

# THE CANADIAN FEDERATION OF STUDENTS

With over 600,000 members, represented by more than 80 students' unions in all ten provinces, the Canadian Federation of Students is the voice of post-secondary students in Canada. The Federation and its predecessor organisations have represented students in Canada since 1927. The Federation represents full- and part-time students at the college, undergraduate, and graduate levels.

## BRITISH COLUMBIA

University of British Columbia Students' Union Okanagan  
Camosun College Student Society  
Capilano Students' Union  
Douglas Students' Union  
Emily Carr Students' Union  
Kwantlen Student Association  
College of New Caledonia Students' Union  
North Island Students' Union  
Northwest Community College Students' Union  
Okanagan College Students' Union  
College of the Rockies Students' Union  
Selkirk College Students' Union  
Students' Union of Vancouver Community College  
Thompson Rivers University Students' Union  
Vancouver Island University Students' Union

## PRAIRIES

Alberta College of Art and Design Students' Association  
Brandon University Students' Union  
Graduate Students' Association of the University of Calgary  
First Nations University of Canada Students' Association  
University of Manitoba Students' Union  
University of Manitoba Graduate Students' Association  
University of Regina Students' Union  
Association étudiante de l'Université de Saint-Boniface  
University of Saskatchewan Students' Union  
University of Saskatchewan Graduate Students' Association  
University of Winnipeg Students' Association

## ONTARIO

Algoma University Students' Union  
Brock University Graduate Students' Association  
Carleton University Students' Association  
Carleton University Graduate Students' Association  
Association étudiante de la Cité collégiale  
Student Association of George Brown College  
Glendon College Student Union  
University of Guelph Central Student Association  
University of Guelph Graduate Students' Association  
Lakehead University Student Union  
Laurentian Association of Mature and Part-time Students  
Laurentian University Graduate Students' Association  
Laurentian University Students' General Association  
Association des étudiantes et étudiants francophones de l'Université Laurentienne  
Laurentian Students' Union

## ONTARIO (CONT'D)

McMaster University Graduate Students' Association  
Nipissing University Student Union  
Ontario College of Art and Design Student Union  
Student Federation of the University of Ottawa  
Graduate Students' Association des étudiant(e)s diplômé(e)s de l'Université d'Ottawa  
Queen's University Society of Graduate and Professional Students  
Ryerson Students' Union  
Continuing Education Students' Association of Ryerson  
Saint Paul University Students' Association  
Thames Students Inc.  
University of Toronto at Scarborough Students' Union  
University of Toronto Graduate Students' Union  
University of Toronto Students' Union  
University of Toronto Mississauga Students' Union  
Association of Part-Time Undergraduate Students at the University of Toronto

## ONTARIO (CONT'D)

Trent Central Student Association  
Society of Graduate Students of the University of Western Ontario  
Wilfrid Laurier University Graduate Students' Association  
University of Windsor Students' Alliance  
University of Windsor Graduate Students' Society  
University of Windsor Organization of Part-time University Students  
York Federation of Students  
York University Graduate Students' Association

## QUÉBEC

Concordia Student Union  
Concordia University Graduate Students Association  
Dawson Student Union  
Post-Graduate Students' Society of McGill University

## MARITIMES

Cape Breton University Students' Union  
Holland College Student Union  
University of King's College Students' Union  
Mount Saint Vincent University Students' Union  
University of New Brunswick Graduate Students' Association  
Student Union of NSCAD University  
University of Prince Edward Island Student Union  
University of Prince Edward Island Graduate Student Association  
Association générale des étudiants de l'Université Sainte-Anne

## NEWFOUNDLAND AND LABRADOR

Grenfell College Student Union  
Marine Institute Students' Union  
Memorial University of Newfoundland Students' Union  
Graduate Students' Union of the Memorial University of Newfoundland  
College of the North Atlantic Students' Union

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# PUBLIC EDUCATION FOR THE PUBLIC GOOD

## INVESTING IN POST-SECONDARY EDUCATION IS AN INVESTMENT IN CANADA'S FUTURE

Since the 2008 global economic recession, Canada's road to recovery has been smoother than many other industrialised nations. Around the world, countries are dealing with massive debt resulting from tax cuts and stimulus spending by implementing austerity measures. Canada is no exception. Yet despite Canada's relative economic stability, many Canadians—particularly students and youth—continue to struggle with high unemployment and cuts to social programs.

Although Canada showed signs of recovery following the recession, this past year has seen rising unemployment, stagnating trade (except natural resources), and mounting personal debt—particularly education-related debt—as those affected by budget cuts and job losses return to school for retraining. Recent reports from the World Economic Forum and the Organisation for Economic Co-operation and Development (OECD) have shown a slip in Canada's ranking in higher education. Both organisations note Canada's lack of adequate training and development at the post-secondary level. Jurisdictional redundancies and high student debt drag down national rankings, which are also impacted by declining levels of private industry research and innovation. According to the World Economic Forum, Canada has lost its position in the top ten most economically competitive nations. It has been replaced by Denmark, Taiwan, and Iceland—nations that invest heavily in public, post-secondary education.

