644.0	4,038.4	8,682.4	6,448.8	5,949.6	12,398.4
1983-84	2,045.3	1,934.3	3,979.6	5,504.0	4,087.0	9,591.0	7,549.3	6,021.3	13,570.6
1984-85	2,169.5	2,049.7	4,219.2	6,149.3	4,330.8	10,480.1	8,318.9	6,380.5	14,699.3
1985-86	2,236.6	2,236.9	4,524.9	6,513.8	4,725.8	11,239.6	8,802.1	6,962.4	15,764.5

Source: Federal-Provincial Relations Division, Department of Finance, January 1986 (unpublished).

Time soon showed the irritation and problems caused by the EPF legislation. One irritant was — and still is — that some provinces allegedly have used the discretion given to them under EPF excessively, with the result that the growth in their transfers to their post-secondary institutions has been substantially below the growth in EPF.

In his 1985 report to the Secretary of State, entitled *Giving Greater Point and Purpose to the Federal Financing of Post-Secondary Education and Research in Canada*, Mr. A.W. Johnson provides a table which shows the EPF portion of the federal transfers as a percentage of provincial operating grants to universities and colleges. This table, from page vi of the Johnson Report, is reproduced below as Table 2.3. It indicates that in 1984-85, five provinces received more money from the federal government for PSE than they transferred to their institutions in that year; in other words, they made no contribution from other

Table 2.3
EPF/PSE Fiscal Transfers as a Percentage of Provincial Operating Grants to Universities and Colleges

	EPF/PSE Transfers as a % of Provincial Operating Grants		Increase in EPF/PSE Fiscal Transfer "Share" or Reduction in "Purely Provincial Share"
	1977-78	1984-85	
Newfoundland	83.3%	106.9%	23.6%
Prince Edward Island	101.5%	106.9%	5.3%
Nova Scotia	87.5%	91.6%	4.1%
New Brunswick	98.1%	101.8%	3.7%
Quebec	56.1%	59.6%	3.5%
Ontario	73.7%	88.7%	15.0%
Manitoba	80.3%	102.9%	22.5%
Saskatchewan	81.6%	90.3%	8.7%
Alberta	63.9%	73.1%	9.2%
British Columbia	78.9%	104.3%	25.4%
Average	68.9%	79.6%	10.7%

Source: A.W. Johnson, *Giving Greater Point and Purpose to the Federal Financing of Post-Secondary Education and Research in Canada*, p. vi.

provincial sources of revenue. While Mr. Johnson did not state explicitly that provinces have unduly redirected the PSE portion of the fiscal transfers, he did state: "There is the fact that the PSE fiscal transfers finance a larger percentage of provincial grants to universities and colleges in some provinces than they do in others."⁸ Mr. Johnson then proposed that in any future arrangement, those provinces that have been the greatest culprits of this redirection should be penalized. He based his proposal for redirection on the assumption that the federal transfers in respect of post-secondary education is 32.1 per cent of the total EPF transfer; this had been the portion for post-secondary education in the base year 1975-76. The Honourable Allan J. MacEachen, when he was Minister of Finance, indicated that "from the point of view of a particular province, these ratios are somewhat arbitrary and, over time, become less closely related to actual provincial spending in the relevant program areas."⁹

The Honourable Mr. MacEachen's statement implies today that if the provinces have been redirecting these federal transfers, the extent to which they have been doing so cannot be stated as precisely as has been attempted by Mr. Johnson. Furthermore, even if Mr. Johnson's reading of the situation is accurate, the provinces have acted within their legal rights as prescribed under the EPF legislation. As the Honourable Marc Lalonde stated on December 13, 1976:

... any savings that can be generated by reducing the services would accrue totally to the provinces and would not be shared by the Federal Government since our contribution under Established Programs would not be directly related to program costs.¹⁰

It would seem that while the provinces are not bound by any provisions in EPF to provide a specific level of financial support to their colleges and universities, their commitment to higher education, measured in money provided, for the most part appears to have been somewhat low. Quebec alone has continued to keep up the expenditure of money on post-secondary education; other provinces such as British Columbia have given post-secondary education a very low priority. **The Committee does not support the action of any province in redirecting money transferred to it in respect of post-secondary education despite the legal right of each province to do so. However, we believe that there should be no retroactive penalty for such action.**

⁸ A.W. Johnson, *Giving Greater Point and Purpose to the Federal Financing of Post-Secondary Education and Research in Canada: A Report Prepared for the Secretary of State of Canada*, (Ottawa, May 13, 1985), p. 29. We refer to this as the Johnson Report. Mr. Johnson served as special advisor to the secretary of state on the financing of post-secondary education.

⁹ MacEachen, p. 84.

¹⁰ As reported in MacEachen, p. 80.

Changes to EPF: 1982

With the passage in 1982 of Bill C-97, *An Act to amend the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977*, the EPF arrangements were altered. A Department of Finance document explains these changes as follows:

In 1982, the federal government terminated the Revenue Guarantee compensation which had been introduced and delivered through EPF in 1977 when the 1972 Revenue Guarantee program expired. Technical changes were also made in 1982 which ensured that EPF transfers to all provinces would be exactly equal per capita.¹¹

The last sentence in this statement needs explanation. The original estimates for the EPF transfer indicated that the tax component eventually would come to provide the bulk of the transfer while the basic cash would be substantially less, but would increase yearly at a stable rate. In the interim, in any province where the basic cash entitlement exceeded the tax yield, transitional cash payments were to be made to make up the difference. The intention was to ensure that no province would lose as a result of accepting part of the federal contribution in tax points rather than in cash.¹² If the tax transfer exceeded the basic cash in a province, the province was to keep the excess.

Instead of declining, these transitional payments remained obstinately stable. This was caused by the generally poor level of economic performance in the late 1970s, which automatically reduced the growth in income tax yields. This forced the federal government to increase its cash outlays in order to top up the lower-than-anticipated tax transfers to the provinces. One consequence of this action was a decrease in the discretionary funds available to the federal government for other purposes. A larger-than-expected cash payment drawn from a smaller-than-anticipated tax base was one of the consequences of the EPF formula during this period of economic downturn. Both the 1981 report of the Parliamentary Task Force on Federal-Provincial Fiscal Arrangements (Breau Report)¹³ and the 1985 report of the Royal Commission on the Economic Union and Development Prospects for Canada (Macdonald Commission)¹⁴ call attention to this point. Table 2.4 illustrates the value of these transitional payments over their life

¹¹. Department of Finance, *Amendments to the Federal-Provincial 946 Fiscal Arrangements Act (Bill C-96): An Explanation*, (May 1986), Annex One, p. v.

¹². MacEachen, p. 83.

¹³. Breau Report, p. 95.

¹⁴. *Report of the Royal Commission on the Economic Union and Development Prospects for Canada* (Ottawa: Minister of Supply and Services, 1983), Volume 3, p. 142. (Hereafter referred to as Macdonald Commission Report.)

Table 2.4
Transitional Adjustment Payments under the Established
Programs Financing (EPF) Arrangements
1977-78 to 1981-82
(\$ thousands)

	1977-78	1978-79	1979-80	1980-81	1981-82
Nfld.	18,167	19,231	19,061	17,349	17,905
P.E.I.	3,872	4,128	4,127	3,766	3,864
N.S.	26,896	28,448	28,514	25,921	26,729
N.B.	22,132	23,491	23,448	21,331	21,965
Que.	202,145	212,086	214,892	195,883	203,070
Ont.	159,889	180,578	177,400	153,134	142,064
Man.	33,148	34,943	34,859	31,438	32,368
Sask.	30,181	32,066	32,249	29,427	44,224
Alta.	0	0	0	0	0
B.C.	29,206	24,822	9,982	0	0
N.W.T.	1,188	1,160	1,163	745	1,026
Yukon	0	0	0	0	0
TOTAL	526,824	560,953	545,695	478,994	493,215

Source: Federal Provincial Relations Division, Department of Finance.

from 1977-78 to 1981-82. This table shows that over five years, the transitional payments drew approximately \$2.6 billion out of consolidated general revenues, most of which was not anticipated in 1977.

Every province except Alberta received a transitional payment in every year. Only Albertans generated sufficient tax revenue in the late 1970s and early 1980s from personal and corporate taxes to make the value of the tax points in their province equal to or greater than the basic cash transfer. Table 2.5 shows that the PSE transfer to Alberta on a per capita basis, which began in 1977 at \$86.83 or one dollar above the national average, climbed by 1982 to \$150.66 — more than fourteen dollars over the national average. Conversely, Quebec, whose per capita transfer exceeded the national average in 1977, found its transfer below the national average five years later.

Table 2.5
Federal Transfers to the Provinces for Post-Secondary Education under the
Established Programs Financing (EPF) Arrangements
(\$ per capita)

Year	77-78 *	78-79 *	79-80 *	80-81 *	81-82 *	82-83 °	83-84 °	84-85 °	85-86 °
Nfld.	80.12	94.02	109.23	121.02	134.40	150.86	159.91	167.91	178.43
P.E.I.	76.98	92.33	109.22	121.00	134.39	150.86	159.91	167.91	178.43
N.S.	83.46	95.95	109.23	121.02	134.41	150.86	159.91	167.91	178.43
N.B.	80.51	94.25	109.23	121.02	134.40	150.86	159.91	167.91	178.43
Que.	89.64	98.84	109.24	121.02	134.41	150.86	159.91	167.91	178.43
Ont.	85.65	97.15	109.24	121.02	134.40	150.86	159.91	167.91	178.43
Man.	85.71	97.10	109.23	121.02	134.41	150.86	159.91	167.91	178.43
Sask.	82.47	95.41	109.23	121.02	135.45	150.86	159.91	167.91	178.43
Alta.	86.83	100.03	115.21	133.02	150.66	150.86	159.91	167.91	178.43
B.C.	80.91	94.55	109.24	122.72	134.86	150.86	159.91	167.91	178.43
N.W.T.	87.00	96.68	109.22	121.01	134.51	150.86	159.91	167.91	178.43
Yukon	91.71	103.23	117.86	134.04	145.78	150.86	159.91	167.91	178.43
Average	85.63	97.26	109.76	122.29	136.00	150.86	159.91	167.91	178.43

* Excludes compensation for termination of the 1972 Revenue Guarantee Program.

°All provinces and territories received equal per capita transfers beginning 1982-83.

Source: Department of Finance, *Estimates* January 1986.

The 1982 amendments to EPF eliminated both the transitional payments and the per capita inequality among the provinces. The revised EPF was to be calculated in the following way.

1. A Canada-wide, per capita transfer by the federal government to all provinces for all three programs in a base year (1975-76) was calculated.
2. The per capita federal transfer in the base year was separated into education and health components on the basis of 67.9 per cent health and 32.1 per cent education.
3. The base year per capita figure was increased each year by a three-year moving average of GNP on a per capita basis; this determined the per capita entitlement for each province in each subsequent year, except for 1983-84 and 1984-85 when the growth rate of 6 per cent and 5 per cent applied. (This "6 & 5" ceiling on the cash was part of the 1984 changes to EPF.)
4. The per capita entitlement to each province was multiplied by its population to determine its current entitlement.
5. The equalized tax transfer of 13.5 personal and 1.0 corporate tax points to each province was split between education and health on the basis of 67.9 per cent health and 32.1 per cent education.
6. The cash payments were determined by deducting the equalized tax transfer applicable to education from the total entitlements.

These changes meant that the cash transfer became a residual; it no longer grew independently at a rate tied exclusively to changes in GNP, but at a rate determined in part by the GNP escalator for the total transfers and in part by the rate of growth in personal and corporate income taxes.

The 1982 changes also saw the end of the revenue guarantee compensation, which had been introduced as a result of the reform of the federal income tax law, effective January 1972. Because most provincial tax yields were based upon federal tax yields, in order to leave their tax revenues unchanged as a result of the 1972 tax reform it was necessary for the provincial governments to alter their tax rates. The federal government agreed to calculate the new rates for each participating province. Because such estimates would be inaccurate, the federal government agreed to guarantee that the provinces would receive at least as much as if the 1971 tax system had been continued. The term of the guarantee was five years.

In the 1976 negotiations leading to EPF, the federal government proposed to go ahead with the termination of the revenue guarantee

program on the ground that the provincial governments had had sufficient time to adjust to the new tax system. Because of the intensity of provincial reactions, the federal government agreed to include the equivalent of two personal income tax points in the EPF arrangements (one extra point plus the equivalent in cash). This compensation was ascribed to post-secondary education and health, in the standard ratio of 32.1 to 67.9 respectively.

When terminating the revenue guarantee compensation payments in 1982, the federal government argued that the provinces had had ten years to adjust to the new tax bases and that the payments, although made through the EPF scheme, were never intended as part of the federal contribution for the established programs. Table 2.6 below shows the magnitude of these revenue guarantee compensation payments.

Table 2.6
Compensation Paid to All Provinces by the Federal Government
for Termination of Revenue Guarantee
1977-78 to 1981-82
(\$ millions)

77-78	78-79	79-80	80-81	81-82	Total
451	513	581	657	740	2,352

Source: Federal Provincial Relations Division, Department of Finance.

Over the five-year life of the revenue guarantee compensation, approximately \$2.4 billion was paid out; it is not surprising therefore that the provincial governments were upset by its termination. The revenue guarantee (1972-1977) and the revenue guarantee compensation (1977-1982) had come to be regarded by some provincial governments as a permanent feature; its termination was seen as an attempt by the federal government to reduce the federal deficit at the expense of the provincial governments.

Changes to EPF: 1984

In 1984, with the passage of Bill C-12, *An Act to amend the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977*, the government applied its "6 & 5" program to the post-secondary component of EPF for 1983-84 and 1984-85. To do this, the post-secondary education portion of the cash and tax points had

to be separated from the health portion. The financial effects of this legislation, which are summarized in Table 2.7, indicate that the total PSE transfer grew by 7.1 per cent and 6 per cent in 1983-84 and 1984-85 respectively. The health component grew by 10.5 per cent and 9.3 per cent during these years. The actual increases for post-secondary education were higher than 6 and 5 per cent because the ceiling was imposed on the per capita transfer; population growth made the total transfer increase closer to 7 and 6 per cent.

Table 2.7
EPF Transfers for Post-Secondary Education
During the "6 & 5" Program
1983-84 to 1984-85
(\$ billions)

	Cash \$	%	Tax \$	%	Total \$	%
1982-83	1.804		1.911		3.716	
1983-84	2.045	13.4	1.934	1.2	3.980	7.1
1984-85	2.170	6.1	2.050	6.0	4.219	6.0

Source: Federal Provincial Relations Division, Department of Finance.

One of the effects of the "6 & 5" program was to reduce the total post-secondary education portion of EPF from 32.1 per cent in 1982-83 to 28.7 per cent in 1984-85, where it remains today. Bill C-12 also introduced the requirement that the Secretary of State report to Parliament each year on the cash and tax transfers under the Established Programs Financing legislation in respect of post-secondary education, on expenditures by each provincial government on post-secondary education, on the relationship between federal financial contributions and education programs, and on Canada's educational goals. (The first annual report was tabled in February 1986.) Finally, the title of the Act was changed to the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Act, 1977*. (We will continue to refer to it as EPF.)

Changes to EPF: 1986

In June 1986, with the passages of Bill C-96, *An Act to amend the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary*

Education and Health Contributions Act, 1977, EPF was changed once more. This amendment reduced the growth in the total transfer to the provinces beginning in 1987-88 by 2 per cent, but guaranteed its continuation on an equal per capita basis. It also provided that if the growth in the total transfer was less than inflation, the Minister would have the discretionary authority to make a special adjustment payment, which would have the effect of guaranteeing that the growth in the transfer would not be less than inflation.

There is, however, one exception. This statute establishes a ceiling on the special inflation adjustment to prohibit any province from receiving more than it would have been entitled to under the previous legislation. As a result of this change, the provincial governments can expect to receive \$5.7 billion less in the five-year period 1986-87 to 1990-91 than they had expected under the previous legislation. For the post-secondary education portion, this will amount to approximately \$1.6 billion.

Table 2.8
Projected Growth of EPF Transfers
1986-87 to 1990-91 under Bill C-96
(\$ millions)

Year	Cash		Tax Points		Total		Cash as a % of Total
	\$	%	\$	%	\$	%	
1986-87	9,045	6.4	7,684	10.3	16,729	8.1	54.1
1987-88	9,219	1.9	8,481	10.0	17,700	5.8	52.1
1988-89	9,381	1.8	9,299	10.0	18,680	5.5	50.2
1989-90	9,533	1.6	10,143	9.1	19,676	5.3	48.4
1990-91	9,757	2.3	10,928	7.7	20,685	5.1	46.5
TOTAL	46,935		46,535		93,470		

Source: Department of Finance, *Amendments to the Federal-Provincial Fiscal Arrangements Act (Bill C-96): An Explanation*, May 1986.

We said earlier in this chapter that with the changes made to the legislation in 1982, any reduction in the growth of the EPF transfer would reduce the growth in the cash payments, leaving the tax yield unchanged. The changes made in 1986 highlight this. Table 2.8 shows that the 2 per cent reduction in the growth of the EPF transfer will have

the effect of reducing the growth in the total transfer to just over 5 per cent per year for five years. It also reduces the annual cash from its 1986-87 growth rate of 6.4 per cent to approximately 2 per cent per year for each of the next five years. Furthermore, it reduces the cash from 54.1 per cent of the total EPF transfer in 1986-87 to 46.5 per cent in 1990-91.

We can see that from the viewpoint of a minister of finance with a strong concern for the management of the national debt, this was a desirable amendment. It may not have been prudent, however, if a federal presence in our post-secondary education system is desirable. As was noted earlier in this chapter, a previous minister of finance indicated that the cash under EPF was a sign of the federal presence in this area. If the cash transfer shrinks relative to the total transfer, it means that the most obvious evidence of the federal presence is shrinking. Mr. A.W. Johnson speculated that the reduction in EPF cash transfers for post-secondary education will indeed reduce the federal presence. He states:

Any major reduction in the PSE transfers will ultimately lead to the elimination of the federal cash payments for post-secondary education, and that, in turn, will extinguish any presence of the Parliament of Canada in the financing of universities and colleges. And when this happens, any possibility of Parliament reasserting its interest in higher education — as an engine of national economic, social and cultural growth — will have been lost.¹⁵

Federal-Provincial Consultation

Before concluding this chapter, we should like to review the desire for, and the extent of, consultation on post-secondary education between the two levels of government since 1977. At the First Ministers Conference on June 14, 1976 Prime Minister Trudeau outlined five federal objectives for EPF:

1. to maintain across Canada the standards of service to the public under these major programs, and to facilitate their improvement;
2. to put the programs on a more stable footing so that both levels of government are better able to plan their expenditures;
3. to give the provinces flexibility in the use of their own funds which they have been spending in these fields;
4. to bring about greater equality among the provinces with regard to the amount of federal funds they receive under the programs;

¹⁵ A.W. Johnson, "Expressing the National Interest in Canadian Universities and Colleges: A Story of Affirmation and Reaffirmation, Then of Rejection and Threatened Renunciation," *The Woodrow Lloyd Memorial Lecture* (University of Regina, October 24, 1985), p. 18.