Record-high levels of student debt and a post-secondary education system that is out of reach for an increasing number of Canadians threaten Canada's long-term prosperity. Canadian youth unemployment is double that of the general population. The baby boomer generation is working longer or re-entering the workforce after retirement, making it difficult for new graduates to find jobs. With current federal student debt

at over \$15 billion, not including provincial or private debt, Canadian youth are now the most indebted generation in the country's history. This debt will have far-reaching implications for Canada's economy and socio-economic equality.

In the absence of national policy on post-secondary education, provinces have the ability to set tuition fees at whatever level they see fit. These provincial policies have resulted in students facing significantly different challenges in accessing higher education depending on the province they are studying in. This disparity threatens Canada's long-term economic stability and social equality, and also impacts regional development and economic growth.

Three decades of public funding that has failed to keep up with enrolment growth has had a notable impact on students' education experience. Class sizes have increased while repairs to infrastructure have gone largely unaddressed. Average tuition fees have increased at three times the rate of inflation in the last year alone. As the primary lenders of student loans, the federal government must take decisive action to progressively reduce student debt. While the current funding model is unsustainable, there are realistic options within reach.

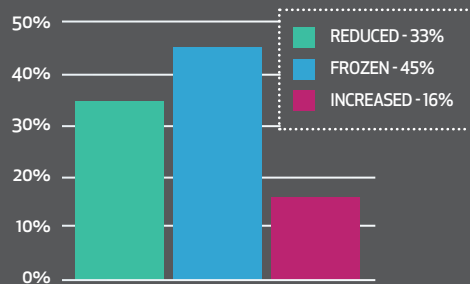
Investments in students, colleges, and universities are investments in Canada's future. Taking advantage of Canada's current relative economic strength, compared to other industrialised countries, requires leadership at the federal level. This document outlines key recommendations for the federal government to build and maintain a strong post-secondary education system that ensures a prosperous, equitable future for generations to come.

# CANADIANS SUPPORT ACCESSIBLE PUBLIC EDUCATION

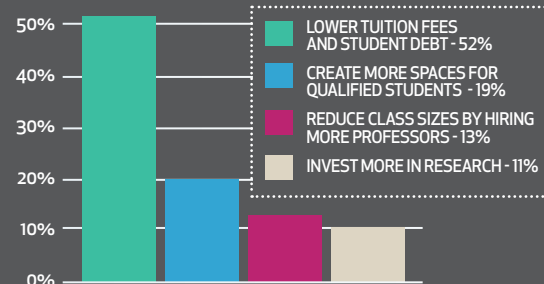
## A MAJORITY OF CANADIANS AGREE THAT:

- a university or college education is more important than ever to get by in today's society;
- the federal government should attach conditions to dedicated transfer payments to the provinces;
- the government should invest more in post-secondary education, even if it means they have to pay slightly more in taxes;
- the government should invest in making college and university more affordable, even if it means a small increase in taxes; and
- education is a common good and should be paid for by the government.

### SHOULD TUITION FEES BE INCREASED, FROZEN, OR REDUCED?



### WHAT IS THE MOST IMPORTANT THING FOR GOVERNMENT TO DO FOR COLLEGE AND UNIVERSITY EDUCATION?



### IT IS MORE DIFFICULT TODAY TO GET A UNIVERSITY OR COLLEGE EDUCATION THAN IT WAS TEN YEARS AGO.



AGREE - 51%  
DISAGREE - 33%  
NO OPINION - 16%

### THE QUALITY OF EDUCATION HAS SUFFERED BECAUSE OF INADEQUATE GOVERNMENT FUNDING.

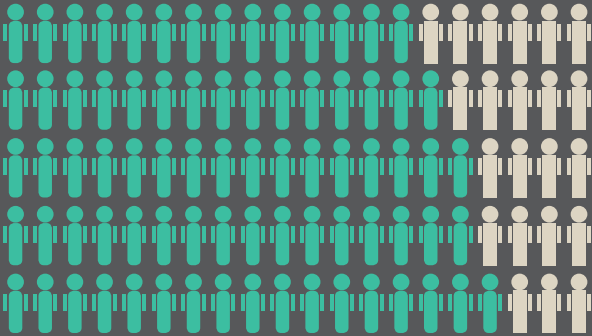


AGREE - 47%  
DISAGREE - 39%  
NO OPINION - 14%

Public opinion polling results are taken from Harris/Decima random telephone survey of 2,000 adult Canadians conducted between April 14 and April 27, 2011 and a Harris/Decima random telephone survey of 1,000 adult Canadians conducted between May 10 and May 14, 2012. The polls were commissioned by the Canadian Association of University Teachers and the Canadian Federation of Students. National results are considered accurate within 3.1 percentage points, 19 times out of 20.