5. to provide for continuing joint policy discussions relating to the health and post-secondary education fields.¹⁶

There has been some controversy with respect to the fifth objective. In the Breau Report (1981) we read:

The Breau Task Force appreciates fully, however, that because education is under provincial jurisdiction, responsibility for coping with change and effectively serving broad Canadian interests must rest with the provinces and their institutions. Therefore, we believe that there should be an effective consultation mechanism to ensure concerted efforts by all concerned to establish and attain the goals that are of mutual interest to both orders of government. This necessity was accepted at the conclusion of the 1976 First Ministers' Conference, where it was agreed that the Council of Ministers of Education, Canada (CMEC) and the Secretary of State would meet regularly to discuss questions of mutual interest. It is apparent that this arrangement has not become fully operational, and failure to achieve this goal has tended to undermine the rationale for the commitment of the federal government to continue to provide general support to the provinces for higher education.¹⁷

Many witnesses who appeared before our Committee called for a national policy for post-secondary education and prefaced such a call with a requirement that the federal and provincial governments get down to a meaningful dialogue. In their opening statement before the Committee, the AUCC, for example, stated:

We urge this committee to lend its voice to the need for continued active involvement of the Government of Canada in support of post-secondary education. We recommend that the committee urge the federal and provincial governments, in the strongest possible terms, to negotiate, in good faith and in the spirit of renewed federal-provincial co-operation, a funding mechanism that will satisfy both parties and will ensure that the universities in Canada have access to adequate and stable levels of funding.¹⁸

When the chairman of the Council of Ministers of Education, Canada (CMEC) appeared before this committee on June 5, 1984 with respect to Bill C-12, *An Act to amend the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977*, he responded in the following way to a question about meaningful federal-provincial dialogue:

The story, senator, is, as I indicated earlier, that there have been eleven occasions since 1977 when the Council of Ministers of

¹⁶. MacEachen, p. 79.

¹⁷. Breau Report, p. 129.

¹⁸. *Proceedings*, Issue No. 45, p. 7.

Education has had the Secretary of State in its midst to discuss a number of issues. Over time, as I have attempted to indicate to the members of the committee today, the provincial governments have put to the Secretary of State, particularly during the past couple of years, what we think are reasonable, clear and, quite honestly, not overly difficult questions. That dialogue is going on, although it may not, as the Breau Report suggests, have been formalized to the extent that some in 1976 felt it might have been or should have been.

As I attempted to tell the members of the committee earlier, we asked the Government of Canada what are the national education objectives, the national economic objectives, which it says the country's post-secondary education system is failing to respond to and to act upon. Quite frankly, the situation is not a lack of dialogue; it is a lack of getting answers to what we think are fairly respectable questions.¹⁹

While this statement makes the provincial position appear rather one-sided, provincial governments have not made the task of the federal government any easier. In August 1985, this Committee invited the CMEC to meet with the Committee at the end of our deliberations (May 1986) so that we might have the benefit of their views on the federal role in post-secondary support; they indicated by letter that they had nothing further to add to their June 1984 testimony, but sent a document entitled *Principles for Interaction: Federal-Provincial Relations and Post-Secondary Education in Canada*. In that document, the CMEC insists that EPF is not open for discussion:

For some time now, there has been considerable discussion between the Council of Ministers of Education, Canada and the Secretary of State regarding Established Programs Financing (EPF). The Council believes that little will be accomplished by such discussions in the area of federal-provincial relations in post-secondary education. This belief is based on the premise that EPF is a fiscal transfer to the provinces in respect of health and post-secondary education, not for health and for post-secondary education. Accordingly, no specific conditions are attached to how the provinces manage their post-secondary education systems and quite appropriately, where the core funding of post-secondary institutions is concerned, individual provinces plan and budget according to their particular needs and resources.

Given these considerations, the Council does not view EPF as providing a productive focus for a federal-provincial discussion of post-secondary education and believes that the federal and provincial governments should look beyond this issue to aspects of post-

¹⁹ *Proceedings of the Standing Senate Committee on National Finance*, Second Session, Thirty-second Parliament, 1983-84, Issue No. 11, p. 36.

secondary education on which there could be more mutually satisfying discussions.²⁰

We find it surprising that provincial education ministers decline to discuss EPF, the cornerstone of federal involvement. This is no way to carry on a dialogue. To give the CMEC its due, provincial education ministers may not be in a position to discuss EPF effectively. When EPF was proposed, it was unilaterally introduced by the prime minister and the federal minister of finance; when it was unilaterally amended in 1982, 1984 and 1986, the legislation was sponsored either by the minister of finance or the minister of state (finance). It would appear that if EPF is to be changed again, it will not be through a process of dialogue with the education ministers; rather it will be by the federal cabinet, more specifically, the prime minister or the minister of finance, dealing with the provincial first ministers and their ministers of finance.

Furthermore, even when federal ministers have openly discussed EPF, the tone of their argument reflects the intransigencies of the two levels of government in this area. When the Honourable Serge Joyal was Secretary of State, he remarked:

It is clearly intolerable that substantial increases in federal support for higher education, transferred via the provinces, are unmatched by increases in the support that a given province actually pays to its universities and colleges. The province of British Columbia froze its level of support to the sector this year, and according to first reports on yesterday's budget, will cut colleges back by 3.5 per cent and universities by 5 per cent for the coming year. The federal government can be accused of nothing but generosity in these circumstances. It is apparent that we must develop ways to ensure that money which this Parliament votes for post-secondary education actually reaches and benefits that sector.²¹

The secretary of state's first annual report to Parliament on post-secondary education in Canada, tabled in February 1986, included a section on federal-provincial consultations. This section makes extensive reference to the number of meetings which took place, but conspicuously omits mentioning any conclusions or results emanating from these meetings. When Secretary of State Benoit Bouchard gave us his views on May 15, 1986, he stated that the federal government, along with the provincial governments, must redefine their respective roles.²² We doubt that this definition of roles will ever occur. **In our view, as long as Parliament authorizes the unconditional transfer of money to**

20. Council of Ministers of Education, Canada, *Principles for Interaction: Federal-Provincial Relations and Post-Secondary Education in Canada*, (Toronto, 1985), p. 1.

21. *Minutes of Proceedings and Evidence of the House of Commons Standing Committee on Finance, Trade and Economic Affairs*, Issue No. 3, (February 21, 1984), p. 6.

22. *Proceedings*, Issue No. 50, p. 19.

the provincial governments and the provinces retain constitutional responsibility for post-secondary education, it is most unlikely that meaningful dialogue on post-secondary education will ever take place. In times when revenues are scarce, no first minister is likely to let those concerned with education make important decisions entailing expenditures; in such circumstances, those concerned with the means (money) always will be far more influential than those concerned with the end (education).

An Assessment of EPF

Up to this point we have reviewed the factors leading to the introduction of EPF and the changes made to it since 1977. Having done this, we are now in a position to assess EPF against the five objectives established for the program at the time of its inception, which were outlined earlier in this chapter. In making this assessment, we are mindful that the federal government considers EPF as being two-pronged: first, it is a program supporting post-secondary education and health; second, it is a financial transfer essential to provincial treasurers. These five objectives can be categorized as either program-oriented or financial.

The first objective — to maintain standards of service across Canada — is program-oriented. In our view this objective cannot be realized unless the standards of service to be maintained are defined; furthermore, it is impossible to realize without the coordinated cooperation of all the provinces. Yet the third objective — provincial flexibility — almost ensures that such cooperation will not happen. We believe that the objective of maintaining standards of service in higher education has not been realized and will never be realized under the current legislation.

The second objective — to contribute to better planning of government expenditures — is a financial objective. The 1977 arrangement may have achieved this for the provinces; it has not done much for the federal government. The cash outlay under the original legislation exceeded expectations because of the substantial transitional payments; this was changed in 1982 when transitional payments were eliminated. Since then, EPF should have allowed the federal and provincial governments to plan expenditures, and perhaps would have had this effect if it had not been for the successive changes to the legislation in 1984 and in 1986. Nevertheless, we believe that the present arrangements could be successful in meeting this objective if current and successive governments would leave the legislation alone. History has shown, however, that this is not likely: the amounts of cash

involved in EPF are great and the need to reduce federal cash outlays is regarded as pressing. The second objective has not been realized.

The third objective — to give the provincial governments flexibility in the use of the EPF transfers — has been highly successful. The statement made earlier in the chapter by the Honourable Serge Joyal bears witness to this. Testimony by successive witnesses complaining about provincial redirection of federal funds is a further indication of success in meeting this objective.

The fourth objective — to bring greater equality among the provinces regarding federal transfers — has also been a success. Since the 1982 changes, all provinces receive equal per capita EPF transfers.

Finally, the fifth objective — to provide for joint federal/provincial policy discussions — can be considered a success if the relevant criterion is merely the number of meetings which have taken place. We do not believe, however, that this is a useful indicator; success should be measured by the positive conclusions realized and by the harmonizing of federal-provincial relations that result, not the number of meetings.

In the Committee's view, EPF may be a success as a financial program, but there is no way to determine its effectiveness as a program designed to support post-secondary education in Canada. Had standards for post-secondary education been included in the legislation as they were for health, our conclusion might have been different. The Task Force on Program Review (Nielsen Task Force) report, *Education and Research*, anticipated our feelings on this point:

However, the federal government did not establish any national standards with respect to transfers for post-secondary education. Groups on all sides of the argument have tried to fill this apparent gap by imputing standards or intent which are not expressed anywhere in the legislation. There is continuing disagreement over the meaning of the Act, and the commitments of the governments. This is a serious disadvantage.²³

The Committee believes that EPF has been a destabilizing influence on federal-provincial relations because it encourages the two levels of government to blame each other for deficiencies in the levels of financial support to post-secondary education. When a provincial government is criticized for inadequate support, it responds that the federal government reduced the money for post-secondary education through its 1982, 1984 and 1986 amendments to the legislation. When

²³ Task Force on Program Review (Nielsen Task Force), *Education and Research*, (Ottawa: Minister of Supply and Services, 1984), p. 26.

the federal government is criticized for reducing the money, it replies that the provinces are not spending it on education anyway.

The conclusions of the Nielsen Task Force review in this area are instructive:

In conclusion, the objectives of the EPF transfer are not clear and are a source of continuing controversy as to interpretation. It is questionable whether the arrangement is still appropriate. The problems in the EPF arrangement are sufficiently severe that serious consideration should, in the view of the study team, be given to other options. We note that provincial governments would likely offer them the combination of revenues and unconditionality with respect to post-secondary education that the present EPF arrangements provides. Nevertheless, in the view of the study team, it is of the greatest importance that the government develop a new direction in consultation with provinces.²⁴

Based upon the evidence presented, it would be logical for this Committee to call for the termination of the post-secondary portion of the Established Programs Financing arrangements. But finding an alternative to EPF — one which satisfies the fiscal requirements of the two levels of government and the needs of the post-secondary community, and is in keeping with Canadian constitutional realities — has eluded the federal government since 1952. In the first chapter we recounted how the per capita transfer which began in 1952 was refused by Quebec universities on the insistence of the Quebec government; it was viewed by Quebec as not in keeping with the constitutional division of powers. Only after changes were made in 1960 to the fiscal arrangements between the federal and Quebec governments were the universities in Quebec allowed to accept these transfers.

In 1967, the federal government attempted to meet the growing financial needs of the universities by introducing the *Federal-Provincial Fiscal Arrangements Act*. This statute recognized the truth that under the constitution, education is a provincial responsibility. But it did a lot more; it rolled federal support for post-secondary education in with general federal financial assistance to the provinces.

We also showed how this 1967 program led to problems. Because it was a “shared-cost” program, provincial governments felt that it was distorting provincial spending. The federal government, in turn, felt that it was not in control of its spending levels; furthermore, it felt that there was no recognition by the public of the substantial financial support for post-secondary education given by the Canadian taxpayers through the

²⁴ Nielson Task Force, *Education and Research*, p. 26.

federal government. Finally, both levels of government were upset by the extent and complexity of the work involved in auditing the program.

The 1977 Established Programs Financing legislation was meant to eliminate the difficulties of the past. But, as we have shown, it was far from fully successful. **It may be that the principal error of the federal government in establishing EPF was its reliance upon one omnibus piece of legislation to address both the financial balance of the country and the generation of a high quality post-secondary system, while at the same time recognizing the constraints of the Canadian constitution.**

The weaknesses in past programs have demonstrated that solutions will not come easily. In the chapters which follow, we will examine some of the issues related to post-secondary education that, in our view, will have to be dealt with if a high quality post-secondary education system within Canada is to be achieved.

Chapter 3: Equal Opportunity to Higher Education

Introduction

Almost everyone who appeared before the Committee commented on the importance of equal opportunity of access to our post-secondary institutions. We were pleased but not surprised that the principle of the right of access of anyone who is qualified and who has the desire to attend college or university was never questioned. This principle has been the major driving force behind the dramatic expansion of education throughout the western world.

There always has been a connection between religion and education. Moreover, since the time of Aristotle general education (as distinct from technical training) has been regarded as necessary for free people; hence the term, "liberal arts". Over the last three centuries these factors, the religious and the political, have led to the establishment of many colleges, especially in North America. In the affluent circumstances of the twentieth century, the view that education at the post-secondary level ought to be available to all able and willing to participate became the conventional wisdom. Post-secondary education for the most part has been the route to the learned professions. As our societies have come to rely more and more on highly complex technologies, education has come to be seen as essential to both private advancement and public prosperity.

Participation in post-secondary education increased dramatically in Canada after World War II. Public financial support for the access of veterans to universities was a demonstration of the belief in the advantages of encouraging young and talented people to continue their education. The push for equal opportunity gained great momentum in the 1960s. Sociologists and economists were claiming that education was the key to a brave, prosperous new world. Sociologists argued that social class was the single most important basis or overriding feature of socio-economic status in modern societies; occupational position in turn served as a crucial component of access to income and social status as property declined as the determining factor. As societies became technologically more complex and sophisticated, occupational training

increasingly came to be provided through the education system. Consequently, the amount of formal education attained by a person increasingly influenced his or her occupational choice.

Economists saw education as an investment that would yield high future benefits. For each additional level of schooling, net benefits could be calculated as the extra lifetime earnings associated with that level, minus the additional costs. According to the Economic Council of Canada in 1965, these net benefits, expressed as a return on investment accruing to the country, ranged between 10 and 15 per cent.¹ The Economic Council, in its *Second Annual Report*, stated:

The revitalization of education in Canada in the 1950s and 1960s is laying the basis for enlarging the contribution of education to Canada's future growth. This will be accentuated by a very much larger number of better educated young people who will enter the labour force in the remainder of this decade and in the 1970s. As already emphasized, these developments will not bring about a quick and substantial rise in the education stock of the labour force. Much of the benefit will be experienced in a prolonged and cumulative way over a period of several decades. But the benefits ultimately will be large. This reinforces the need for sustained and unflagging efforts to strengthen and extend the educational base for long-term future growth of the economy and the living standards of Canadians.²

Statements such as this gave strong impetus to the substantial growth in the post-secondary system in Canada, which saw full-time enrolment increase almost five-fold from 1960 to 1985.

The push for equality of educational opportunity at the post-secondary level continued unabated in the early 1970s. In Ontario, for example, the report of the Commission on Post-Secondary Education, entitled *The Learning Society*, held that: "The guiding principle of the province's policy of financing post-secondary education should continue to be universal access to appropriate education services for all who wish and are able to benefit from them."³

Canadians at large embraced the concept that more education was better. In a 1963 poll, the public revealed how completely it had absorbed this view: 60 per cent of Canadians agreed that a student should not leave school at age 16 even if he or she wanted to, while only 30 per cent said he or she should be permitted to do so.⁴ As if to

1. Economic Council of Canada, *Second Annual Review* (December 1965), p. 91.

2. *Ibid.*, p. 93.

3. Commission on Post-Secondary Education in Ontario, *The Learning Society* (Toronto, 1972), p. 147.

4. Paul Axelrod, *Scholars and Dollars: Politics, Economics and the Universities of Ontario, 1945-80* (Toronto: University of Toronto Press, 1982), p. 26.

convince by example, 39 per cent of Canadians in a 1965 poll confessed that leaving school too early had been their greatest mistake in life.⁵ In 1965, 89 per cent of Canadians agreed that more money for education would be needed in the next few years; only 7 per cent disagreed. A full 92 per cent of white-collar workers favoured increased funding and blue-collar workers showed an even higher appreciation for the value of staying in school than did professionals.⁶

With public opinion strongly in favour of increased participation, the universities and colleges in Canada expanded dramatically. Paul Axelrod in *Scholars and Dollars* describes the Ontario scene as follows:

The process through which individual universities expanded their facilities in Ontario occurred in a variety of ways. First, established institutions such as the University of Toronto, Western, and Queen's all undertook to increase their enrolments substantially throughout the 1960s. Second, denominational institutions in Ottawa, Hamilton, Windsor, Kitchener, and Sudbury were involved in a process of partial or complete secularization which led to government funding and then rapid expansion. Third, universities such as Lakehead and Guelph arose from the roots of existing institutes of post-secondary training. Finally, schools such as Brock and Trent developed from the activities of local community groups and evolved into chartered universities free of any formal association with other institutions of higher learning. York University can be viewed as a hybrid of the third and fourth approaches.⁷

In British Columbia, Victoria College, an affiliate of the University of British Columbia, received degree-granting status as a university in 1963; Simon Fraser University was established in 1965.

In all this heady expansion, the question of the quality of education never appeared at the forefront of the public debate. It was simply assumed that university administrators would never allow expansion to take place to the detriment of quality. The role of the university also never came into question; it was simply accepted that universities train the youth, advance our understanding of the world, and serve as the repositories of knowledge. The question of how graduates of our universities and colleges actually contributed to economic growth was overwhelmed by how much they contributed. It was presumed that as the economy became more complex, job requirements would be more complex while this in turn would lead to a greater demand for university and college graduates.

5. Axelrod, p. 26.

6. Axelrod, p. 26.

7. Axelrod, p. 55.

In his book, *The Culture of Professionalism*, Burton J. Bledstein shows that the notion of "professionalism" has been intrinsic to the views of middle class North Americans.⁸ The professions break the rigid class barriers found in the societies in which the majority of North Americans had their origins; they provide an opportunity for economic, social and personal advancement. As Bledstein makes clear, this has been true in North America since at least the middle of the nineteenth century.

Federal funding of post-secondary education passively supported the Canadian university system; as enrolment increased, federal transfers rose. The Canada Student Loans Program, established in 1964, was also part of the federal armament aimed at supporting the education of more and more Canadians. The Honourable Walter Gordon, then Minister of Finance, advocated the loan program with the argument that inadequate finances should not prohibit people from attending a college or university:

A university education or its vocational equivalent is the highest achievement of our educational system and it should be within the financial grasp of every young Canadian who is capable of making good use of it If we do not provide the means whereby all children with necessary abilities can share the privilege of higher education, then we are doing them a great injustice and denying our country a source of economic and intellectual benefit which we can ill afford to sacrifice.⁹

The Extent of Participation

The measures taken to encourage participation at universities and colleges in Canada have had their effect. Table 3.1 shows that full-time enrolment at colleges and universities increased from 163,000 in 1960-61 to 748,000 in 1985-86. It also shows that when these enrolments are converted to participation rates using the 18-24 year-old population as the base, participation has more than doubled, from 9.7 per cent to 23.2 per cent. For women, participation has more than tripled over the same period, from 7.4 per cent to 23.3 per cent. A closer examination indicates that growth in the total participation rate between 1975 and 1982 was due almost entirely to the increased participation of women.

A major drawback to the use of participation rates is the limited relevance of such information as an input to policy development. For example, a low participation rate in itself offers no insight into what

⁸ Burton J. Bledstein, *The Culture of Professionalism* (New York: Norton Press, 1976).

⁹ House of Commons *Debates* (July 14, 1964), p. 5442.

Table 3.1
Post-Secondary Full-Time Enrolment
(excluding Foreign Students)
and Participation Rates by Sex
1960-61 to 1985-86

	MALE		FEMALE		TOTAL	
	Enrolment	% of age 18-24	Enrolment	% of age 18-24	Enrolment	% of age 18-24
1960-61	100,612	11.9	62,531	7.4	163,143	9.7
1965-66	168,492	16.5	105,130	10.3	273,612	13.4
1970-71	288,737	21.9	186,811	14.3	475,548	18.1
1975-76	294,964	20.3	250,653	16.9	558,697	18.8
1980-81	316,468	19.3	293,083	18.1	609,551	18.7
1981-82	326,189	19.7	310,498	19.0	636,687	19.3
1982-83	347,643	20.7	332,695	20.2	680,338	20.5
1983-84	370,217	22.0	355,757	21.6	725,974	21.8
1984-85	377,965	22.6	368,367	22.7	746,332	22.6
1985-86	381,414	23.3	379,197	23.9	760,611	23.6

Source: Special tabulations for the Standing Senate Committee on National Finance by the Education, Culture and Tourism Division, Statistics Canada.

should be done, since the specific cause is never clear. It may mean that too few high school graduates are proceeding directly to college or university; alternatively, it may mean that too many of the young are dropping out of high school at an early age, thereby denying themselves the opportunity of attending a post-secondary school.

With the assistance of the Canadian Higher Education Research Network, a relatively new organization with a mandate to develop a national perspective for research in higher education, we asked Statistics Canada if data could be generated on the extent to which high school graduates are dropping out or moving directly to college or university. Table 3.2 sets forth the results produced in response to our request. This table shows the percentage of students who proceeded directly to college or university after high school graduation. (This percentage will hereafter be referred to as the transition rate.)

Table 3.2
Post-Secondary Enrolment Directly from High School
as a per cent of High School Graduates,
by Sex, for Canada *
1978-79 to 1985-86

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
MALES								
% of high school graduates to university	28.0	26.3	25.5	27.2	27.5	29.4	29.2	29.5
% of high school graduates to college	19.6	20.1	20.6	20.7	23.0	23.2	22.7	23.7
% of high school graduates to post-secondary	47.6	46.4	46.1	48.0	50.6	52.6	51.9	53.2
FEMALES								
% of high school graduates to university	22.1	21.3	21.2	23.1	24.2	27.2	28.4	29.2
% of high school graduates to college	19.7	20.4	20.9	21.6	23.1	24.1	23.3	24.0
% of high school graduates to post-secondary	41.8	41.7	42.1	44.8	47.3	51.3	51.7	53.1
TOTAL								
% of high school graduates to university	24.8	23.6	23.2	25.1	25.8	28.3	28.8	29.3
% of high school graduates to college	19.7	20.2	20.8	21.2	23.1	23.6	23.0	23.8
% of high school graduates to post-secondary	44.5	43.9	44.0	46.3	48.8	51.9	51.8	53.2

* These data have been calculated by the Education, Culture and Tourism Division of Statistics Canada especially for this study. They have taken into account the varying requirements for university and college entrance in each of the provinces.

Source: Education, Culture and Tourism Division, Statistics Canada.

The last row in Table 3.2 shows that from 1978-79 to 1980-81 the transition rate remained near 45 per cent. Since 1981-82, the transition rate has jumped dramatically, to just below 55 per cent in a five-year period. Also, these data show that while the transition rates for both men and women have increased considerably since 1980-81, the increase for women is even greater, rising from 42 per cent in 1980-81 to 53 per cent in 1985-86.

These transitions rates seem high, but for purposes of comparison, the only country that to our knowledge calculates such transition rates

is the Federal Republic of Germany. There, transition rates are slightly below 60 per cent; but while in Canada the rates are rising, in Germany they are declining. However, comparison of the rates in the two countries is difficult because the social, economic, and education structures are quite different. (To sound a note of caution, we add that these transition rates deal only with the movement of students directly from high school to college or university; they give no hint about the current influx of adults going back to school, nor do they reveal anything about the part-time student.)

Based upon these transition rates, **the Committee concludes that accessibility to college and university in its aggregate form is not a problem of national dimension.** With close to 55 per cent of high school graduates going directly to higher education — and with about 750,000 full-time students presently in our institutions, representing 23 per cent of the 18-24 age group — we believe that the federal government should not be disposed to advance policies or programs that are designed to encourage greater numbers of students to attend universities or colleges of Canada.

There are those who claim that enrolment will taper off, and even decline, in the 1990s and that encouraging more people into post-secondary schools is necessary at this time. We are skeptical about these or any enrolment forecasts because of the difficulty in making the necessary assumptions. For example, realistic assumptions made for the numbers of immigrants and for birth rates may be easy to make. However, those made for participation rates based upon the 18-21 or 18-24 age group are far more difficult. Rather than addressing this difficulty, most of those who make these forecasts assume a constant participation rate, which means that a fixed proportion of the 18-21 or 18-24 age group will attend a post-secondary institution over the period being considered. We have already indicated, however, that a growing percentage of high school graduates are going directly to college or university (see Table 3.3 below). In the face of these rising transition rates, the pool of high school graduates will have to decline, or the 18-21 or 18-24 source population will have to rise if the participation rate is to remain constant. In our view, guessing what enrolment will be in five years is a very difficult exercise; whoever makes such forecasts should not presume constant participation rates.

We asked Statistics Canada to make such forecasts for this study based upon their view of the most appropriate assumption for participation rates but were told that current departmental policy prevents them from doing so. The Committee regrets that this policy has been adopted; it hopes that Statistics Canada will reconsider its decision.

We are suspicious about forecasts of declining enrolments in the 1990s because they are based upon inadequate assumptions, particularly as regards participation rates. Enrolments were supposed to decline in the mid-1980s; this did not happen. The same may prove to be the case in the 1990s. In our view, if enrolments do decline in the 1990s, trying to increase accessibility across the board with general programs will not provide the remedy. **The Committee believes that the issue of accessibility is a distributional matter and therefore the focus should be on ensuring that there be fair access to higher education for adults, native peoples, the handicapped, and low-income groups, and furthermore that fair access should not be encumbered by provincial borders.**

It is not within our mandate to examine all these matters but we wish to comment on two of them: first, the provincial dimension, and second, participation from low-income groups.

Provincial Dimension

From Table 3.2 we see that for Canada the percentages of high school graduates who proceeded directly to post-secondary studies are high. When these same data are examined on a provincial basis, quite a varied picture emerges. Table 3.3 illustrates the transition rates by province for three years: 1979-80, 1982-83 and 1985-86.

Making interprovincial comparisons of transition rates is far from easy because of the structural differences in our high school and post-secondary systems. For example, Ontario has a system of Colleges of Applied Arts and Technology (CAATs) which provide technical and some general post-secondary training as an alternative to a university education; for the most part, CAAT graduates do not go on to university. Furthermore, Ontario retains a fifth year of high school and awards a graduation certificate after either four or five years of schooling. For the most part, five years of high school is required for university entrance while four years is sufficient for college admission. In Quebec, however, all high school students who wish to go to university must attend CEGEP for two years in the general program. Once these two years have been completed, the CEGEP general graduate requires three years of university to attain the Bachelor of Arts degree. In effect, the CEGEP general program serves the same purpose as the fifth year of high school in Ontario. The CEGEP system also offers a technical program. Students in this program receive training in specific skills. Like their counterparts in Ontario who complete the CAATs program, these graduates ordinarily do not go on to university.

In general, all provinces except Quebec and Ontario specify the successful completion of grade 12 as the basic requirement for university and/or college admission.

An additional complication is that the Alberta and British Columbia college systems are a hybrid between the Ontario and Quebec systems. These two western provinces offer both a transfer program for university entrance and a technical program. Other provinces such as Nova Scotia, already well endowed with post-secondary institutions, have chosen not to develop an extensive college system. Newfoundland is in the process of deciding whether or not to expand its college system somewhat along the lines of the CAAT system in Ontario.

Trying to make comparisons of transition rates among provinces is full of difficulties. For example, comparing the transition rate to college in Nova Scotia to that in Quebec is an "apple and orange" exercise; the two college systems are simply not comparable. Interprovincial comparisons of the direct movement from high school to university is also difficult. In Alberta and British Columbia, these percentages will be underestimated since some students who go directly to university do so from college. For Quebec, looking at the movement from high school to university means taking into account the movement from the last year of high school (equivalent to the 11th year of schooling) to the CEGEP general program and then to university.

Looking at transition directly from high school to post-secondary institutions, Table 3.3 shows that for both men and women since 1979-80, Nova Scotia, Quebec, Ontario and Alberta have transition rates consistently greater than the national average. Newfoundland, Prince Edward Island, New Brunswick and British Columbia, while below the national average, have transition rates which rise rather considerably over the three time periods. For Manitoba and Saskatchewan, the rates remain roughly unchanged over the three time periods. This varied pattern of transition from high school to post-secondary studies confirms to us that accessibility is a distributional matter; it depends upon the extensiveness of the college system in each province, the proximity of a post-secondary institution to the eligible student, the availability of student assistance, and many other factors. What is clear is that changing the pattern of accessibility is not likely to be affected by massive fiscal transfers like EPF.

Accessibility for Low-Income Canadians

Financial barriers to post-secondary education have predominated the debate on accessibility which began in the late 1950s. The Canadian Federation of Students (CFS) reminded the Committee of the concern:

Table 3.3
Post-Secondary Enrolment Directly From High School as a per cent of High School Graduates,
by Sex, by Province*
1979-80, 1982-83, 1985-86

	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Canada
1979-80											
MALES											
% directly to university	27.8	23.2	41.6	26.8	27.6	30.2	35.5	27.4	17.8	17.1	28.0
% directly to college	5.2	7.9	9.5	6.9	24.1	18.8	4.7	4.5	32.5	19.3	19.6
% directly to post-secondary	33.0	31.1	51.1	33.7	51.7	48.9	40.2	32.4	50.4	36.4	47.6
FEMALES											
% directly to university	22.6	20.7	38.7	24.0	25.2	24.6	29.3	22.1	19.4	14.1	22.1
% directly to college	7.8	13.9	8.6	7.3	18.5	21.3	3.6	7.0	32.3	19.9	19.7
% directly to post-secondary	30.3	34.6	47.3	31.3	43.7	45.9	32.7	29.1	47.7	34.0	41.8
TOTAL											
% directly to university	25.0	21.8	40.0	25.3	26.3	27.2	32.1	24.7	16.5	15.5	24.8
% directly to college	6.6	11.3	9.0	7.1	21.0	20.1	4.1	5.9	32.4	19.6	19.7
% directly to post-secondary	31.6	33.0	49.1	32.4	47.4	47.3	36.2	30.6	48.9	35.1	44.5
1982-83											
MALES											
% directly to university	30.3	22.7	51.3	27.6	29.0	31.0	43.1	33.7	22.6	15.4	27.5
% directly to college	4.9	6.5	9.7	6.2	23.3	24.0	4.8	4.5	34.5	21.7	23.0
% directly to post-secondary	35.2	29.2	61.0	33.8	52.3	55.0	48.0	38.2	57.1	37.1	50.6

FEMALES

% directly to university	29.2	25.6	44.9	26.8	28.3	26.6	34.3	28.2	19.3	13.8	24.2
% directly to college	8.0	17.1	7.4	7.8	21.2	24.5	4.2	7.4	34.8	21.5	23.1
% directly to post-secondary	37.2	42.7	52.3	34.6	49.5	51.1	38.5	35.6	54.1	35.2	47.3

TOTAL

% directly to university	29.7	24.3	47.7	27.2	28.7	28.7	38.5	30.7	20.8	14.5	25.8
% directly to college	6.5	12.4	8.1	7.0	22.2	24.3	4.5	6.1	34.7	21.6	23.1
% directly to post-secondary	36.3	36.7	50.7	34.2	50.8	52.9	43.0	36.8	55.5	36.1	48.8

1985-86**MALES**

% directly to university	32.0	29.1	56.1	34.6	26.0	32.5	34.4	29.2	26.7	17.4	29.5
% directly to college	11.4	4.3	6.3	7.8	26.6	25.4	4.9	3.3	38.7	28.1	23.7
% directly to post-secondary	43.4	33.4	62.4	42.5	52.5	58.0	39.3	32.5	65.4	45.6	53.2

FEMALES

% directly to university	35.3	34.0	55.9	33.6	27.8	30.9	31.6	28.5	27.1	16.0	29.2
% directly to college	12.5	10.8	10.2	7.0	27.9	25.0	4.9	6.3	36.7	28.8	24.0
% directly to post-secondary	47.8	44.8	66.1	40.5	55.7	55.9	36.5	34.8	63.8	44.8	53.1

TOTAL

% directly to university	33.7	31.7	56.0	34.1	26.9	31.7	32.9	28.8	26.9	16.7	29.3
% directly to college	12.0	7.9	8.4	7.4	27.2	25.2	4.9	4.8	37.7	28.5	23.8
% directly to post-secondary	45.8	39.6	64.4	41.4	54.2	56.9	37.8	33.7	64.6	45.1	53.2

* These data have been calculated by the Education, Culture and Tourism Division of Statistics Canada especially for this study. They have taken into account the varying requirements for university and college entrance in each of the provinces.

Source: Education, Culture and Tourism Division, Statistics Canada.

Not only is the quality of post-secondary education declining, our institutions are becoming less and less accessible to people from low-income backgrounds. Broadly accessible post-secondary education is not yet a decade old and is quickly becoming a dream of the past. Rising tuition fees, inadequate student assistance programs, heavy debt loads and high returning student unemployment rates are all factors in making our system less accessible.¹⁰

Tuition fees, incidental fees, costs of room, board, and transportation are examples of items which are considered financial impediments for qualified students from low-income families. The CFS indicated that the effects of rising tuition fees is to increase the student debt load, which young people from lower-income groups are less willing to incur:

As was mentioned before, tuition fees are rising rapidly. An increasing portion of student assistance is given in the form of loans rather than grants, which leads to higher and higher debt loads. Students are graduating with debts of \$10,000, \$15,000 and even \$20,000 for a bachelor degree. A study carried out by Paul Anisoff shows that tuition fees and debt loads are the two most significant barriers to post-secondary education for people from low-income backgrounds. If the present trend continues, post-secondary education in Canada will become a privilege of the wealthy.¹¹

In a background paper prepared for the Commission on the Future Development of the Universities of Ontario (Bovey Commission), the author, David Stager, argued that rising tuition fees are unlikely to have much effect on enrolments because fees represent only a small portion of the costs of a university education:

When foregone earnings are taken into account, tuition fees represent less than ten per cent of students' costs. An increase in fees of ten per cent would thus be an increase of only one per cent in the total cost of education.¹²

But decisions to attend university are not based solely upon tuition fees. The effects of lower-income family background on post-secondary attendance are often felt long before graduation from high school is a prospect. This conclusion was apparent more than a decade ago to the Honourable Bill Davis, then Premier of Ontario, who is reported to have said:

... the problems of low-income students originate long before the post-secondary level — often as far back as Grade 2. Even if

¹⁰. *Proceedings*, Issue No. 35, p. 8.

¹¹. *Proceedings*, Issue No. 35, p. 9.

¹². David Stager, *Accessibility and the Demand for University Education* (Toronto: The Commission on the Future Development of the Universities of Ontario, 1984).

university tuition were free . . . many of these students would never get to university.¹³

The Committee believes that when a student is unsettled or lacks motivation, educational costs often are stated as the reason for dropping out after high school. We are supported in this view by a recent Council of Ontario Universities study on accessibility:

...a well-motivated student with the requisite high school preparation can attend university in Ontario, although he (or she) may have to live in a spartan manner or work part-time. Increasing accessibility beyond this minimum probably involves increasing opportunities for prospective students who are ambivalent, poorly motivated, inadequately prepared, or misinformed about the value of future education.¹⁴

The Committee is also convinced that even if tuition fee levels fell to zero, the percentage of high school graduates who fail to go directly to college or university would not be affected substantially. Public elementary and secondary education is already costless to the users, yet there are still a substantial number of functionally illiterate people in Canada.

We recognize that in Sweden, where there are no tuition fees, students from high-income families are more likely to chose longer university programs.¹⁵ When the Association of Community Colleges of Canada (ACCC) appeared before the Committee, they indicated that in Canada, it is the colleges which are the vehicle of universal access for Canadians to a post-secondary education. We suspect that there is a great deal of truth in this statement, particularly because colleges are closer to the homes of students, and the programs are shorter.

Nevertheless, this is a point which disturbs the Committee. If the ACCC is correct, then high school graduates from lower-income families, living in provinces with less well-developed college systems, or even none, are less likely to attend post-secondary institutions. We do not think that this should be the case; accordingly, we believe this issue should be considered within the context of a full review of student assistance, which is sorely needed.

We are also mindful of the findings of a 1981 study by Robert Pike who concluded that for Canada:

¹³. The Hon. Bill Davis, Premier of Ontario, as quoted in *The Toronto Star* (March 30, 1971).

¹⁴. Laura Selleck, *Equality of Access to Ontario Universities* (Toronto: Council of Ontario Universities, 1980), p. 13.

¹⁵. Stager, p. 29.

there was no indication that the university expansion (in the 1960s) had been accompanied by more than a small increase in the participation rates of students of lower class origins relative to the participation of students from the more privileged classes In other western countries . . . the picture would appear to be generally similar: for example, in Britain, France and the United States . . . the state universities and the prestigious private institutions continue to draw from predominantly middle and upper middle class populations.¹⁶

In view of the fact that tuition fees have remained relatively stable while incomes have risen, this conclusion concerns us. It means that access to post-secondary education does not begin with zero or low tuition fees; it begins as an issue very early in the child's life. Education is very important to some families, but not to others. It is more often important in families where the parents have received higher education. Overcoming this is not a matter of better student aid; it is a matter which must be addressed early in the child's career, possibly as early as grade two, as suggested by the Honourable Bill Davis.

In their study, *Becoming Adult in a Changing Society*, undertaken for the Organization for Economic Cooperation and Development (OECD), James S. Coleman and Torsten Husen have demonstrated the current concern in all western countries about the link between family, school, and higher education. For these authors, it is the school system which must change dramatically to accommodate these young people whose relationships with their families does not strengthen the importance of the increased levels of education.