The numbers do not always add up to 100% because they are rounded to the nearest percentage point, and some respondents did not answer all questions.

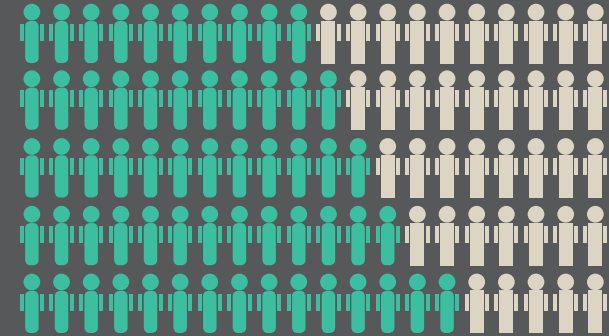
78% OF CANADIANS OPPOSE INCREASES IN TUITION FEES. OF THOSE 41% SUPPORT A REDUCTION FROM CURRENT LEVELS.



65% OF CANADIANS WANT THE FEDERAL GOVERNMENT TO SET CONDITIONS ON TRANSFER PAYMENTS TO ENSURE PROVINCES USE THE MONEY AS INTENDED.



61% OF CANADIANS THINK GOVERNMENTS ARE NOT DOING ENOUGH TO MAKE SURE THAT EVERYONE WHO IS QUALIFIED HAS A CHANCE TO GET A DEGREE.

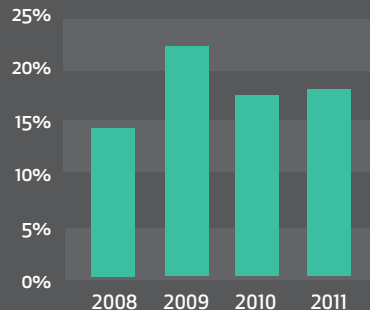


# HIGH FEES PUSH STUDENTS TO WORK MORE, STUDY LESS

Students are struggling to pay for their post-secondary education more than any previous generation. Record-high tuition fees combined with the recession means that those in vulnerable groups, including Aboriginal and other racialised students and those with disabilities, are facing increasing barriers to post-secondary education. Higher costs and fewer summer employment opportunities have contributed to an increasing number of students working during the academic year.

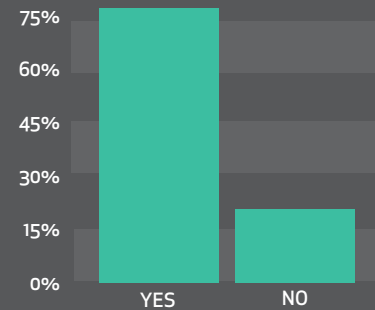
Students have reported that working in low-wage, low-skilled jobs while studying often has a negative impact on students' academic performance and the quality of their educational experience, particularly when one is working more than 20 hours per week.

**STUDENT UNEMPLOYMENT REMAINS HIGH**



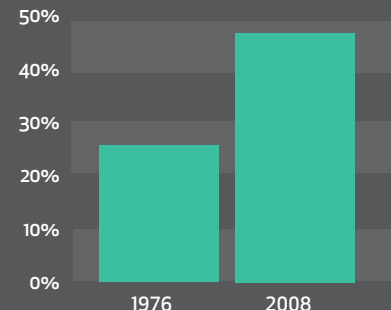
PERCENT OF STUDENTS WHO WERE UNEMPLOYED DURING THE SUMMER

**WORKING HAS A NEGATIVE EFFECT ON ACADEMICS**



STUDENTS WHO WERE ASKED IF THEY THOUGHT WORKING HAD A NEGATIVE EFFECT ON ACADEMIC PERFORMANCE

**FAR MORE STUDENTS TODAY WORK DURING THE SCHOOL YEAR**



PERCENT OF STUDENTS WHO WORKED DURING THE YEAR WHILE ATTENDING UNIVERSITY

**TAKING ADVANTAGE OF CANADA'S  
CURRENT RELATIVE ECONOMIC  
STRENGTH, COMPARED TO OTHER  
INDUSTRIALISED COUNTRIES, REQUIRES  
LEADERSHIP AT THE FEDERAL LEVEL  
AND AN INVESTMENT IN STUDENTS,  
AS WELL AS IN COLLEGES AND  
UNIVERSITIES. THIS DOCUMENT  
OUTLINES EIGHT RECOMMENDATIONS  
FOR THE FEDERAL GOVERNMENT TO  
BUILD AND MAINTAIN A STRONG  
POST-SECONDARY SYSTEM THAT  
TRAINS A WORKFORCE CAPABLE OF  
COMPETING IN TODAY'S ECONOMY.**

# RECOMMENDATIONS

## FOR A PROSPEROUS AND PRODUCTIVE FUTURE FOR ALL CANADIANS

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- 1** Implement a federal Post-Secondary Education Act in cooperation with the provinces, modeled after the Canada Health Act, accompanied by a dedicated cash transfer with funding allocated to:

  - address shortfalls in funding since 1992;
  - reduce tuition fees to 1992 levels; and
  - eliminate deferred maintenance at Canada's universities and colleges.
- 2** Cut student loan debt in half by 2015. In order to address rising student loan debt, the federal government must, in consultation with the provinces, implement an accelerated debt reduction program that sets benchmarks and includes both up-front and post-graduation measures to reduce student debt.
- 3** Increase the value and number of non-repayable grants available to students by redirecting funds allocated to education-related tax credits and savings schemes to the Canada Student Grants Program, and allow graduate students to qualify for grants under the Program.
- 4** Increase funding by \$10 million to Statistics Canada's branch for the collection and analysis of post-secondary education statistics in order to properly track the impact of a reduction in student debt on post-secondary education completion rates and the fulfillment of labour-market demands, as well as to provide accountability for the funds allocated to reducing debt.
- 5** Remove targeted research funding earmarks within the granting councils and award research funding based on academic merit determined through a peer-review process.
- 6** Increase the number of Canada Graduate Scholarships to be consistent with average program growth and distributed proportionally among the research councils according to enrolment figures.
- 7** Remove the funding cap on increases to the Post-Secondary Student Support Program and ensure that every eligible First Nations and Inuit learner is provided with adequate funding to attend post-secondary education.
- 8** Act to safeguard and strengthen Canada's reputation as country of choice for international students by:

  - regulating the fees charged to international students;
  - prohibiting private institutions from hosting international students; and
  - combining the Off-Campus Work Permit and Post-Graduation Work Permit into the Study Permit (Student Visa).

# CANADA'S POST-SECONDARY EDUCATION SYSTEM

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For over half a century, the federal government has recognised the crucial role post-secondary education plays in driving economic growth, innovation, and in increasing social and economic equality. The substantial public investments that led to the expansion of universities and the creation of colleges in the 1960s were based on the belief that access to post-secondary education should be dictated by ability and desire, not financial means.

Canada's public post-secondary education system has become markedly less public over the past three decades. Beginning in the 1980s, the federal government limited the increases in transfers to the provinces for post-secondary education, effectively decreasing per-student funding. In 1995, the federal government made one of the deepest funding cuts in history by slashing transfers to the provinces for social programs by \$7 billion. In every province, with the exception of Québec, this funding cut was passed on directly to students in the form of massive tuition fee increases.

Despite the federal government posting multi-billion dollar surpluses in the late 1990s and early 2000s, funding for post-secondary education was never restored.

These cuts led most provinces to spend less on higher education and paved the way for a shift towards private funding as the main source of revenue for Canada's universities and colleges.

Today, post-secondary institutions rely largely on private sources of funding, primarily through tuition and ancillary fees, to cover operating costs.

Nearly half of the operational funding for universities today comes from students themselves (Figure 1.2), with institutions like the University of Toronto receiving more from students than from the government.

Prior to these cuts, access to post-secondary education was similar from province to province. Today, tuition fees vary widely and provincial residence is now a major factor in determining the individual cost of post-secondary education.

In order to both reduce inequalities across socioeconomic groups and regional disparities and to increase the country's economic competitiveness internationally, the federal government must once again make affordable, high quality post-secondary education a high priority.

Canadians overwhelmingly believe that the federal government must provide more support to post-secondary education. While Canada's social programs are often targeted for budget cuts, funding such programs is necessary for Canada to maintain its standard of living.

Current funding priorities, including a fiscal capacity that has been reduced by multi-billion dollar tax cuts, undermine the federal government's ability to adequately fund training for the country's future workforce and retraining out-of-work Canadians.



**60% OF CANADIANS  
AGREE THAT INVESTING IN  
SOCIAL PROGRAMS AND  
REDUCING POVERTY AND  
UNEMPLOYMENT ARE  
HIGHER PRIORITIES THAN  
TAX CUTS AND DEFICIT  
REDUCTION.**



Investments in social programs, such as health care and post-secondary education, regularly rank as top priorities for Canadians. In a recent poll conducted by Harris-Decima, only 8 percent of Canadians identified tax cuts, and only 12 percent identified deficit reduction, as the most important priority for the federal government. By comparison, over 60 per cent identified investments in social programs, reducing unemployment, or reducing poverty as their top priority. Despite public opinion, the federal government has prioritised tax cuts and deficit reduction over needed investments in Canada's social programs.

Providing adequate funding for post-secondary education is well within the government's reach and will do far more to guarantee Canada's future economic success than tax cuts or credits.

**\$13.7 billion**  
 ANNUAL COST TO THE GOVERNMENT OF PLANNED CORPORATE TAX CUTS BY 2013.

## IS CANADA'S HIGHER EDUCATION SYSTEM ECONOMICALLY COMPETITIVE?

According to the World Economic Forum's annual report on economic competitiveness, Canada's higher education system is failing to keep pace with other nations in equipping citizens with the skills needed to advance the domestic economy and remain globally competitive.