Conclusions

We have shown in this chapter that getting more young people to attend college or university should not be one of the chief objectives of the federal government in the field of post-secondary education. Our data on transition rates show that close to 55 per cent of high school graduates move directly to college and university. In so far as improving accessibility is concerned, the priority should now shift to removing disparities among specific groups. **Improving accessibility for people from lower-income families and facilitating re-entry for adults cannot be achieved by massive federal transfer programs like EPF. Rather, these problems are dealt with by programs aimed at specific problems.**

¹⁶ Robert Pike, "Sociological Research in Higher Education in English Canada 1970-1980: A Thematic Review" in *Canadian Journal of Higher Education* (Volume XI, Number 2, 1980), p. 5.

Furthermore, student aid programs will only have a marginal effect on participation by children from lower-income families. In order to increase their participation, programs would have to be targeted to helping them much earlier in their educational careers. Also, a greater commitment will be necessary to address the educational needs of their parents. We must emphasize however that these are not areas where the federal government has any jurisdictional responsibility.

Chapter 4: Research and Excellence

Introduction

In this chapter we shall deal only with the research work that is financially supported through the general operating grants of the universities and through the direct grants which academic scholars and scientists receive from either the Social Sciences and Humanities Research Council (SSHRC), the Natural Sciences and Engineering Research Council (NSERC) or the Medical Research Council (MRC). We will not examine the research done within federal government departments or agencies, such as the work done at the National Research Council or at research stations of Agriculture Canada. In this regard, however, the Committee believes that the government should review the effectiveness of in-house research in comparison to contracting out to the universities.

In our efforts to promote excellence at our universities, research holds a central place. The public views research as important because it aims at and often achieves specific results. But the achievements of research are far more complex than that. A definition of university research which the Committee likes is found in a pamphlet entitled *An Anatomy of Research*.¹ This definition classifies research into three parts: the elements of research form the first part; the spectrum of activities which comprise research form the second; and the values of research to society form the third. These three parts are described below:

- Part One Research is the creative work of an energetic mind stimulated by curiosity about a problem of understanding. The force which drives research is what the poet Wallace Stevens took as his major theme, man's rage for order.
- Part Two Both frontier research and reflective inquiry are part of the spectrum of man's understanding because research combines data and ideas in connections which are often made with bewildering complexity; research is separated

¹ John Leyerle, *The Anatomy of Research*, (Toronto: University of Toronto, Office of Research Administration, 1976), pp. 2, 5 and 7.

into types for purposes of categorization, not for correspondence with the activities of research itself.

Part Three Research is valuable for its results, for its capacity to vivify university teaching, and for the way it fosters intellectual curiosity in those educated in a research-oriented university. These three values combine to form a fourth value, namely a reservoir of trained people and equipment at a university doing research over a wide variety of subjects.²

In this chapter we examine two research themes which dominated our hearings: underfunding and the deterioration in quality. In drawing conclusions and making recommendations about these themes, we have kept in mind the above definition, particularly its observations that separating research by type does not correspond with the true activity of research, and that achieving results is only one of its values to society.

The Underfunding of Research

When the AUCC appeared before the Committee, they stated that in their view this government has been negligent in failing to meet the needs of the three granting councils as indicated in their five-year plans:

In February of 1986, the Minister of Finance announced the guaranteed funding levels for three federal granting councils for the fiscal years from 1986-87 to 1990-91. Despite a claim that federal support to the councils will increase by \$315 million over that period,³ the fact remains that the guaranteed base of budgets of the councils will be frozen during the next five years, except for a modest increase in 1986-87. If we assume an inflation rate of only 4 per cent annually to 1990-91, the purchasing power of the assured base for funding for the councils of grants will decline by 18 per cent to the end of the decade.

We supported the five-year plans of the three granting councils and we believe that the levels of funding called for in these plans must be provided if Canada is to compete successfully with its major international competitors in the coming years. The base funding guaranteed for the councils for the next five years is, in our view, clearly inadequate.⁴

Many witnesses recounted the effects of underfunding on the state of research facilities in universities and the equipment the researchers must use. However the underlying theme that ran through all testimony

² *Ibid.*

³ The claim by the federal government that the granting councils' budgets will increase by \$315 million is based upon the necessary criterion that the private sector will provide an equivalent matching grant.

⁴ *Proceedings*, Issue No. 45, p. 9.

was not the insufficient support for university research in general, but the inadequacy of support for the overhead costs of research.

Mr. David G. Vice, President of Northern Telecom, stated that the research supported by the granting councils covers none of the overhead costs:

Zero overhead means that the grant does not pay for any indirect costs and for many of the direct costs associated with the proposal. Thus NSERC grants do not pay for light, heat, laboratory space, secretarial support, or other administrative services. They do not cover released time for the principal researchers for support services within the laboratory. All of these costs fall on an already strained university budget. Grants with zero overhead pay only for equipment immediately needed by the project, along with stipends for the graduate students and research assistants who are fully involved with the proposed work.

While the situation varies considerably from institution to institution, the dearth of reliable and up-to-date equipment in many universities has come to such a pass that there is an understandable fear of negative publicity. Stories abound, however, of antiquated technology, mainframes that are so overused that undergraduates are forced to log-on after midnight, and electronic gear that should have been abandoned many years ago forced back into continuing use.⁵

It may be that the situation has become far worse than Mr. Vice described. While the granting councils do not have a mandate to meet any of the overhead costs of research, some universities have become less generous in meeting these costs, thereby forcing some researchers to misuse granting council funds. Dr. J. Fraser Mustard, President of the Canadian Institute for Advanced Research (CIAR), compared the inadequacy of research support in Canada to the situation in the United States:

In the U.S. institutions, where the full costs of research are funded, if you are moving with the research field and are successful with it, you can keep on growing provided you are successful in receiving the money, because you are receiving the full cost. Whereas, the more successful our institutions become, the more they have to penalize their education budget, which puts on a very tight frame of competition and pressure within the institution. Basically, I am referring to freeing our system up by paying those actual indirect costs, which I think is something the federal government could do and which does not contravene our federal-provincial relationships, in my naive understanding of the political structure of Canada.⁶

⁵ David G. Vice, *Post-Secondary Education In Canada: A Capital Investment*, (Northern Telecom, January 1986; A Submission to the Standing Senate Committee on National Finance), Part II, p. 17-18.

⁶ *Proceedings*, Issue No. 36, p. 10.

Dr. Pierre Bois, President of the MRC, also indicated the need for such funding:

Unquestionably, there is an urgent need for adequate funding for indirect costs, otherwise the whole of the research effort in the health sciences will be compromised.⁷

Dr. Douglas Wright, President of the University of Waterloo, told us that the University of Waterloo was particularly vulnerable to the lack of funding of overhead costs. He indicated that some "research universities" are reaching the point where they can no longer accept any additional research grants.

For research funding, there are several reports and analyses that say the capacity of the universities to carry on research at the margin has been exhausted and that now the federal research granting councils must move to fully fund research support. We believe that such investment would produce an enormous return from the research universities that are so important to this country. The recently published Natural Sciences and Engineering Research Council five-year plan proposes a move in this direction.⁸

The existence of research universities is not a new phenomenon. Research universities became dominant in Europe, especially in Germany, in the nineteenth century as experimentation in science became a key feature of the development of knowledge, and as the scientific method entered our culture as an accepted way to acquire knowledge. While this German influence was especially relevant to the development of American universities, the Oxford-Cambridge traditions predominated in the early years of most Canadian schools. In more recent years, as research activities have grown in importance at many Canadian universities, the issue of the funding of the overhead costs of research has also grown in importance. Dr. Wright graphically described the plight of Canadian universities, compared to their American counterparts, in their struggle to meet overhead costs:

In fact, it is through (overhead costs) that the great American universities are able to survive. I think it is important to note that it is often said there is no Massachusetts Institute of Technology (MIT) in Canada or, for that matter, no Harvard. In fact, if MIT were removed from Massachusetts to Canada, it would shrivel up and die under our policies; it could not survive.⁹

In 1986-87, the three granting councils expect to receive a total amount of \$562 million; \$70 million or 12.5 per cent of the total to the

⁷ *Proceedings*, Issue No. 32, p. 25.

⁸ *Proceedings*, Issue No. 24, p. 8.

⁹ *Proceedings*, Issue No. 24, p. 11

SSHRC; \$324.1 million or 57.7 per cent to NSERC; and \$167.9 million or 29.9 per cent to MRC.

After 1967 the federal government gave indirect support to the overhead costs of research through its fiscal transfer payments under the *Federal-Provincial Fiscal Arrangements Act, 1967*. Under this statute, the federal government agreed to meet 50 per cent of the eligible operating expenditures of the post-secondary system in each province. Included in these eligible expenditures were many of the items which make up the overhead costs of research, items such as heat, light, office space, computer facilities and administration. In this way, half the overhead costs were borne by the federal government through these general transfers. But since the enactment of EPF in 1977, the only relationship between federal transfers and the proportion of the overhead costs of research covered has been in respect of the volume of research activities carried out in 1975-76, which was the base year for determining the EPF entitlement.

The provincial governments also do not provide specific direct support for the overhead costs of research in universities. For the most part, they provide general operating grants to their universities on the basis of enrolments or on the basis of increments over previous years. If a university chooses to put greater emphasis upon research, it must draw the money to pay the overhead costs from its general grants or other sources.

The problem has been exacerbated in the past five years as universities have tried to wrestle with scarce financial resources and unabated demands from all their component parts. Dr. Bois summed up this problem in the following way:

The Canadian system developed very well during the sixties and early seventies and provided for the establishment of a significant research base in biomedical research in Canadian universities. The situation deteriorated, however, by the mid- to late-seventies with the shrinkage of university budgets. The universities found it progressively more and more difficult to assume the overhead costs of research. Some of the funds provided by MRC to cover the direct costs of research were requested and diverted to cover "other costs" that in the past had been considered the responsibility of the universities, such as auxiliary assistance, maintenance of animal facilities, services like photography, xeroxing and computers.¹⁰

This approach — the funding of the direct costs of research through the granting councils, with the overhead costs being paid

¹⁰ *Proceedings*, Issue No. 32, p. 24.

through general grants from the provinces to the universities and teaching hospitals — follows the British pattern. The opposite is the case in the United States; there the granting councils cover both the direct and overhead costs of research.

The Committee believes that the overhead costs of research must be financed adequately; it recommends that the budgets of the granting councils be increased to meet this need. While all three granting councils support this recommendation, both the SSHRC and MRC warned that if the granting councils were to include an amount in their grants to cover overhead costs, this would artificially inflate their budgets, thus giving the false impression that more research is being supported. Some concern was expressed by MRC representatives that increasing the size of the grants could increase the influence of the granting councils over universities. The Committee is not convinced of this; **the universities are so disproportionately dependent on provincial grants that increasing the proportion funded by granting councils probably would be a positive step. The Committee believes that this is to be preferred because funding through granting councils is determined on the basis of quality, a criterion which we believe should receive greater and more critical attention in determining the overall level of university funding.**

While he supported increased funding of universities to meet the overhead costs of research, Dr. William E. Taylor, President of SSHRC, warned the Committee that there is considerable uncertainty about how to measure these costs. Universities calculate their overhead costs differently; funding the actual overhead costs of each grant in each university could lead to accounting problems. We note, however, that this is done in the United States without seeming to overburden the system; we believe it should be investigated for use in Canada.

In 1982, the Canadian Association of University Business Officers (CAUBO) produced a document entitled *Report on the Costs of University Research*.¹¹ CAUBO's objective was to arrive at a universal formula for supporting these overhead research costs. CAUBO identified the overhead costs of research for four major faculty groups:

1. education, including physical education;
2. humanities, fine arts and social sciences;
3. business, administration and law; and
4. physical and applied sciences.

¹¹ Canadian Association of University Business Officers, *Report of the Study on the Costs of University Research* (August 1982).

Medical research as funded by MRC was excluded because much of this work is carried out in hospitals where the operating costs are paid for from different sources and the overhead costs are calculated differently.

CAUBO has estimated that the overhead costs of research can range from 50 to 104 per cent of direct costs, depending on the definition of direct costs. **The Committee thinks that the Canadian Association of University Business Officers' study on the overhead costs of research is a very useful contribution to the determination of the value of the overhead costs and could be used as the basis for developing a formula for funding the overhead costs.**

CAUBO's advice already is being used by the Department of Supply and Services (DSS) in their guidelines to government departments that contract for research with universities.¹² This directive sets the contribution to the overhead costs at a maximum of 65 per cent of the direct payroll costs. Because the DSS guideline is set as a maximum, government departments such as Transport and Agriculture have attempted to contract with university researchers at less than 65 per cent. When the university administration suggested that the academic researchers not sign such contracts with less than 65 per cent for overhead, academics have protested that they will lose these contracts to staff at other institutions that will accept less than 65 per cent; further, they believe this situation will ultimately harm the reputation of their universities because the quantity of research they do could dwindle considerably. To exacerbate the problem, some government officials are reported to have told researchers that if they insist on 65 per cent for overhead costs, less will be available for the actual research. Officials from some universities in Ontario and New Brunswick have recounted their experience with such tactics.

It would seem that government departments are taking advantage of the present situation by playing the academics against the university administrators. **The Committee recommends that when government departments conclude agreements with academics for contracted research, an additional, non-negotiable 65 per cent of the payroll costs be included for overhead.** We appreciate that this may upset some academic researchers because less may be available for the direct cost of contracted research, but we believe that less research adequately funded is better than more research inadequately supported. The departments should not be permitted to attempt to exploit the universities.

¹² Department of Supply and Services, "Pricing of Research and Development Contract with Universities and Colleges", Directive No. 4005 (May 31, 1985).

The Deterioration in the Quality of Research

In the beginning of this chapter we provided a definition of research, one part of which addressed its benefits. Often we take these benefits for granted without considering either the substantial efforts and dedication required by scholars and scientists or the importance of establishing and maintaining a salutary climate in which to conduct the research work. Yet many of the witnesses indicated that the quality of our university research is threatened. This is not a matter of research being worse today than a decade or two ago; rather, it is the fact that our approach to research and the methods of funding it are out of tune with current requirements. In this context, it is the international reputation of our universities that is at stake. When Dr. Ron Watts, who had been a member of the Bovey Commission, was asked whether Canadian universities were "third rate", he indicated that an unpublished study prepared for the Bovey Commission led him to conclude that with respect to research "most of our universities would be in the top quartile of American universities, but that few are in the top decile."¹³

In responding to the charge that Canadian universities are mediocre, Dr. George Connell, President of the University of Toronto, stated:

So if you use the term "mediocrity", I think that might suggest that on the average our universities do not reach the very highest points, but, I think within universities you do find experiences which do reach those high points.¹⁴

It would seem that while there may be pockets of quality scholarship in Canada research in general at Canadian universities is failing to reach the high quality levels attained at leading universities throughout the world.

One factor contributing to our fair-to-good, but rarely excellent, rating is the perception of the way in which quality research is accomplished. At one time a highly qualified researcher, once so identified, was funded in whatever subject he or she chose. But today the nature of research is different. Dr. Steven Muller, President of Johns Hopkins University, claimed in an article in the *New York Times* that research today is multidisciplinary and highly dependent upon collaborative efforts. He stated:

At Johns Hopkins today, and presumably at the nation's other major research universities as well, every interesting idea being advanced

¹³. *Proceedings*, Issue No. 22, p. 23.

¹⁴. *Proceedings*, Issue No. 47, p. 22.

cuts across existing disciplines and draws on scholarship from several colleges.

Lawyers, mathematicians and economists now work together to contain hospital costs. Astrophysicists are working with chemists to study the earth's atmosphere. Philosophers may soon be collaborating with linguists, psychologists, neurologists and engineers to probe the secrets of the brain. Such ventures represent the cutting edge of research in higher education today. They also represent a fundamental challenge to the internal structure of the contemporary research university.¹⁵

He concluded the article as follows:

At this point, then, the American major research university confronts, ever more sharply, a structural crisis. The progress of knowledge and the urgent need for support demand multidisciplinary reintegration and collaboration, while the existing structure is departmentalized and excessively individualized.¹⁶

Dr. Taylor told us that more interdisciplinary research is necessary in the social sciences since "insights and understanding of problems are often best seen from a multi-disciplinary perspective and through persistent focused research."¹⁷ Dr. Bois made the same point regarding medical and health research when asked by the Committee how he would like to see medical research organized:

If you would like me to reorganize the system, I would say that perhaps it would be better, probably, if all the activities that are relevant to medicine and health were within one large organization — (this would yield) better contacts, and, in the end, probably a better analysis of a number of problems.¹⁸

Dr. Mustard illustrated the need for interdisciplinary research by using as an example the health status of a population. He said that most people believe that health care, as administered by the medical profession, is an important determinant of health status. Drawing on the work of Tom McKeown on tuberculosis, he indicated that the substantial drop in the mortality rate from 400 per 100,000 to 20 per 100,000 in the mid-1800s in England occurred before medicine had any practical impact. The factors influencing this change were social; cultural and economic.¹⁹

¹⁵ Steven Muller, "Newest Research Ideas Coming from Centres: Multidisciplinary Activities Challenge Structure", in *New York Times Education Fall Survey* (November 10, 1985), p. 23-24.

¹⁶ *Ibid.*, p. 24.

¹⁷ *Proceedings*, Issue No. 32, p. 5.

¹⁸ *Proceedings*, Issue No. 32, p. 29.

¹⁹ Thomas McKeown, *The Modern Rise of Population* (London: Edward Arnold Ltd., 1976), p. 50-51.

A second example given by Dr. Mustard showed that the death rate in the United Kingdom increases six-fold after people become unemployed. He indicated that, at the CIAR, he has been interested in looking at the effects of unemployment and other economic, social, and cultural changes on the health status of the population. He stated:

I have been trying for two and a half years to put this program into place; that is, in effect, to find a leader out of the social sciences who could head this project in Canada. It has international ramifications. It has not been done in any other country; the Swedes have not been able to do it yet. They want to marry the life sciences and the social sciences so as to ask some fundamental questions about what is going on here. It can now be done with modern epidemiology techniques, and so on. We would like to put it in place. It is through an attempt to bring that about that I have learned that we simply do not have the strength in the social sciences in Canada to do so. I am not sure of the life sciences, either, but I am more optimistic about them.²⁰

This is a sorry comment on the ability of our social scientists — but even more so on the ability of our researchers in general and on those responsible for financing research — to frame the questions that encourage such interdisciplinary research. This problem became very real recently when an effort was made to bring together social scientists from various disciplines for the Macdonald Commission. The Commission felt so strongly about the isolation of the disciplines that they had this to say:

We have also discovered a considerable degree of disciplinary isolation. Economists, political scientists and lawyers working with this Commission were happy to try to work together, but it became obvious at an early stage of our project that they had had little experience in doing so. This situation left Commissioners and staff with significant problems in trying to devise an integrated approach to the materials available.²¹

We suspect that the criticism is equally valid for the medical and natural sciences.

The three granting councils do not have any intercouncil program to encourage interdisciplinary or collaborative research. Rather than actively encouraging the research community to collaborate and venture into new areas, the three councils have supported only passively interdisciplinary research by dealing with requests on an ad hoc basis. The result is virtually no projects supported jointly by two or more councils.

We suspect that there is insufficient interdisciplinary research being conducted today but the testimony we heard was inconclusive.

²⁰ *Proceedings*, Issue No. 36, p. 30.

²¹ Macdonald Commission Report, Vol. 2, p. 755.

This question warrants more attention; it is one which the Research, Science and Technology Committee in the House of Commons might wish to consider. If this kind of collaboration is found to be inadequate, an option to be considered might be to index to inflation the base budgets of the three granting councils on the condition that this increase be used, as a minimum, to support interdisciplinary research.

But even collaborative efforts on occasional specific projects is not enough. The bringing together of scholars, scientists, technicians and support staff in one centre on a reasonably permanent basis is also an essential prerequisite for the increase of our knowledge. Dr. Mustard pointed out that teamwork is the key at the Canadian Institute for Advanced Research (CIAR):

We are doing that on a national basis and linking the people together through modern communications technology and through the simple device of a travel budget that allows them to interact with each other for periods of time. Having selected the field and identified the talent, we recruit the faculty members as fellows of the Institute; we pay their full costs; they become our fellows. We are like an MIT or a Princeton. We select the field; we select the people; but leave them in the university.²²

In response to the recognition of the importance of creating teams of highly qualified talent to generate research of an international calibre, much attention has been given recently to the possibility of supporting research centres. In 1983-84, the secretary of state supported this flurry of activity by creating a Centres of Specialization Fund to assist universities to create new capacities or improve existing strengths in research and human resource development. This program, which ran for just over two years, distributed approximately \$25 million. While the Fund had some successes, it also had its drawbacks. First, it was designed to be short-lived and therefore did not serve the needs of centres which required multi-year support to pursue long-term research but had no other sources of funding. Second, it was administered by the secretary of state and viewed by some provinces as susceptible to political interference. Third, the Fund supported some new initiatives and therefore was susceptible to the criticism that bureaucrats were picking winners rather than supporting winners wherever they have emerged.

At about the same time as the conclusion of the secretary of state program, the Johnson Report called for the creation of a "centres of excellence" program as the vehicle for "mobilizing the resources and the talents of this large and sparsely populated country into a kind of critical mass."²³ These centres would, for the most part, be institutes

²² *Proceedings*, Issue No. 36, p. 12.

²³ Johnson, *Giving Greater Point and Purpose*, p. 34-35.

within universities, but separate from individual faculties. Their location, their areas of study, and their funding vehicles would be determined by a blue-ribbon committee.²⁴ Every witness who addressed the need for centres of excellence agreed that they are a necessary engine for pushing Canadian research to the forefront. Some argued, however, that centres cannot be created by a blue-ribbon committee because governments have never been successful in creating winners. The Committee agrees with this remark and supports the following assessment by Dr. Wright of the Johnson Report's blue-ribbon committee:

There has been talk of centres of excellence, as in the case of Mr. Johnson's report, and I agree with all of his report — except where he talks about centres of excellence, because he suggests that somehow some ministers or deputy ministers in Ottawa might be able to designate excellence. With the greatest respect, excellence must be won, not only once but every day, through what we do. What I think we need are systems of finance more like the American, which reward achievement, thereby establishing excellence and supporting it when it is achieved, but demanding that it continue to be performed, thereby creating great stimulus of others to perform in that same fashion.²⁵

We believe that critical masses of talent should be encouraged in Canada. Yet support by NSERC is focused upon the individual. To exacerbate the problem, the individual researchers are supported regardless of where they undertake their research. No special effort is made to support quality work at selected locations across Canada so to encourage the formation of the "critical masses". Quality research, particularly in the natural sciences, requires more than top quality researchers; the gathering of a team including technicians and other support staff does not occur easily or quickly.

If research centres are required, we must consider how they are to be created. Proposals for research centres to generate excellence at our universities are common; however, the designation "centres of excellence", the term most frequently used, is unfortunate. First, often it does not describe accurately what is being recommended. Second, it is invidious.

Our stress on excellence in research should not be construed as calling into question the proposition that the formation of young minds by our universities is of vital importance in any society; the expression "transmission of knowledge", which reminds one of Dickens' "Mr.

²⁴ *Ibid.*, p. 35.

²⁵ *Proceedings*, Issue No. 24, p. 19.

Gradgrind", is dangerously misleading. Nor do we subscribe to the distinction between "teaching universities" and "research universities": successful teachers always are doing research of the kind appropriate to their fields. Subject to what we have said about overhead costs, that kind of research already is being supported more or less adequately by the universities through faculty salaries and by the granting councils. What we have in mind now is centres of fundamental research, places where scientists can concentrate on research. We do not say "scholars and scientists" because we think that research of the kind done by scholars in the humanities and the social sciences for the most part could be done reasonably well within the standard university framework if adequate provision is made for sabbatical leave by restoring for example the leave fellowships cancelled by SSHRC in October 1986. Alternatively, we do not wish to exclude any social science research or any medical research that impacts on or interrelates directly with the fundamental natural science research.

What was required in the past when fundamental scientific research was to be undertaken was relatively simple: able, industrious scientists and appropriate equipment. At least two new considerations have become important. First, the rapid pace of the advance of research and the fact that often the traditional departmental structures of universities no longer correspond to the realities being studied mean that institutional circumstances fostering cooperation are necessary. Second, the cost of the most modern equipment in some fields, particularly in the natural sciences, is so high as to be prohibitive unless shared by a number of users.

We believe that fundamental research is most likely to be done at least cost and most successfully in a university environment. For one thing, the questions, enthusiasm, and encouragement of first-class students help motivate and support the research scientist; in a sense, they give him or her a demanding audience. What we have in mind is an arrangement in which a scientist would devote, as an example, one third of his or her time to teaching, with one third of his or her salary coming from ordinary university funds.

What is to be supported? Clearly the project model is attractive: it requires the statement of objectives, the description of methodology, and a timetable — all features highly attractive to the careful administrator, who feels obliged to demonstrate that value is likely to be received for money granted. The defect is that fundamental research often cannot be accommodated by a strictly applied project model. Consequently, the full costs of long-term programs of research should be supported through the core funding of the activities of specific research centres at designated institutions.

Let us assume that the Government of Canada agrees to support the research programs of designated centres at Canadian universities. The question then arises: which centres are to be supported? Some will argue that the universities that already have established their primacy in research ought to be selected. Others will say that since establishment feeds indolence, both justice and efficacy require that the competition be reopened frequently. It is hardly necessary to remind Canadians that the selection of a site for the capital of the Province of Canada proved too difficult for the politicians of that day, and that even with "Royal Guidance" it was found necessary to make an entirely new beginning, in Ottawa. Yet in the present situation there are many reasons why the investments and achievements of the past should be used as the foundations for future work; we cannot afford to make a new beginning in a strictly federal setting.

We submit that regardless of where they are located these research centres, properly run and financed, will be of great value to all the universities in Canada, indeed to all Canadians. Without them we will be increasingly dependent on the universities of other countries for new faculty members, new insights, and new discoveries.

Conclusions

In this chapter, we have argued that if quality research is to be achieved, the methods of funding must be overhauled. While more money is needed, the Committee cannot support the view that pumping more money into research — on the maxim that more is better — will be good for Canada. While adequate financing is a necessary ingredient to generate excellence in our research capacity, it is not sufficient. The analysis in this chapter has pointed out a number of deficiencies in the Canadian approach to the financing of research. In this concluding section, we now pull these thoughts together and make recommendations in a number of areas.

First, more money is needed to support the overhead costs of research; the old method of covering these costs through the general operating grants of the provinces no longer is working. If the federal government expects high quality research from its expenditures through the granting councils, it must be prepared to pay the overhead costs. We already have stated that the federal government should take steps immediately to fund the overhead costs of research. We anticipate that this could cost upwards of \$500 million annually. Full details should be worked out among the appropriate government departments, the three granting councils which would be responsible for administering this scheme, and other interested non-government bodies.

Second, while supporting an increase in the budgets of the granting councils to cover overhead costs, the Committee does not believe that the councils should receive any further financial support over the next five years to fund their existing activities. They already are eligible for additional financing through the recently announced "Matching Grants" scheme. Nevertheless we believe that the councils must make a greater effort to recognize and focus on the priorities of the country. We believe that they should consider reallocating existing funds to meet public priorities rather than pressing for additional resources to do so. For the scientists who receive the grants, they must recognize that these grants represent public money and, as such, there is a need for some degree of accountability. **The Committee recommends that the granting councils find ways of communicating to the public the results of the work they support, and that they build mechanisms to ensure this communication continues.**

Lastly, in the course of our study we considered the reputed deterioration in quality of research, particularly in the natural sciences. We believe that the root of this deterioration lies in the fact that NSERC is primarily involved in supporting individual researchers wherever they happen to be. This is highly commendable as support for normal university work; however it will not generate and sustain the needed concentration of research talent if research excellence is to be achieved. **We also recommend that a Centres of Research Council be created to make grants in support of the full costs of fundamental research in the natural sciences by financing the operations of designated research centres with approved programs of work; these centres would be located at selected Canadian universities and would be capable of doing research of an international calibre. The grant money should come from a new and separate fund, and should not be deducted from the monies now provided to the granting councils. We believe that the selection of the centres to be supported cannot be left to the peer-review system traditionally used in Canada.** That system seems to have worked well in the task to which it has been applied, namely, the proper distribution of grants among applicants at many established institutions — a task which requires a panel (or committee) for each field composed of persons knowledgeable in that area, and the examination of dozens of detailed applications. The task we now have in mind, however, would require a few decisions of cardinal importance, which would be made after basic evaluations and re-evaluations. **We recommend that the Centres of Research Council be composed of scholars and scientists of international calibre, perhaps ten or twelve in number including three or four from other countries, that it meet once a year after the initial period, and that the administrative work of the Council be done by NSERC.**

The Council should receive at least \$100 million each year for an initial ten-year period. The effectiveness of the Council should be examined at the end of that time.

Finally, we repeat that only the entire activities of centres should be funded, as the success or failure of the activities of a centre should not depend solely upon one person. Furthermore, governments should not choose the winners; when winners surface, they should be supported. The intention is to provide appropriate support for excellence where it already has been established, not to try to create it.

Chapter 5: Selected Topics

Introduction

A number of issues considered important by both witnesses and the committee have not been examined in the previous chapters. Among those, the following four require elaboration:

1. foreign students;
2. student financing;
3. accountability; and
4. faculty renewal.

Foreign Students

The financial plight of foreign students in Canada and the policies of both levels of government regarding them was of concern to many who addressed the Committee. At the provincial level, foreign students are probably worried most by fee differentials, which can result in their paying fees that are as much as ten times greater than those of Canadian students. Table 5.1 below illustrates the extent of these fee differentials; it shows that of the seven provinces that charge fee differentials, Ontario and Quebec charge the most, while Alberta charges the least. The case has been made that, since their introduction, such fees are the cause of a decline in foreign student enrolment from 36,075 in 1982-83 to 33,501 in 1984-85. This decline, however, has been uneven: some provinces with no fee differential saw a decline in enrolment while one with a differential saw an increase.¹

Foreign students in Canadian universities come from many parts of the world. In 1984-85, over 55 per cent came from Asia, (30 per cent from Hong Kong and 11 per cent from Malaysia). Approximately 13

¹. Report of the Special Joint Committee on Canada's International Relations, *Independence and Internationalism* (June 1986), p. 94. (Hereafter referred to as the Joint Committee.)

Table 5.1
Average Tuition Fees for Full-Time Students by Province
1985-86

	Nfld.*	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.*	Sask.*	Alta.	B.C.°
CANADIAN STUDENTS										
Undergraduate										
Arts	980	1350	1480	1370	530	1200	880	1070	860	1380
Commerce	980	1350	1480	1390	510	1200	1050	1070	860	1370
Engineering	980	1350	1430	1390	500	1300	1150	1120	1060	1480
Medicine	980	—	1830	—	590	1570	1660	1500	1470	2200
Science	980	350	1460	1390	550	1240	970	1070	860	1390
Graduate	710	—	1650	1460	510	1250	1170	1190	1580	1590
FOREIGN STUDENTS*										
Undergraduate										
Arts	—	3050	3230	3070	5800	4410	—	—	1290	3040
Commerce	—	3050	3230	3090	5800	4580	—	—	1290	3200
Engineering	—	3050	3140	3090	6000	6920	—	—	1590	3350
Medicine	—	—	3530	—	5800	7080	—	—	2210	5500
Science	—	3050	3170	3090	5800	4410	—	—	1290	3040
Graduate	—	—	3500	2850	5800	6230	—	—	2620	1750

* Newfoundland, Manitoba and Saskatchewan do not impose differential fees.

° Excluding Trinity Western University.

Source: Association of Universities and Colleges of Canada, *Compendium of University Statistics, 1985 edition*.

per cent came from Africa, 9 per cent from Europe, and a similar number from the United States.²

In addition to the fee differential, foreign students also face a bewildering array of federally imposed restrictions or charges. For example, they are required to pay a visa fee of \$50 per applicant; they are ineligible to work, except as graduate students working on-campus, and those who work must contribute to unemployment insurance and to the Canada Pension Plan. Women who come to Canada under student visas and have children born here are entitled to family allowances but many suffer long delays before receiving these benefits.

Canada has benefited considerably from having foreign students in Canada. The Canadian Bureau of International Education (CBIE) summarized these contributions in their opening statement before the Committee:

1. enhanced Canadian research and excellence;
2. greater international understanding through cross-cultural exchange;
3. trade benefits;
4. increased Canadian profile abroad; and
5. the fostering of international trust and peace.

One benefit given considerable prominence is the direct economic benefits Canadians receive from the money spent in Canada by foreign students. One estimate places such benefits at approximately \$345 million annually, against a cost of \$62 million.³

The \$345 million estimate of benefits refers almost exclusively to expenditures in Canada on travel, food, clothing, shelter, and entertainment. While recognizing the multiplier effect of these expenditures, we are skeptical about the commonly held view that because program costs are less, there is no net cost to the Canadian taxpayer. Not only is this an oversimplification, but it is inappropriate to draw a precise balance sheet between private expenditures by students on goods and services and public expenditures by governments on education. Our view on this matter is supported by the extensive study, *Mutual Advantage*, done for the Australian government.⁴

² Max von Zur-Muehlen, "International Students in Canada 1973-74 to 1985-86" (Ottawa: Statistics Canada, December 1984).

³ Canadian Bureau for International Education, *Cost-Benefit Analysis of Foreign Students in Canada*, A Submission to the Standing Senate Committee on National Finance (March 1986), p. 8.

⁴ *Committee of Review of Private Overseas Student Policy, Mutual Advantage* (Canberra: Australian Government Publishing Service, 1985), p. 69-70.

By raising doubts about the quantifiable benefits of foreign students to Canada, we may be accused of weakening the argument for eliminating fee differentials. There are, however, many other good arguments in support of foreign students and the elimination of fee differentials; we listed some of these earlier. But **regardless of the costs or benefits to Canada, the setting of foreign student tuition fee levels is the responsibility of provincial governments and the universities; the federal government should not attempt to intervene.** If the federal government is convinced that such fee differentials are prohibitive, then it should pay the differential or try to convince provinces that such levies are not in the national interest.

In the final analysis, **the Committee is not convinced that, from a national perspective, foreign student fee differentials are wrong.** New Zealand, Australia, and the United Kingdom have fee differentials. (Special awards are available to cover this differential in the U.K.) In the United States, each state has an "out-of-state" fee which amounts to a foreign student fee differential. The provinces already waive the differential for approximately 3,500 students who enroll in Canadian universities under the sponsorship of the federal government.

We do believe, however, that there is a need to harmonize the policies of the two levels of government. We support the recent recommendations of the Joint Committee on Canada's International Relations:

We recommend that the federal government prepare a statement of national goals and objectives as they relate to foreign students, and we would encourage the provinces to state their goals and objectives in this area. These statements should then be used as the basis for discussion at a First Ministers' Conference, with the aim of promoting the greatest possible harmony between federal and provincial goals and objectives.⁵

Finally, there are some areas where the federal government can take action independent of the provinces. These include foreign student contributions to the Canada Pension Plan and to unemployment insurance, visa charges, and family allowance delays. As part of the process of preparing a statement of national goals for the proposed First Ministers Conference, these areas of concern should also be reviewed.

Student Financing

University tuition fees for Canadian students vary considerably from province to province. They range from a low of approximately

⁵ Joint Committee, p. 96.

\$500 in Quebec to a high of \$1,500 in some fields in Ontario. Over the last ten years these fees as a percentage of university operating income have remained fairly steady (13 to 16 per cent).⁶ Recent reports such as the Report of the Nova Scotia Royal Commission on Post-Secondary Education and the Bovey Commission in Ontario call for a general increase in fees. The argument in support of an across-the-board increase is that the universities are strapped for money and that tuition fee increases are the only major way they can influence their revenues and, as a consequence, reduce their heavy dependence upon government.

Dr. Wright told us that one justification for such increases is that even though fees as a percentage of university operating income have remained fairly stable, as a percentage of the starting income university graduates can expect, they have fallen.⁷ Therefore, if fees are viewed as an investment, the rate of return to the individual investing in education is rising. The other justification for a rise in fees is that students — the primary beneficiaries of a university education — should pay a greater share of the costs. The Report of the Nova Scotia Royal Commission on Post-Secondary Education supports this argument in the following way:

After much deliberation, the Commission has concluded that students, as the primary beneficiaries of a university education, should assume a larger share of the cost of their instruction. The argument that university education should be provided at little cost to individuals does not rest on as sound principles as does the argument in favour of free or low-cost elementary and secondary education.⁸

One witness, Mr. Sonny Flanagan, President of the Federation of Students at the University of Waterloo, stated that before deciding to raise fees, society must determine the appropriate share of the total operating income of universities that fees should represent.

I think you should decide what that ratio is going to be and stick to it. In doing that, first you weigh what the individual should be paying to go to school and what the taxpayer should be paying, and then I think you must weigh what the provincial government and the federal government ratio is going to be and get a firm commitment from all three groups as to how much they are going to pay towards the cost of educating our youth and financing the future As it stands now, I see all three groups fighting each other, and the only thing that seems to be happening is that we are losing quality. The quality of our

⁶ Tuition fees, as a percentage of total university income, range between 9 and 11 per cent over the same period. Total university income differs from operating income in that the former includes income from research, trust and special purpose accounts, but excludes income from commercial enterprises and rental of university facilities.

⁷ *Proceedings*, Issue No. 24, p. 7.

⁸ Nova Scotia Royal Commission on Post-Secondary Education, *Report* (Halifax, 1985), p. 3-50.

education just seems to be going down and down which means that Canada, eventually, will have a third rate educational system.⁹

The Nova Scotia Royal Commission concluded that fees should rise gradually so that eventually they would reach the optimal level of 50 per cent of instructional costs. Under this proposal, tuition fees in Nova Scotia in 1983-84 would have been \$2,175 for undergraduate arts and science students.¹⁰ The Bovey Commission called for the fee levels for arts and sciences students to rise to 25 per cent of the operating costs.¹¹ In 1983-84, tuition fees in Ontario for arts and science undergraduates were approximately \$800, or 16 per cent of university operating costs. Under the Bovey Commission proposal, fees would have had to increase by about \$450. It is interesting to note that in 1946, revenue from tuition fees covered about 38 per cent of university operating costs in Ontario.