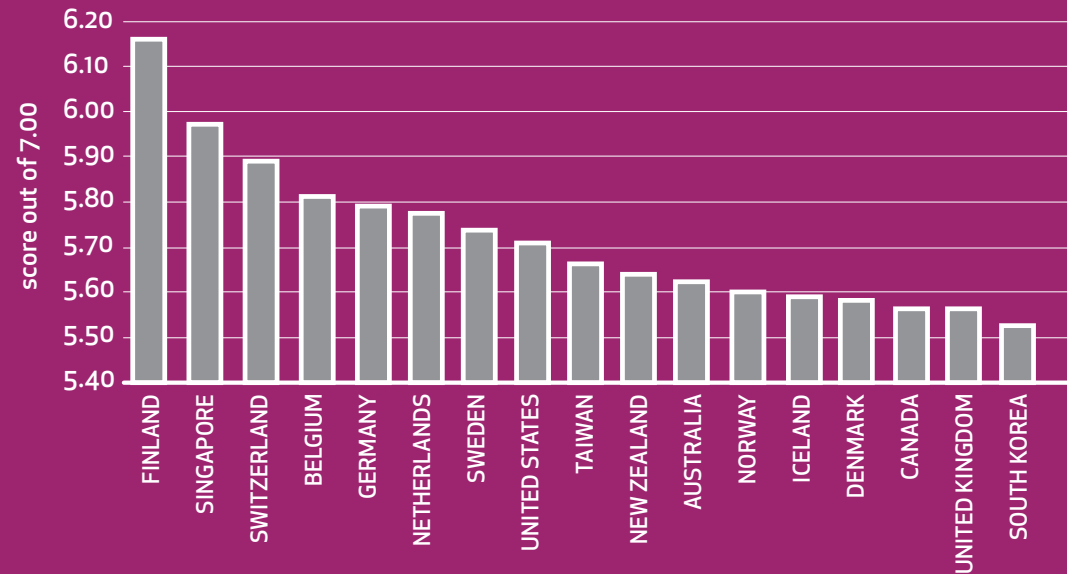
Canada was ranked:



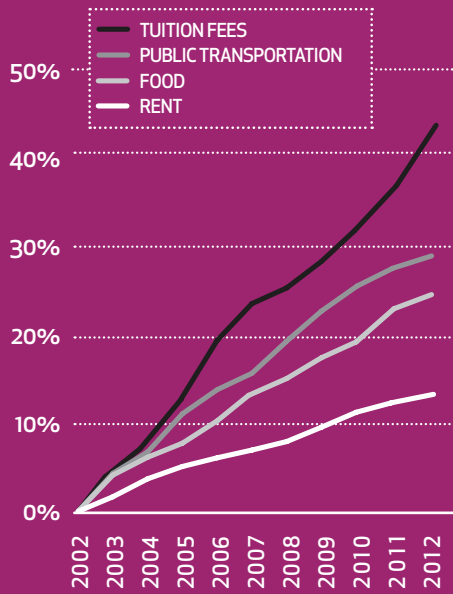
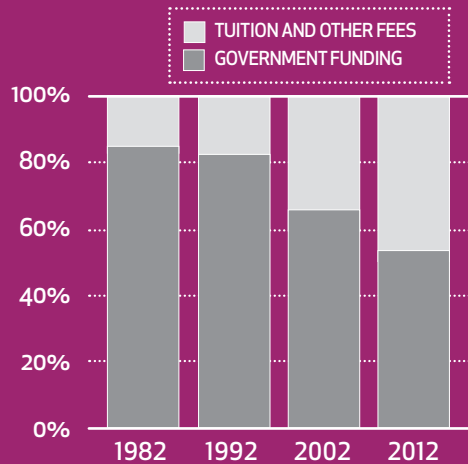
"the data suggest a slight downward trend of [Canada's] performance in higher education... driven by lower university enrollment rates and a decline in the extent to which staff is being trained at the workplace."

-World Economic Forum Report on Economic Competitiveness

FIGURE 1.1 2012-13 WORLD ECONOMIC FORUM: GLOBAL COMPETITIVENESS INDEX, HIGHER EDUCATION RANKINGS (EFFECTIVENESS OF THE HIGHER EDUCATION SECTOR IN DEVELOPING AN ECONOMICALLY COMPETITIVE SOCIETY)



**FIGURE 1.2 UNIVERSITY OPERATING REVENUE DIVIDED BETWEEN PRIVATE FUNDING AND GOVERNMENT FUNDING**



**FIGURE 1.3 TUITION FEES INCREASE FASTER THAN ALL OTHER STUDENT COSTS**

# FEES ARE A BARRIER: LET THE INCOME TAX SYSTEM WORK

Since the federal funding cuts of the 1990s, an increasing proportion of the cost of post-secondary education has been passed on to students. Although government grants used to cover up to 80 percent of an institution's operating budget nearly 30 years ago, they now cover roughly 50 percent, with tuition fees making up the difference (Figure 1.2).