In addition to those who call for an increase in university tuition fees, there are many who have called for the deregulation, or freeing-up, of fees. The Macdonald Commission supported this in the following way:

Giving universities greater control over their fee structure might also induce greater variation in fees across programs and, particularly, among universities reflecting differences in costs and in the nature of programs provided. Some universities might offer low-cost "no frills" education, while others could provide more intensive, higher-level education intended to set high standards of achievement.¹²

Advocacy for deregulation was heard from many sources; both businessmen (like David G. Vice) and academics (like Ron Watts) felt there was a need for such deregulation. Students were hesitant; they saw deregulation as leading to no-frills universities and the creation of second-class university graduates.

Others such as Gilles Paquet, Vice-President of the Canadian Higher Education Research Network, saw deregulation as a way to open up the possibility for universities to specialize in selected areas. He said:

It seems to me that some universities — the University of Toronto, McGill, UBC, and perhaps others such as Laval and Montreal — may have a vocation of being the big ear that listens to the world on all counts. But we can only afford so many of those. I like the idea in

⁹ *Proceedings*, Issue No. 24, p. 25.

¹⁰ Nova Scotia Royal Commission, p. 3-50.

¹¹ The Commission on the Future Development of the Universities of Ontario, *Ontario Universities: Options and Futures* (December 1984), p. 25 (Bovey Commission).

¹² Macdonald Commission Report, Volume 2, p. 749.

Ontario of rationalization; it failed, however, because there was no will behind it. Waterloo is a success story because Waterloo did not want to be everything to everybody; it decided to be excellent in an area. I think that all of the university enterprise has some comparative advantage, and the idea is that it should be left to pick the niche that it can handle best.¹³

It would appear from the testimony we heard that the only issue in this area upon which there was agreement was that any changes in fees would have implications for student aid. This is an area which needs a full review. Students receiving both federal and provincial student assistance are not being treated equally; the grant portion in some provinces is considerably more generous than in others. This has an impact on student mobility. **The Committee believes that in view of the substantial federal involvement under the Canada Student Loans Program, there is an urgent need for a parliamentary review of student assistance in Canada, and that such a study should examine the question of the proper roles of the two levels of government in this area.**

Accountability

In Chapter 2 we evaluated EPF and, for the most part, found it wanting. The objectives used for this evaluation were taken from public statements made about the program at the time of its inception; none of those objectives called for accountability. Yet for the last five years or so, accountability has been the predominant concern of politicians regarding this program. The Honourable Serge Joyal, former Secretary of State, criticized the provinces for their failure to transfer federal funds to the universities.¹⁴ A.W. Johnson, summarizing the position of many federal politicians regarding EPF, stated:

There is no assurance to the Parliament of Canada or to the people of Canada that the moneys which have been appropriated by this Parliament and transferred to the provinces presumably for post-secondary education are actually going to post-secondary education in an unattenuated way If the universities and colleges had received from the provinces the rate of increase in operating grants over the years — an increase which equalled the rate of increase in the federal fiscal transfers to the provinces, they would be \$3 billion better off today than, in fact, they are now.¹⁵

Mr. Johnson, in his report to the secretary of state, called for an end to EPF as we currently know it; he proposed that the growth in

¹³ *Proceedings*, Issue No. 23, p. 18-19.

¹⁴ *Minutes of Proceedings and Evidence of the House of Commons Standing Committee on Finance, Trade, and Economic Affairs*, Issue No. 3 (February 21, 1984), p. 6.

¹⁵ *Proceedings*, First Session, Thirty-third Parliament, Issue No. 13, p. 9.

federal transfer to the provinces be tied to the growth in provincial grants to their institutions.¹⁶ Other witnesses proposed similar kinds of arrangements because the universities, in their view, were underfunded and because the provinces were not accountable for their use of EPF transfers. In elaborating his proposal and criticizing EPF for its lack of accountability, Mr. Johnson described these EPF arrangements as vulnerable. He said:

Vulnerable in this sense: I say in this report perhaps rather more circumspectly than I am about to do now — that I would be surprised if any legislative body would for long, would indefinitely, contribute funds and burden its treasury for the purpose of making grants which have no purpose. An unconditional grant that is for the purposes of equalization, equalizing provincial revenues, has a purpose. A federal grant that has an incentive built in, as this one would have, in respect of provincial expenditures on higher education, has some purpose. But an unconditional grant that is declared by Parliament should say quite clearly, “No, there is no objective except to make money available to the treasury”. I do not think that governments will for long say, “Look here, we are not going to cut that”. If I were looking for a way to save money, I would be sorely tempted, if I were in a provincial government, to say, “Well, that unconditional grant to the municipalities has no apparent purpose. Let us cut that. Let us look at that”. I would have the same temptation if I were in the federal government. I think it is vulnerable.¹⁷

Responding to concerns that both cash and tax transfers for post-secondary education under EPF are being used with no regard for federal accountability concerns, provincial treasurers generally reply that there is no longer any relationship or specific purpose behind the grants. As a result, they conclude, the funds can be spent for any other purpose.

This lack of accountability and the vulnerability of the transfer is not unique to EPF. It is endemic to every use of the federal spending power in areas of provincial responsibility, as is shown in the Macdonald Commission Report. The next few pages borrow extensively from the “Federal Spending Power” section in Chapter 22 of that report.

The use of federal “spending power” has been justified under section 91 (1A), “The Public Debt and Property”, of the *Constitution Act, 1967*, and under section 102, which authorizes a Consolidated Revenue Fund. These sections are said to confer on the federal government the right to spend for any purpose, provided the legislation

¹⁶ Johnson, *Giving Greater Point and Purpose*.

¹⁷ *Proceedings*, First Session, Thirty-third Parliament, Issue No. 13, p. 23.

does not amount to a regulatory scheme for a matter within provincial jurisdiction.

Little assessment of the constitutionality of the spending power has been attempted in the courts. Shared-cost arrangements also have not been challenged in the courts and it appears that there are no constitutional restrictions on the federal power to offer conditional grants to the provinces. The provinces can refuse to participate in these agreements; in political terms, however, this power may be more theoretical than real.

The federal spending power gives a desirable degree of flexibility to our federal system, but it can also undermine provincial responsibilities. Federally imposed conditions, especially in cost-shared programs, can disrupt provincial systems and hinder attempts by provincial governments to rationalize their post-secondary education systems. EPF was an unsuccessful attempt to avoid such pitfalls. On the one hand, the Government of Canada justifies the transfer of cash and tax revenues as support for post-secondary education; on the other hand, provincial governments may cut their own expenditures on post-secondary education or even use the federal money for other purposes.

In the end, there is no accountability of any kind in Established Programs Financing. The Macdonald Commission summed up this failing as follows:

Provinces spend money which they are not responsible for having raised. The federal government transfers money to the provinces, but has little control over the manner of its spending. Citizens cannot hold the federal government accountable because they receive the services through the provincial government rather than directly. And Parliament cannot hold the federal government responsible because the federal government cannot specify precisely how the funds have been used. Under the Established Programs Financing arrangements, the severance of transfers from program costs and the lack of either effective program standards or enforcement mechanisms has accentuated this problem.¹⁸

To achieve the accountability which legislatures rightly require, three alternatives for federal-provincial cooperation are possible:

1. shared-cost programs with detailed conditions;
2. disengagement by transferring program responsibilities to the federal government; or
3. disengagement by transferring adequate financial resources to the provinces.

¹⁸. Macdonald Commission Report, Volume 3, p. 244.

The 1937 Royal Commission on Dominion-Provincial Relations (Rowell-Sirois Commission) spent considerable effort describing the problems of shared-cost arrangements and divided responsibilities. The Commission stated:

But Dominion and provincial governments are now embarked on the joint administration of projects which require positive and constructive co-operation if they are to be carried out efficiently. Two separate governments, neither one of which has authority over the other, must agree on objectives, on the means of reaching them, and on the daily application of these means to new situations. However, there are always a number of issues on which the interests of the Dominion and those of the separate provinces do not run side by side. These differences in interest lead to disagreements which cannot be solved by appeals to the courts because they do not involve questions of formal constitutional power at all. They are disagreements about matters which the constitution intended that the appropriate government should handle separately in its own way.¹⁹

The Commission warned against shared-cost arrangements or conditional grants and advocated the principle of complete separation of responsibilities.

The experience with conditional grants leads us to doubt whether joint administration of activities by the Dominion and a province is ever a satisfactory way of surmounting constitutional difficulties. Where legislative power over a particular subject matter is divided, it is ordinarily desirable that these powers should be pooled under the control of a single government in order to secure unified effort in administration.²⁰

In the post-secondary area, this could be achieved by giving either the federal or the provincial level of government both the clear responsibility and the appropriate financial resources. The Macdonald Commission endorsed the Rowell-Sirois findings:

Following the Rowell-Sirois Report, we believe that in principle, the federal government should look to a shared-cost program as a last resort, rather than as a first resort. Indeed, in many cases, it will be desirable to seek to mesh federal and provincial activities under a shared-cost program. In general, however, the democratic objectives of accountability and clarity of roles are more effectively secured if a government pursues programs under its own jurisdiction.²¹

There is no doubt that quality post-secondary education and research is a matter of national concern, but attempts by the federal

¹⁹. As quoted in the Breau Report, p. 22.

²⁰. *Ibid.*, p. 25.

²¹. Macdonald Commission Report, Volume 3, p. 247.

government to ensure that it is achieved appear almost certain to fail as long as its jurisdiction is inadequate. We have heard that the quality of higher education is declining in Canada, that some university administrations are weak, that they do not or will not face the realities of scarce resources, that they do not engage in strategic planning, that unions and the tenure system are eroding quality, that standards of admission are too low and variable, and that high schools are improperly training our youth for university. These, we have been told, are leading problems with our universities. The provinces have the jurisdictional responsibility to deal with these problems, but not the resources. The federal government has the resources, but not the responsibility. **In our view, the time has come for disengagement between the two levels of government over responsibility for post-secondary education in Canada; disengagement is the only effective way to ensure accountability while at the same time making clear where the responsibilities lie for coming to grips with the need for high quality post-secondary education.** In the concluding chapter we will present a set of proposals which will address the need for disengagement.

Faculty Renewal

The recent cases before provincial courts regarding the constitutionality of mandatory retirement at age 65 for university teachers have made faculty renewal a pressing issue. If the courts find that the charter of rights makes mandatory retirement unconstitutional, it will no longer be possible to require tenured faculty members to retire. This will add to the difficulty of making room for younger faculty.

The problem however, is much broader than mandatory retirement. During the last five years there has been virtually no increase in faculty despite university enrolment increases. Instead, the proportion in the senior ranks has increased while the proportion in the junior positions has declined. Table 5.2 illustrates this situation. In 1975, there were 30,000 full-time university teachers, of whom 26 per cent were full professors, and 31 per cent were assistant professors. Five years later, the faculty ranks had increased by 8 per cent to 33,000 while full-time enrolment increased by 9 per cent. At the same time, full professors had increased by 5 per cent to 31 per cent while the junior ranks had declined by 7 per cent to 24 per cent. Three years later, faculty had increased by 3 per cent while full-time enrolment had increased by 19 per cent; full professors had increased to 33 per cent while assistant professor ranks declined further to 20 per cent. In 1965-66, the top two categories accounted for 44 per cent of the total; eighteen years later they accounted for 70 per cent.

Table 5.2
Full-Time Teachers in Canadian
Universities by Rank
for Selected Years
1965-66 to 1983-84

Rank	1965-66	1975-76	1980-81	1981-82	1982-83	1983-84*
Total number	12,085	30,784	33,299	33,600	34,074	34,418
Full professor	20%	26%	31%	33%	32%	33%
Associate professor	24%	36%	40%	40%	38%	37%
Assistant professor	335	31%	24%	23%	20%	20%
Other	23%	7%	5%	5%	10%	9%

* 1983-84 data are not available for Quebec universities; 1982-1983 data have been substituted.
 Source: Associate of Universities and Colleges of Canada, *Compendium of University Statistics, 1985 edition*.

Consistent with the expansion of the senior ranks, the average age of university faculty members has risen. Table 5.3 shows that in 1975-76, 28 per cent were under 35; seven years later this had fallen to 13 per cent. Over the same time period, faculty between 35 and 49 had risen from 53 per cent to 58 per cent, while those over 50 had risen from 18 per cent to 28 per cent.

There are those, such as Professor Bothwell, one of the authors of *The Great Brain Robbery*, who contend that the tenure system is a serious factor preventing faculty removal and renewal:

We consider that the tenure system as presently existing in Canadian universities has, effectually, failed. The tenure system purports to be about freedom of speech in the universities, but freedom of speech to my mind is not under threat in any university in this country Using this handle of "freedom of speech", the university professors corporately have opted for what is in effect a perpetual job.²²

The Canadian Association of University Teachers (CAUT) defended the tenure system against the charge that it was contributing to the aging faculty problem by preventing the universities from weeding out faculty members who for one reason or another are not

²² *Proceedings*, Issue No. 27, p. 12.

Table 5.3
Age Distribution of Full-Time Canadian University Teachers
for Selected Years
1968-69 to 1982-83
(in per cent)

Age Group	1968-69	1971-72	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83
20-34	39.8	38.3	30.8	28.7	26.1	23.5	20.4	18.2	15.8	14.3	13.2
35-49	45.8	47.0	51.8	53.0	54.5	56.1	57.8	58.7	58.7	58.7	58.8
5-64	14.4	14.7	17.4	18.3	19.4	20.4	21.8	23.1	25.5	27.2	28.6
Total (per cent)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median Age	38	38	39	39	40	40	41	42	42	43	44

Source: Max von Zur-Muehlen, *The changing profile of full-time faculty at Canadian universities* (Ottawa: Statistics Canada, 1983), Table 2, p. 7. Reprinted in Thomas H.B. Symons and James E. Page, *Some Questions of Balance* (Ottawa: AUCC, 1984), Table 27.

performing adequately. The CAUT also defended the low dismissal rate of university faculty by indicating that such rates were similar to those in the jurisdiction of the United Auto Workers.²³ They qualified this by indicating that there would have been more formal dismissals had not those who were being eased out left of their own volition. While we believe this to be true, we are concerned with the justification used by the CAUT for this low dismissal rate. Universities are institutions which should emphasize excellence. To achieve excellence in the quality of graduates and research, there must be excellence on the input side; there is no room at the top for merely satisfactory performance. The Nova Scotia Royal Commission on Post-Secondary Education expressed doubts similar to those which concern us:

In voicing this suspicion, the Commission is well aware of the dangers of contrasting a myth of universal competence in all other fields of human endeavour — business, government, the professions — with actual practice in the universities. Interest groups who wish to diminish academic freedom frequently attack tenure on the grounds that it shields incompetence, and state that all incompetents are fired in their own particular occupations. This is simply not true. All human occupations have an acceptable level of competence, determined by those people engaged in that occupation, and people of varying degrees of competence fill the ranks of all organizations. Since universities, however, play a normative role in society, their levels of competence should be closer to the ideal than to the average. To require academic excellence of students, but not of professors savours of hypocrisy, and steps must be taken to ensure that educators not only preach excellence, but strive for it.²⁴

The abolition of the tenure system might appear, *prima facie*, to be an attractive solution; however, we doubt that this would achieve the desired goal. Tenure was introduced for a commendable purpose: to enable scholars and scientists to teach and publish freely, without intervention by authorities and interests. That purpose remains valid and relevant. However, tenure should not serve to protect professors from carrying out assiduously the duties of their posts. At the same time, abolishing tenure would make remedial action possible in particular cases, but would fail to tackle the chief cause of the problem, which is, as we see it, the fact that salary increases to some extent are tied to promotion in rank, and that the higher rank entails tenure. Consequently, the need for salary adjustments often influences promotion and tenure. Moreover, the pool of expert referees to which those charged with rank and tenure decisions can turn for guidance is relatively small in Canada, and information about this process is easily accessible, the result being that referees often are reluctant to take the

²³ *Proceedings*, Issue No. 42, p. 18.

²⁴ Nova Scotia Royal Commission, p. 2-55.

risk of giving candid assessments. Table 5.2 shows that since 1980-81 about 70 per cent of all full-time university teachers in Canada were in either the top or second-top rank. Even if all persons in those ranks were truly excellent, this could not be regarded as a healthy situation.

We believe that retirement during the next ten or fifteen years by a large proportion of those who now teach in Canadian universities will provide universities with opportunities: first, to introduce better and distinct procedures by which to determine salaries; second, to introduce more rigorous procedures for rank and tenure decisions; and, third, to devise procedures which ensure that tenured professors do not neglect their teaching and research obligations, while retaining protection for academic freedom. These, however, are not issues over which the federal government has any influence; it is one for responsible faculties, university administrators, and provincial governments. We mention it because of its relevance to the urgent question of faculty renewal.

The stagnation in faculty growth since about 1980 prevents universities from being regenerated by new blood. We are in danger of losing a generation. There is little doubt that in the 1990s we will be faced with an unusually high number of retirements from academic ranks. If the present pattern continues we will not have sufficient scholars and scientists to fill all the ranks and age groups in the 1990s.

In the 1960s, when we needed new academics to match swelling enrolments, we recruited them in foreign countries, especially the United States. American universities, however, now are anticipating the same wave of retirements, and at about the same time as Canadian universities. The Ford Foundation in the United States has created a fund to support the development of projects for heading off an acute shortage of college professors in the 1990s.²⁵ At Columbia University in New York, where more than one-third of tenured faculty will have retired by 1995, the administration already has begun a major recruiting effort, a kind of stockpiling against future needs. Junior faculty salaries have been raised, sabbaticals have been made more generous, and professors in their late thirties, who appear to have become academic "stars" in their field, are being recruited throughout the country.²⁶ In Germany, university administrators are facing the same problem.²⁷ The situation probably is similar in other European countries. Unless we find ways of making an academic career available and attractive now to able young Canadians, we could find that in the

²⁵ *The Citizen*, (Ottawa) December 26, 1985.

²⁶ *New York Times*, March 16, 1986.

²⁷ *The Times Higher Education Supplement*, June 3, 1986.

1990s we will not have an appropriate distribution of faculty of all ages and ranks and that we will not be able to recruit them from abroad.

In our view, a two-pronged approach is necessary to address this problem. The first is to find imaginative ways to remove the disincentives to early retirement. Universities should consider, for example, any of the following ideas to encourage early retirement:

1. eliminating any actuarial penalty for early retirement;
2. indexing pension benefits to cost-of-living increases, where possible;
3. extending medical and dental plans to retired faculty; and
4. extending life insurance benefits beyond retirement to the "normal" age of retirement.

In addition to making early retirement attractive, universities should consider post-retirement appointments, phased-in retirements, and reduced work-load appointments. This is a situation which each university must address individually; each institution has its own unique working arrangement with its faculty.

The second solution to this problem is to provide the financial resources to build up a reserve of young academics. This does not mean increasing the general funding of universities; if this were done, only a small part of the money would be applied to the achievement of the goal. The money must be targeted. **We recommend that a Canadian Scholars Development Fund be created.** Our intention in proposing this fund is to see that financial resources are available to the management of the universities for the purposes of encouraging young, capable graduate students to remain in the academic stream as scholars and scientists rather than abandon potential university careers. It is not our intention to create a proliferation of academic posts with the result that there are too many university teachers and too few students. **The purpose of this Fund is to create a reservoir of talented scholars and scientists who would undertake research at the larger Canadian university centres and become a source on which to draw in filling the academic vacancies that are expected to occur in the 1990s.**

Arriving at an appropriate amount and mechanism for operating this Fund is difficult. One reasonable approach is to tie awards from this Fund to the value of research grants given by the three granting councils. If, for example, an additional 10 per cent of the value of the councils' grants was to be allocated, the cost in 1986-87 would be just over \$50 million.

We have proposed that this Canadian Scholars Development Fund be linked to the grants awarded by the three granting councils; in other

words, the more research grants a university receives, the more money it would receive from the Fund. Some critics may feel that this fund will be of little or no benefit to them. In the immediate future, there is truth to this criticism; but in the mid-1990s these same small universities will benefit from this proposal when they are seeking to recruit new members for their faculties; they will be able to find them in Canada, already trained in Canadian universities.

We also submit that the time has come for the provinces and universities to take immediate steps to examine both academic promotion and the tenure system, with an emphasis on the former.

Conclusions

In this chapter we have addressed four topics: foreign students, tuition fees, accountability, and faculty renewal.

We have concluded that there are considerable benefits to Canada and to the world by having foreign students studying in Canadian universities. We were not convinced, however, that there is a strong economic argument for the elimination of fee differentials. Besides, the setting of fees is a provincial matter.

The level of tuition fees is another area which is clearly a provincial responsibility. While we heard conflicting testimony on the impact of rising tuition fees, there was unanimous agreement that higher fees will have implications for student aid. In this regard we have recommended a parliamentary review of student assistance in Canada, which could include an examination of the respective roles of the two levels of government.

The lines of constitutional responsibilities must be clearly drawn if accountability is to be achieved. The federal government has sought to use its financial resources to persuade the provinces to behave in a certain way with regard to post-secondary education. The provinces have taken the money, but have continued to insist that post-secondary education is not a federal matter. Accountability is not possible without excessive administrative wrangles when the level of government that supplies the money does not have constitutional responsibility. We believe that the time has come, following the advice of both the Rowell-Sirois Commission and the Macdonald Commission, to disengage the two levels of government in this area.

Finally, we believe that the federal government can help to deal with the anticipated problem of faculty renewal. It would be folly to assume that we will be able to import university teachers in the 1990s. We have proposed that a Canadian Scholars Development Fund be established to build a reservoir of young scholars and scientists who will be available to fill the faculty shortages expected in the mid-1990s.

Chapter 6:

Review of Some Recent Reports on PSE

Introduction

This chapter will highlight the conclusions of some recent reports on Canadian post-secondary education, including those by the Organization for Economic Cooperation and Development (OECD), the Bovey Commission, Mr. A.W. Johnson, the Canadian Association of University Teachers, the Macdonald Commission, and the Education and Research Study Team of the Federal Task Force on Program Review.

Public financing of post-secondary education — in particular, the adequacy of funding levels and the sharing of funding between federal and provincial governments — has been discussed in all these reports, at least in part. Suggestions have been made on the ways in which federal money might be channelled to post-secondary education with less leakage. A review of the content of these recent reports, especially as regards EPF and future forms of post-secondary education funding in Canada, will show that all are agreed on at least one point, namely, that there are many problems with post-secondary education in Canada and these problems are serious.

Organization for Economic Cooperation and Development Report

Ten years ago the OECD conducted a review of the Canadian education system. Its report had many observations which are still pertinent:

- federal post-secondary education support was characterized as “aid for the solution of other political tasks”;
- “the provinces seem to have been successful in their efforts to limit the federal role in higher education and it appears unlikely that they will yield much on this point in the future”;
- “without political leadership and responsibility — and after all neither of these is forbidden under the BNA Act — a severe

backlash against future educational development in Canada may be unavoidable"; and

- "who can maintain seriously that the fathers of the BNA Act had ruled against sensible inter-provincial co-operation and for federal-provincial discussion in the field of education policy?"

While this report was published the year before EPF became operational, many of the problems identified by the OECD examiners are at least as relevant to EPF as they were to its predecessor.

Bovey Commission Report

The December 1984 report, *Ontario Universities: Options and Futures*, of the Commission on the Future Development of the Universities of Ontario (the Bovey Commission), in addition to giving a high provincial and national priority to maintaining and strengthening the university system, recommended the adoption of a general seven-part strategy. This strategy included:

- the recognition of the importance of human capital development;
- the recognition of the importance of university research;
- a greater emphasis, at least in the short run, on excellence and adaptability than on accessibility;
- differentiation "through evolution within a competitive rather than a designated context";
- increased accessibility in the longer term from certain disadvantaged groups;
- closer links with and increased support from the private sector; and
- funding revisions and inter-institutional and governmental coordinating arrangements to facilitate the general strategy.

Other recommendations dealt with policy issue areas such as:

- quality, accessibility and demand, adaptability, and balance and differentiation;
- financing (including less emphasis on enrolment-driven funding), tuition fee increases, and provision for a faculty renewal and adjustment fund; and
- inter-institutional planning and co-ordination, including a reconstituted and strengthened intermediary body between the provincial government and the institutions.

With respect to federal-provincial cooperation, the Commission noted that the full development of universities "requires effective co-

operation . . . concerning the public definition of objectives and financial support." It made the following recommendations:

- Given the danger of federal unwillingness to maintain existing unconditional EPF transfers for post-secondary education, there should be agreement on a ratio for core funding, the provincial share being no less than the current ratio.
- There should be a significant increase in federal granting council budgets for university-based resource-intensive research, including provision for indirect costs.
- Centres of excellence, before being established or funded by either level of government, should be the subject of consultation with advisory agencies at the appropriate level and with the appropriate body of the other order of government.
- Joint development of a national income-contingent loan plan to cover all tuition fees should be seriously considered.
- Ottawa should assume the differential portion of tuition fees for foreign visa students, up to a maximum of five per cent of provincial enrolment. (This was estimated as \$25 million for Ontario.)
- A Standing Committee on University Education and Research in Canada should be formed, with federal and provincial government and university representation, to provide a forum for reconciling and coordinating federal and provincial priorities relating to universities.

Johnson Report

A.W. Johnson's paper, *Giving Greater Point and Purpose to the Federal Financing of Post-Secondary Education and Research in Canada: A report prepared for the Secretary of State of Canada*, was published in February 1985. The report had been commissioned in 1984 by Secretary of State Serge Joyal who, by the time it appeared, had been succeeded by the Honourable Walter McLean. Johnson's findings were as follows:

- Real expenditures per student have been dropping since Established Programs Financing began in 1977.
- EPF financing for post-secondary education has increased, but provincial support has not kept pace because of a lack of conditions or incentives for the provincial governments to maintain support with money drawn from their own sources.
- Because the EPF money is not linked to provincial expenditures on higher education, a "malaise in federal-provincial relations" has

developed in that the transfer of EPF funds is viewed as totally unconditional.

- A higher priority must be given to federally-sponsored research funding through the granting councils, along with guaranteed increases greater than GNP increases, and provision of funds for overhead costs.
- Canadian universities have little or no financial capacity to maintain world-class centres of excellence.
- The present EPF structure provides few incentives for self-induced reform by university faculties or administrations.
- Present EPF/PSE support lacks a defined and understood purpose.

The recommendations made by Mr. Johnson are the following:

- The growth of EPF should be "harmonized" with provincial operating grants by escalating EPF/PSE amounts at the present rate of increase (GNP and population) only if a province does likewise. If a province contributes less, the federal government should follow. This incentive would eliminate the current federal-provincial malaise.
- There should be a one-time, "moderate redirection" of money from core financing to research to enable the federal granting councils to finance overhead costs. This money would come from cut-backs to the provinces, whose own source support has gone down substantially when measured against the EPF/PSE money they have received since 1977-78.
- Federal granting councils should get more money to continue to pay for indirect research costs and Ottawa should commit itself to an annually escalated five-year plan for the councils' sponsored research. This would be in addition to EPF funds.
- A blue-ribbon committee from the public, private, and university sectors should be formed to advise the federal government on means for funding a selected number of world-class centres of excellence.
- These reforms should go into effect April 1, 1986, and should be reviewed every five years.

Johnson argued that without national objectives for post-secondary education, there is no real purpose in continuing federal funding. He suggested several objectives for federal financial support of higher education, including:

- accessibility for all qualified Canadian students;
- high quality post-secondary education and research;

- enhanced employment opportunities for students;
- enhanced PSE and research contributions to Canadian social, economic and cultural development; and
- assistance to Canadians and PSE institutions to adjust to changing technological, economic and socio-cultural demands.

He cited also two specific objectives: the right of students to mobility, and the right of Canadians to know how post-secondary education is financed and by whom.

Johnson suggested that if there is no national interest in the health and vitality of higher learning in Canada, Ottawa should withdraw from its financing. The following alternative methods of federal financing were rejected by Johnson:

- using the cash portion of EPF/PSE, after adjustment for Quebec's greater tax transfers, for universal student grants or vouchers, or a massive increase in research funding;
- continuation of the present "unconditional" form of financing; and
- withdrawal of post-secondary education cash funding for core operations.

Johnson also warned that a review of student assistance programs and increases in tuition fees, while needed, should not take priority over reform of the present EPF/PSE funding mechanism.

Canadian Association of University Teachers' proposed PSE Financing Act

In June 1985, the Canadian Association of University Teachers published a proposal for a Post-Secondary Education Financing Act which would continue the then present EPF funding levels with one exception: there would be supplementary cash contributions for those provinces that maintain and increase their own source funding above 1982-83 levels (when the revenue guarantee compensation portion of the 1977 EPF Act was terminated), subject to an undertaking by the relevant provinces to direct the supplementary cash contribution to post-secondary education. The proposed Act suggested that:

- A Post-Secondary Education Advisory Council should be formed. Ideally, this Council would include tripartite representation from: the federal government; provincial governments, through the Council of Ministers of Education, Canada; and representatives of various sectors of the post-secondary education community.
- The Advisory Council would submit an annual report to the appropriate minister, who would present it to Parliament.

- The minister would also submit an annual report on the administration and operation of the Act.
- Annual reports would be reviewed by a proposed Standing Committee of the House of Commons on Science, Research and the Financing of Post-Secondary Education.

Macdonald Commission Report

The 1985 *Report of the Royal Commission on the Economic Union and Development Prospects of Canada* (the Macdonald Commission Report) included a chapter on education and training, wherein it found that:

- higher levels of excellence are desirable and achievable;
- more flexibility is desirable;
- low-income Canadians do not make sufficient use of the post-secondary education systems; and
- the current EPF/PSE arrangements are inappropriate.

Among the Commission's recommendations was one proposing that there be federal-provincial discussions aimed at restructuring post-secondary education financing, and that these begin immediately. A range of options, including the following, should be considered on an urgent basis:

- replacing a portion of existing EPF cash transfers with direct-to-student transfers, whether they be in the form of tax credits, grants, or vouchers, and corresponding increases in student tuition fees, with the provinces continuing or increasing existing institutional support;
- freezing current federal cash contributions and tying future increases to a 50:50 federal matching of provincial expenditure increases; and
- using some of the funds freed by freezing to fund university research, with the balance being used on a 25:75 federal-provincial basis to match increased provincial support to universities.

The Commission also proposed the formation of an independent national commission, primarily established and financed by the private sector, to monitor quality and standards in elementary and secondary education. Further, it was suggested that additional sources of funding be found to improve access to post-secondary education for low-income students, including changes in the Canada Student Loans Program and its provincial equivalents, as well as consideration of contingent-

repayment loan schemes, i.e., repayment through income tax based on post-secondary education earnings.

Nielsen Task Force Education and Research Study Team Report

On March 11, 1986 the Education and Research Study Team report of the Nielsen Task Force on Program Review was issued. The report, as published, does not provide a detailed overview explaining why the federal government is involved in over 100 programs supporting education and research. Four options on Established Programs Financing were offered:

- that present arrangements be continued (although not necessarily maintaining the formula exactly as it now exists);
- that financial support to the provinces for post-secondary education be continued, but that a totally new basis be established, by offering conditional transfers tied to the provinces meeting some specified standards;
- that funds be provided in such a way as to flow to institutions through the students (for example through a voucher system); and
- that the federal government concede it has no role in post-secondary education, and that it gradually withdraw its financial support.

No preferred option was indicated by the study team.

Several options were set forth concerning research. One proposal, which could influence the level of future EPF funding, was that the granting councils pay the total cost of research, including overhead costs (and faculty salaries in exceptional cases). Concerning student financial aid, the preferred option was to leave the responsibility entirely to the provincial governments, while providing an unconditional grant to the provinces in financial support of their students. The study team recognized that this might lead to inequality in the assessment of needs among the provinces.

It should be recalled that one of the chief purposes of the Nielsen Task Force exercise was to find ways to diminish federal government program expenditures. This report on education and research-related programs, while constituting a most useful description and review, offered no concrete recommendations.

Conclusions

From this sampling of some recent reports on the present state and suggested future forms of post-secondary education financing in

Canada, it is apparent that EPF is not satisfactory in that it does not meet the perceived needs of the post-secondary education constituency. In our view, the 1976 OECD observation that federal financial support for colleges and universities was merely "aid for the solution of other political tasks" is as valid today as it was ten years ago.

Chapter 7: Conclusions

Introduction

In March 1985 this Committee began a series of five hearings on federal fiscal transfers to the provinces for post-secondary education as part of our review of the Main Estimates of the Government of Canada, 1985-86. Our interim report based on these hearings concluded as follows:

The intention of the National Finance Committee in looking at the federal fiscal transfers for post-secondary education was to examine the responsibilities of the government of Canada in meeting this financial commitment. The witnesses the Committee heard generally agreed that the federal government has a responsibility in the post-secondary field beyond providing unconditional fiscal transfers; that the establishment of national objectives for post-secondary education is clearly of interest to the federal government if for no other reason than its responsibility to be accountable to Parliament for the amount expended in the area; that the conundrum of excellence versus equality of access brought on, in part, by financial constraint, is worthy of a national debate; that the importance, quality and type of research engaged in is the responsibility of both levels of government; and that the training of sufficient highly qualified manpower to meet the future faculty needs of Canada's universities is a concern to both levels of government. Arriving at the conclusion that there is a combined role for both levels of government in maintaining a high quality university system in Canada is not difficult, but determining what this university system should look like, what it would accomplish, and how federal financial resources should be spent to support such a system is not simple.¹

That report made no recommendations; it raised only questions. Now, after 18 meetings and 22 witnesses, we are prepared to offer observations and recommendations on a problem that has been with Canada since 1952.

The analysis in this report shows clearly that changes are required. The purpose of this chapter is to restate the essential issues and what we

¹ *Proceedings*, Issue No. 16, p. 19.

have learned about them, to explain the possible solutions to which our analysis leads, and to indicate the kinds of questions that must be answered if the problems are to be dealt with successfully.

Essential Issues

(1) Accessibility

We looked at equal opportunity of access to post-secondary education in Canada. This has been a goal of Canadians since the 1950s, one which should always be a concern. Some 55 per cent of those who graduate from high school go directly to college or university. How much higher should we aim?

Access to college or university is not a problem for the majority of those who have the desire and the ability. It is a problem, however, for certain groups, such as the handicapped, native people, some members of the adult population, and for any individual who because of circumstances has dropped out of school. The barriers to higher education for people in these groups will not be removed by massive fiscal transfers like EPF spread across the country on an equal per capita basis; programs addressed specifically to their circumstances are needed. Established Programs Financing can never fill this bill.

Our analysis also indicates that if the objective is to see an increasing number of young people receive post-secondary education, the answer is not to be found in spending more money on general transfer programs like EPF. The answer lies in finding solutions to the problems of those who have dropped out of the education system before reaching their full potential. Clearly, this is not a direct responsibility of the federal government; yet it is a problem of national dimension, and one which requires full participation by the provincial governments acting in concert.

(2) Accountability and the Established Programs Financing Legislation

We examined the post-secondary part of EPF closely (in Chapter 2) and found it wanting. It is a program founded on good intentions, but one which tries to do too much. It is a fiscal program intended to provide for long-term stable financial planning by both levels of government. It is also an equalization program intended to treat all provinces equally with respect to post-secondary education; further, it is a targetted program intended to provide a substantial share of the costs of running institutions of higher learning.

In 1983 the federal government listed ten objectives for its education-support programs. Among these, the following four reflect the long-held view that large-scale federal support is an important element in maintaining a strong, accessible post-secondary system in Canada:²

- *general support objective*, to help maintain and strengthen the post-secondary capacity throughout Canada required to respond to the individual learning and development aspirations of Canadians and the needs and opportunities of Canadian society;
- *educational opportunity objective*, to facilitate the access of all qualified and interested Canadians to formal learning by reducing barriers due to socio-economic status or to membership in groups that are not fully served by the existing education system, and to reduce financial hardship resulting from participation in the education system;
- *mobility objective*, to minimize any barriers that might prevent Canadian post-secondary students, teachers and graduates from studying, training or working wherever they wish in Canada; and
- *employability objective*, to promote the capacity required in the education system for Canadians to obtain the qualifications necessary for occupations critical to national economic growth and for occupations characterized by a high degree of inter-regional and international mobility.

Established Programs Financing is the major program of the federal government for the achievement of these objectives. Yet it is impossible to weigh EPF against them because the money is transferred without any conditions whatsoever. **In the Committee's view EPF is a program which never was intended to have a direct impact on the post-secondary education system in Canada.** The same amount of money transferred to each province outside the EPF framework and unrelated to any program could have had exactly the same influence on post-secondary education as the money now transferred under EPF.

The unconditional nature of EPF makes accountability to Parliament and the citizens of Canada impossible. Section 93 of the *Constitution Act, 1867* places such matters as the quality of teaching, the standards of admission, and the day-to-day funding of our post-secondary institutions under provincial jurisdiction. For the federal government to have any influence in these areas, a shift of power from the provincial governments to the federal government would be required. This has not been done; nor does it appear that it will be done.

² Secretary of State, Canada, *Support to Education by the Government of Canada* (1983), p. 12.

Such a change could be made under section 38(1) of the *Constitution Act, 1982*. That section reads:

- 38(1) An amendment to the Constitution of Canada may be made by proclamation issued by the Governor General under the Great Seal of Canada where so authorized by
- (a) resolutions of the Senate and House of Commons; and
 - (b) resolutions of the legislative assemblies of at least two-thirds of the provinces that have, in the aggregate, according to the then latest general census, at least fifty per cent of the population of all the provinces.

Even if the Constitution were to be amended, sections 38(2) and 38(3) make provision for the amendment to have no effect in any province where the legislature expresses its dissent. These sections read:

- 38(2) An amendment made under subsection (1) that derogates from the legislative powers, the proprietary rights or any other rights or privileges of the legislature or government of a province shall require a resolution supported by a majority of the members of each of the Senate, the House of Commons and the legislative assemblies required under subsection (1).
- 38(3) An amendment referred to in subsection (2) shall not have effect in a province the legislative assembly of which has expressed its dissent thereto by resolution supported by a majority of its members prior to the issue of the proclamation to which the amendment relates unless that legislative assembly, subsequently, by resolution supported by a majority of its members, revokes its dissent and authorizes the amendment.