In the last fifteen years, tuition fees have become one of the largest expenses for university and college students, increasing, on average, over five times the rate of inflation (Figure 1.4). High tuition fees limit access to post-secondary education for students from low- and middle-income backgrounds. At their current rate of increase, tuition fees are estimated to exceed all other student expenses combined in five years.

Statistics Canada has determined that students from low-income families are less than half as likely as those from high-income households to pursue a university education.

Statistics Canada has also found that the most frequently-reported reason high school students did not pursue post-secondary education was financial.

Tuition fees act as a flat tax—a cost applied to all students at the same rate, regardless of their financial resources. While some argue that post-secondary education will significantly increase a student's long-term earning potential by up to \$1 million, thus justifying tuition fee increases, the reality is very different.

The Organisation for Economic Co-operation and Development (OECD) reports that male graduates earn only an additional \$80,000 over their lifetime. The return is substantially lower for female graduates who, on average, earn only an additional \$46,000.

Given that at least 70 percent of new jobs require some form of post-secondary education, higher education is increasingly becoming a prerequisite for participating in the labour market and for earning an average income. It is not a guarantee of future wealth.

The fairest method of financing post-secondary education is through a progressive income tax system.

Such a system ensures that the wealthy and poor are taxed in a fair manner by reflecting their respective ability to contribute and the subsequent personal economic benefit obtained as a result of their education.

Canadians have made it clear that they are comfortable with increased government spending to improve access to education. According to a recent Harris/Decima public opinion poll, Canadians rank tuition fee reductions as the top priority for government investment in education.

The same poll also found that 67 percent of Canadians want the federal government to exercise more control over transfers to the provinces for post-secondary education.

# SUSTAINABLE INVESTMENT NEEDS NATIONAL LEADERSHIP

The benefits of investing in higher education go well beyond the individual. A highly educated workforce increases the tax base and reduces the cost of a number of other publicly-funded social programs, including health care, public safety, and employment insurance.

A recent report by the OECD found that the direct public benefit of investing in post-secondary education was in excess of \$100,000 per individual, a 160 percent return on each dollar invested.

Since the cuts to federal transfer payments in the 1990s, the quality of post-secondary education has declined. Class sizes have increased substantially, while at the same time institutions have pushed to casualise the academic workforce by replacing full-time tenured faculty members with overworked and inadequately compensated contract academic staff. In addition, between 1990 and 2006, the ratio of students to full-time faculty members increased by almost 40 percent.

Cash transfer payments for post-secondary education are roughly \$1.3 billion short of 1992 levels when accounting for inflation and population growth.

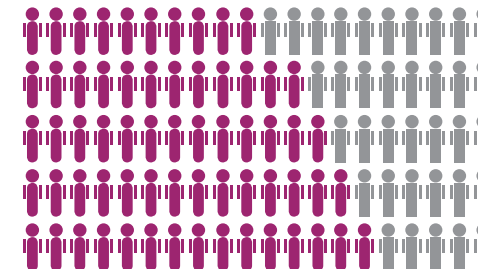
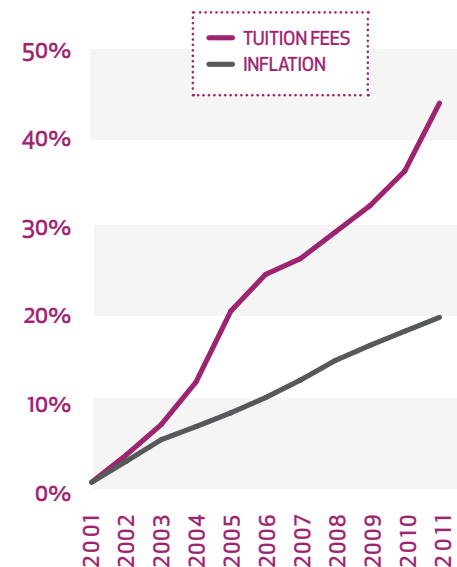
The 2009 federal budget allocated \$2 billion to college and university infrastructure, focused entirely on new building projects. While new infrastructure is welcome, it only increases the funds needed to maintain and renovate infrastructure on campuses, a cost that is already over \$1 billion per year, and

does little to address existing renovation and maintenance needs.

University and college budgets are strained to such an extent that deferred maintenance poses serious health and safety risks at many schools across the country. In 2009, the Canadian Association of University Business Officers estimated that the total value of deferred maintenance on Canadian campuses was more than \$5 billion, half of which is considered urgent, a 35 percent increase in less than a decade.

Despite the moderate reinvestment in post-secondary education in recent years, the federal government has done little to ensure that these investments will have their desired impact.

**FIGURE 1.4 TUITION FEES GROW DRAMATICALLY FASTER THAN INFLATION**



**64% OF CANADIANS BELIEVE THAT THE COST OF A POST-SECONDARY EDUCATION IS TOO HIGH.**

# A POST-SECONDARY EDUCATION ACT

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## ACCOUNTABILITY FOR FEDERAL FUNDING NEEDED

Although the federal government is one of the single largest sources of funding for post-secondary education, there is no mechanism to ensure that the monies transferred to provincial governments actually make it into the post-secondary education system.

The lack of accountability to ensure that federal funds for social programs are used as intended has resulted in provincial governments being free to misallocate federal transfers intended for post-secondary education.

Under previous federal-provincial cost-sharing models, the provinces had to invest their own funds in order to receive federal monies. If a provincial government chose to cut funding, federal transfers were reduced by a proportionate amount. The current block-funding model—the Canada Social Transfer—has no requirement that provincial governments maintain their funding in order to receive federal money.

Indeed, there have been numerous examples of provincial governments receiving additional federal funds and then reducing their provincial contribution. For example, in 2008, the Government of British Columbia cut funding to universities in the same year that it received new post-secondary education funding from the federal government. Because of variations in provincial funding and policies, tuition fees differ greatly from province to province (Figure 1.5).

## FEDERAL CASH TRANSFERS FOR POST-SECONDARY EDUCATION

To return to a level of federal funding equivalent to the level before the cuts of the mid-nineties would mean a dedicated post-secondary education transfer to the provinces of approximately \$4.9 billion.

The federal government currently allocates just over \$3.5 billion as part of the Social Transfer; however, there is no requirement for the provinces to spend this money on increasing access to post-secondary education. Since the funding cuts in the early 1990s, full-time enrolment has increased 24.85 percent, resulting in an increase of \$637 million in costs to the system that are yet to be addressed by the federal government.

Additionally, similar to the health care system, university and college-related costs increase at a much higher rate than the standard Consumer Price Index. Over the previous eighteen years there has been, on average, an annual post-secondary education-related inflation of three percent, per year, or about \$1.7 billion over that period.

When compared to current federal funding levels, there is a funding gap of approximately \$2.3 billion.

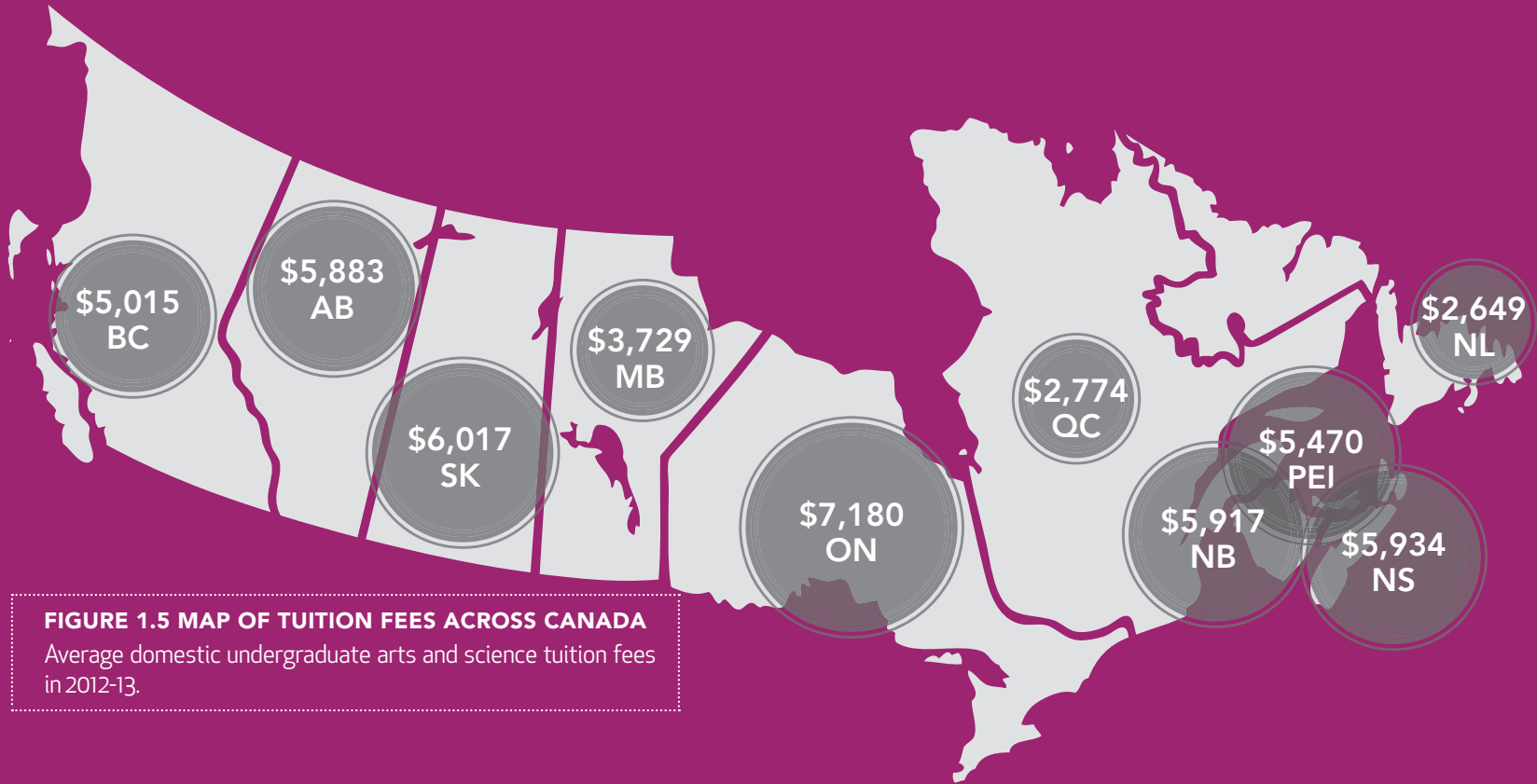
## A FEDERAL POST-SECONDARY EDUCATION ACT