Of particular relevance to this study is section 40, which declares that if an amendment relates to education, the federal government is required to provide financial compensation to any province to which the amendment does not apply. This section reads:

- 40 Where an amendment is made under subsection 38(1) that transfers provincial legislative powers relating to education or other cultural matters from provincial legislatures to Parliament, Canada shall provide reasonable compensation to any province to which the amendment does not apply.

But even with the knowledge that education in and for each province is a provincial responsibility, the federal government in the past has used its spending power to encourage the development of post-secondary education without full provincial concurrence. In 1952 the direct per-capita transfer to universities raised objections from the Government of Quebec; the 1960 changes to the program through the Sauve-Fleming formula mollified the Quebec government. In 1967, the

federal government introduced new funding arrangements which increased federal spending on post-secondary education but did so indirectly through the provincial governments.

Some witnesses suggested that the federal government should return to the pre-1977 arrangement and seek to develop new shared-cost arrangements with the provincial governments. However those who were involved in that exercise warned emphatically about the administrative nightmare that would be created. Others have proposed that growth in federal transfers should be tied to the growth in provincial transfers to the colleges and universities. This is consistent with the operative principle of the Johnson Report and the CAUT proposal to this Committee, which would have increases in the federal transfers tied to the increases made by the government of each province to its post-secondary institutions. In our view, these are proposals for conditional matching grants — not unlike the pre-1977 arrangements — and would require considerable federal-provincial agreement on appropriate ways to measure the rate of increase; in other words, they would represent a revival of “shared-cost”, but under another name.

Every presentation before our Committee that dealt with EPF found it defective in some major way. Some believed that the funds are inadequate; others believed that stated conditions are required. Others believed that EPF does little more than generate squabbles between the two levels of government while post-secondary education in Canada suffers. In our view, the Nielsen Task Force summarized the problems succinctly:

Firstly, the objectives are not specified clearly, and the stated objectives apply to both health and post-secondary education, which creates ambiguity. There is also the possibility of conflict between the objective of increasing “provincial fiscal flexibility” and the objective of “maintaining national standards”. . . . Groups on all sides of the argument have tried to fill this apparent gap (in standards for PSE) by imputing standards of intent which are not expressed anywhere in the legislation. There is continuing disagreement over the meaning of the Act, and the commitments of the governments. This is a serious disadvantage.

A second fault in the EPF arrangement, in the view of the study team, is that the arrangement not only permits, it actually encourages each order of government (federal and provincial) to blame the other for any apparent deficiency in the level of funding of post-secondary education

In conclusion, the objectives of the EPF transfer are not clear and are a source of continuing controversy as to interpretation. It is questionable whether the arrangement is still appropriate. The problems in the EPF arrangement are sufficiently severe that serious

consideration should, in the view of the study team, be given to other options. We note that provincial governments would object to any new option, because no other arrangement could likely offer them the combination of revenues and unconditionality with respect to post-secondary education that the present EPF arrangement provides. Nevertheless, in the view of the study team, it is of the greatest importance that the government develop a new direction in consultation with provinces.³

(3) Excellence in Research

We also focused (in Chapter 4) on university research funded by Canada's three granting councils: the Social Sciences and Humanities Research Council (SSHRC); the Natural Sciences and Engineering Research Council (NSERC); and the Medical Research Council (MRC). Many witnesses expressed the opinion that research is underfunded and that the quality of some research is questionable. Underfunding was attributed not to inadequate support for the direct costs of research but to an insufficient level of attention on the part of both levels of government to the high costs of meeting the overhead expenses of research.

The Committee recommends that the overhead costs of research be supported by NSERC and SSHRC. This support should be based on a formula such that the overhead costs provided range between 50 and 104 per cent of the direct research costs, depending on the definition of these direct costs. Details of such a scheme should be worked out with the Canadian Association of University Business Officers under the auspices of the Association of Universities and Colleges of Canada. **The Committee also recommends that the overhead costs of medical research supported by the MRC be met, but that a separate formula be developed to address the special funding needs of this research.** With regard to contracted research with government departments, **the Committee recommends that an additional, non-negotiable sum equivalent to 65 per cent of the payroll costs be included for overhead.**

Some of our witnesses suggested that there has been a long-term erosion in the quality of research supported by the granting councils. They argued that our scientists are capable of much better basic research than is now being done. The idea they expressed — one with which we concur — is that generating sustained quality research, particularly in the natural sciences, requires the long-term financial support for the activities of research centres at selected universities where a full team, both scientists and technicians, can be created and given the security to work independently. Although this is not a new

³ Nielsen Task Force, Education and Research, p. 26-27.

idea, it appears that NSERC has not sought to develop policies to concentrate their support with a view to creating such a synergy. A major problem of those attempting to build research centres is that of finding adequate funds to meet the operating costs, especially in the early years when scientists, support staff, and research grants are being recruited. **To address the need to pay for the core operations of research, we recommend that a Centres of Research Council be created independent of each of the three granting councils but administered by the Natural Sciences and Engineering Research Council.**

This Council would support the program activities of those centres that can demonstrate that their work is of an international calibre. Successful applicants would be determined by a panel of internationally renowned scholars and scientists, some of whom might come from outside Canada. **The Committee proposes that \$100 million in 1986-87 dollars be set aside annually for such a Council; more might be required if the initial results warranted the expenditure. We also propose that an annual report to Parliament be tabled on the activities supported by the Centres of Research Council.**

Finally, the Committee recommends that a Canadian Scholars Development Fund be created. The faculties of our universities are becoming older; the proportion of junior members is declining. We believe that Canada is in danger of losing the greater part of an entire generation of young scientists and scholars. At the same time the constitutionality of compulsory retirement is in question. The federal government should come to grips with the need to prevent potential scholars and scientists from abandoning the prospect of careers in their preferred fields simply because of a temporary shortage of academic posts and positions.

It is difficult to arrive at an appropriate amount and mechanism for operating this Fund. One logical approach is to tie awards from this Fund to the value of research grants given by the three granting councils. If, for example, an additional 10 per cent of the value of councils' grants was to be allocated, the cost in 1986-87 would be approximately \$50 million.

We have proposed as an option that this Canadian Scholars Development Fund be linked to the grants awarded by the three granting councils — the more research grants a university receives, the more money it would receive from the Fund. We anticipate that there would be those who would argue that some smaller universities will not be served well by this proposal. In the short run this may seem correct; but in the mid-1990s when universities are trying to recruit able members for their faculties, they will be able to find them in Canada —

Canadians trained in Canada, ready to take positions in Canadian universities.

We also submit that the time has come for the provinces and universities to examine the criteria for academic promotion, including the use of academic tenure. In our view the tenure system, originally intended to protect freedom of thought and speech, has had the unintended effect of protecting those unwilling to carry out the duties of their posts to the disadvantage of students, faculties, and taxpayers. **We therefore suggest that the proposed Canadian Scholars Development Fund described above be re-examined after five years to ascertain whether the intentions of the scheme are being thwarted by the use of promotion and tenure.**

(4) Student Financing

One area upon which many of the witnesses expressed strong feelings was tuition fees. Some felt that fees are too low, while others felt they already are too high. We heard the opinion that fees should be related to the quality of instruction, as well as the comment that fees should be deregulated. The only issue in this area upon which there was agreement was that any changes in the fee structure would have implications for student aid. This is an area which needs a full review. Students receiving both federal and provincial student assistance are not being treated equally; the grant portion in some provinces is more generous than in others, and this has an impact on student mobility. The Committee has recommended in Chapter 5 that in view of the substantial federal involvement under the Canada Student Loans Program, there is an urgent need for a parliamentary review of student assistance in Canada, and that such a study should examine the question of the proper roles of the two levels of government in this area.

(5) Provincial Responsibilities

Our report is certainly not the first, nor will it be the last report on post-secondary education. Within the provinces and at the federal level there have been countless reviews of post-secondary education. A missing link is a review from the perspective of the provinces as a national body. Many witnesses raised matters which clearly were within the provincial field. When asked if they had made their views known to the provinces through the Council of Ministers, they told us that there is no forum in which to do so. **The Committee believes that it is desirable that the Council of Ministers of Education, Canada become an open national body far beyond its current format as a closed forum for provincial ministers of education.** This means that the CMEC will have to do more than define areas of common interest with the federal

government, such as accessibility to post-secondary education, official languages, and foreign students. It means: that it will have to face the problem of accessibility where it begins, in primary school, if not earlier; that it will have to seek ways to deal with the inequities of student aid across provinces and the impact on mobility; and that it will have to address the problem of maintaining high quality schools in "have-not" provinces while considering what to do with mediocre schools in the wealthier provinces. This means that the ten provincial governments will have to decide how best they can act in concert to serve the national interest both at home and abroad. To date, we have seen little evidence to suggest they have done so. It may be that the maritime provinces have provided a lead for the CMEC through the example of the Maritime Provinces Higher Education Commission, which actively coordinates interprovincial initiatives in post-secondary education.

The Complete Package

We have found that the post-secondary education part of EPF has made no specific (or traceable) contribution to the support of a high quality post-secondary education system in Canada. Because the money is transferred without safeguards or conditions, it has simply increased provincial government revenues. This does not mean that post-secondary education in Canada has not benefited from the transferred money; it means, however, that there is nothing to recommend this way — the EPF way — of transferring the money. The only thing which the federal government has done through the transfer of the post-secondary portion of EPF is to contribute to the general revenues of the provincial governments. The same amount of money transferred to each province outside the EPF framework and devoid of conditions might have had the same results.

None of the witnesses who appeared before us and none of the reports of which we are aware supported the continuation of the PSE portion of EPF in its present form. **We have concluded that federal support in respect of post-secondary education through EPF no longer is beneficial; indeed, because EPF tends to blur responsibility it ought to be terminated.** We have found that in developing a replacement three general approaches are possible:

1. to return to a shared-cost arrangement;
2. to transfer the constitutional responsibilities for the relevant aspects of post-secondary education from the provincial governments to the federal government; or
3. to transfer financial resources adequate for post-secondary education from the federal government to the provincial governments.

We do not support the first option, a return to some form of shared-cost arrangement; we include here any kind of conditional transfer to the provincial governments for post-secondary education.

The second option, the shift of certain aspects of provincial post-secondary responsibilities to the federal government through a constitutional amendment, is a possibility. But amending section 93 of the *Constitution Act, 1867* is a major step, one which could have dramatic consequences for the constitutional division of power; consequently, it is not likely to be taken in the near future. In the meantime we have to live within the current constitutional arrangements. This leads directly to the third option.

The Committee suggests that the solution is for the federal government to terminate the PSE portion of EPF and transfer adequate financial resources to the provincial governments. This could be done by converting some or all of the money currently transferred in the form of cash payments into equalized tax points to be given to the provinces along with the personal and corporate tax points already transferred for health and education.

This is consistent with the spirit of section 36 of the *Constitution Act, 1982*, which states:

36(1) Without altering the legislative authority of Parliament or of the provincial legislatures, or the rights of any of them with respect to the exercise of their legislative authority, Parliament and the legislatures, together with the government of Canada and the provincial governments, are committed to

- (a) promoting equal opportunities for the well-being of Canadians;
- (b) furthering economic development to reduce disparity in opportunities; and
- (c) providing essential public services of reasonable quality to all Canadians.

36(2) Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

But in putting this proposal forward, we realize that there are many points which must be considered.

This proposal would put an end to the equal per capita transfer in respect of post-secondary education that currently is an important element of EPF. All the provincial governments that receive equalization under the current provisions of the Federal-Provincial Fiscal

Arrangements legislation — Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, and Manitoba — would lose by this proposal. It might be thought, *prima facie*, that this demonstrates that our approach is wrong. We suggest, however, that what really is put in question is the general equalization formula. If the current method of calculating equalization would be unfair if applied to post-secondary education, is it not unfair for all the other public services to which section 36(2) applies?

While the provinces have retained constitutional responsibility for post-secondary education since 1867, it is only within the last 30 years that post-secondary education has been within the reach of most young Canadians and has become recognized as an important national resource. It was only 20 years ago that the Council of Ministers of Education, Canada, was formed and only 10 years ago that the federal government introduced EPF. Perhaps it is understandable that in this short interval the CMEC has not developed the means necessary to deliver a coordinated and national post-secondary education system for Canada. The unanswered question is the following: will the provincial governments, through the Council of Ministers of Education, Canada, be able in the foreseeable future to decide upon how to deliver the kind of national post-secondary system Canadians require and deserve? For example, provincial governments may wish to reorganize the CMEC so that it will be able to advise them on such matters as avoiding unnecessary duplication, addressing the harmful effects of the tenure system, or achieving excellence in our universities. Alternatively, provincial governments may wish to go further and create a new national body with adequate financial resources and executive authority to take decisions on issues central to the needs of the post secondary system.

If the federal government is to leave to the provinces the responsibility for the delivery of post-secondary education while focussing its own efforts on high quality research, these questions must be faced.

We do not presume to answer conclusively these or any of the other questions raised in this chapter; they will require the benefit of far more reflection than we have had time to give. We expect that the national forum on post-secondary education announced by the Governor General in the Speech from the Throne on October 1, 1986 will provide the vehicle for achieving answers to these questions. She stated:

My government is deeply committed to supporting, with the provinces, a system of post-secondary education based on excellence and equality of opportunity. To help meet the challenges facing higher education, my government will propose a national forum on post-secondary education, to be held early next year.

We hope that the national forum on post-secondary education announced by the Governor General in the Speech from the Throne on October 1, 1986 will take our findings, submissions, and recommendations under consideration.

If the forum is not successful in reaching decisions on what is to be done, some other way must be found to ensure that post-secondary education of high quality can be achieved and maintained. To try to continue to live with EPF would be to acquiesce in an arrangement that does not promise to serve even tolerably well the needs of our students, our scholars and scientists, our industries — indeed, all Canadians — in the years ahead. We must recognize that as the conviction grows that EPF is not achieving its purpose in the field of post-secondary education, the federal government will tend to yield to the continuing pressure to reduce the cash portion of the transfers to the provincial governments.

APPENDIX

Witnesses Who Appeared Before the Committee

First Session, Thirty-third Parliament, 1984-86

Issue Number	Date	Witness
22	October 24, 1985	<i>From the Commission on the Future Development of the Universities of Ontario:</i> Mr. E.C. Bovey, Chairman; Prof. R.L. Watts, Commissioner.
23	October 31, 1985	<i>From the Canadian Higher Education Research Network:</i> Mr. Gilles Paquet, Vice-President; Mr. Max von Zur-Muehlen, Executive Director.
24	November 7, 1985	<i>From the University of Waterloo:</i> Dr. Douglas Wright, President; Mr. Richard Taylor, Chairman, Waterloo Advisory Council; Prof. Robert Needham, President, Faculty Association; Mr. Sonny Flanagan, President, Federation of Students.
26	November 21, 1985	<i>From the Natural Sciences and Engineering Research Council of Canada:</i> Dr. G.M. MacNabb, President.
27	November 28, 1985	Authors of <i>The Great Brain Robbery: Canada's Universities on the Road to Ruin:</i> Prof. D.J. Bercuson, Department of History, University of Calgary; Prof. Robert Bothwell, Trinity College, Toronto.

Issue Number	Date	Witness
29	December 5, 1985	<i>From the University of King's College:</i> Prof. John Godfrey, President.
32	December 12, 1985	<i>From the Social Sciences and Humanities Research Council of Canada:</i> Dr. William E. Taylor, Jr., President; Dr. Erika Bruce, Director General, Program Branch. <i>From the Medical Research Council of Canada:</i> Dr. Pierre Bois, President.
34	January 30, 1986	Mr. David G. Vice, President, Northern Telecom Limited.
35	February 6, 1986	<i>From the Canadian Federation of Students:</i> Mr. Tony Macerollo, Chair Elect.
36	February 13, 1986	<i>From the Canadian Institute for Advanced Research:</i> Dr. J. Fraser Mustard, President; Dr. Pierre Maranda, Professor of Anthropology, University of Laval; Mrs. Ruth Macdonald, Director of Development.
38	March 6, 1986	<i>From the Electrical and Electronic Manufacturers Association of Canada:</i> Dr. H.D. Barber, Chairman, R&D, and President, Linear Technology Inc., Burlington, Ontario; Mr. J.E. Benson, Manager, Engineering Laboratory, Canadian General Electric, Peterborough, Ontario; Mr. Brian Veale, Vice-President and General Manager, Edwards, a unit of General Signal, Owen Sound, Ontario Mr. E.A. Welling, Manager, Electronics Divisions, EEMAC, Toronto, Ontario.
40	March 13, 1986	<i>From the Association of Canadian Community Colleges:</i> Mr. R. Bruce McAusland, President, and President, St. Clair College, Windsor, Ontario; Mr. Lorio Roy, Vice-Principal, New Brunswick Community College, Bathurst, N.B.; Mr. Robert LaRose, Executive Director;

Issue Number	Date	Witness
		<p>Dr. Paul Gallagher, Vice-President, and President, Vancouver Community College.</p> <p><i>From the Canadian Bureau for International Education:</i></p> <p>Mr. Wayne Myles, Treasurer, and Director, International Centre, Queen's University; Dr. Ayman Yassini, Director of Public Affairs; Mr. Jonathan Bremer, Researcher.</p>
41	March 20, 1986	Dr. Michael A. Walker, Director, Fraser Institute.
42	April 17, 1986	<p><i>From the Canadian Association of University Teachers:</i></p> <p>Prof. E.O. Anderson, President; Dr. R. Lévesque, Acting Executive Secretary.</p> <p><i>From the Canadian Union of Public Employees:</i></p> <p>Mr. John Calvert, Senior Research Officer; Mr. Richard Balnis, Research Officer.</p>
45	April 24, 1986	<p><i>From the Association of Universities and Colleges of Canada:</i></p> <p>Dr. W.A. MacKay, Past-president and President of Dalhousie University; Dr. A.K. Gillmore, Executive Director.</p> <p><i>From the Eye Institute of the National Capital:</i></p> <p>Dr. Brian C. Leonard, Director, and Professor and Chairman, Department of Ophthalmology, University of Ottawa Medical School; Dr. A. Gardner Watson, Professor Emeritus, Department of Ophthalmology, University of Ottawa Medical School.</p>
47	May 1, 1986	<p><i>From the Corporate-Higher Education Forum:</i></p> <p>Mr. John Panabaker, Member, Board of Directors and Chairman, The Mutual Life Assurance Company of Canada; Dr. George Connell, Member, Board of Directors and President, University of Toronto; Mr. Gerald Gummersell, President.</p>
50	May 15, 1986	The Honourable Benoît Bouchard, P.C., Secretary of State of Canada.

Issue Number	Date	Witness
52	May 22, 1986	<p><i>From the Department of the Secretary of State:</i> Mr. Nigel K. Chippindale, Director, Policy and Analysis, Education Support.</p> <p><i>From the Conference of Rectors and Principals of the Universities of Quebec:</i> Mr. Patrick Kenniff, Rector, Concordia University, Montreal, Quebec; Mr. Gilles Boulet, President, University of Quebec at Ste-Foy, Quebec.</p>