The adoption of a federal post-secondary education act would establish conditions on the provinces for receiving post-secondary education transfer payments. Such legislation would require provinces to uphold principles similar to those found in the Canada Health Act: public administration, comprehensiveness, universality, portability, and accessibility. In return for upholding these principles, provincial governments would receive adequate and predictable funding from the federal government.

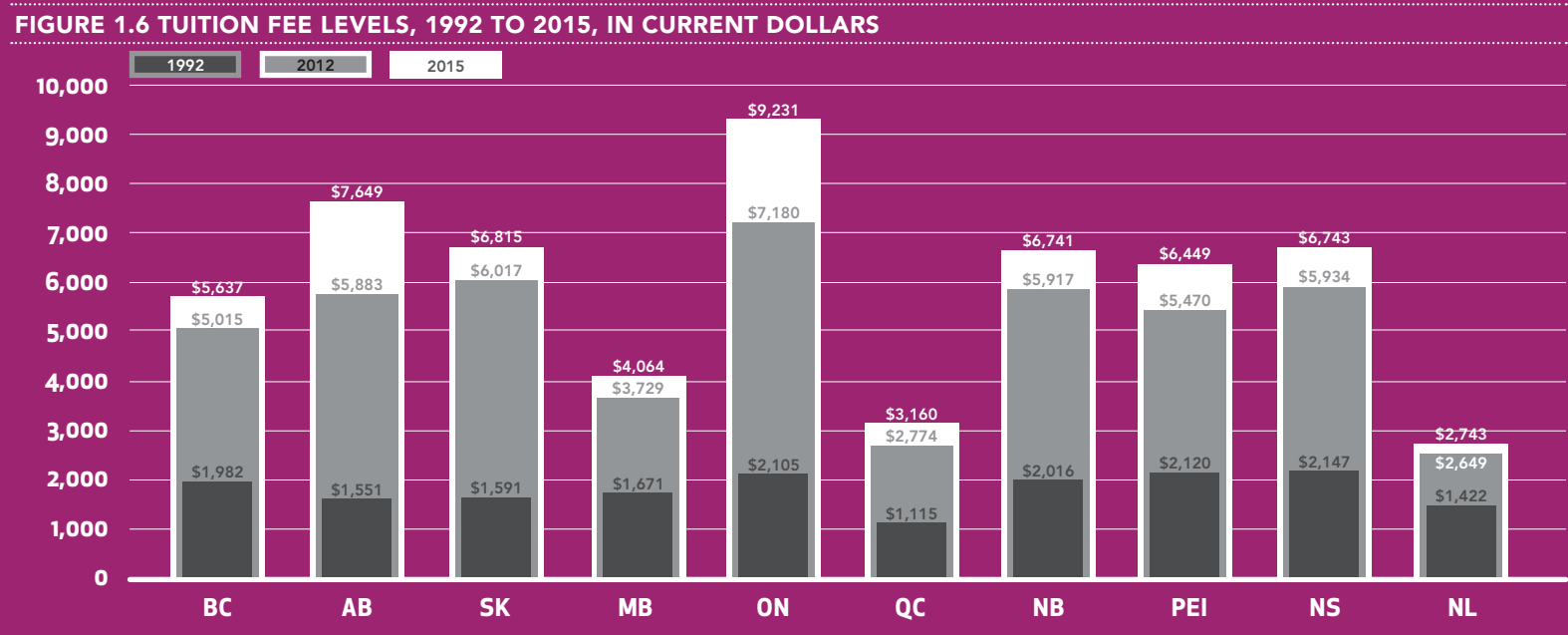
## RECOMMENDATION 1

Implement a federal Post-Secondary Education Act in cooperation with the provinces, modeled after the Canada Health Act, accompanied by a dedicated cash transfer with funding allocated to:

- address shortfalls in funding since 1992;
- reduce tuition fees to 1992 levels; and
- eliminate deferred maintenance at Canada's colleges and universities.



**FIGURE 1.5 MAP OF TUITION FEES ACROSS CANADA**  
Average domestic undergraduate arts and science tuition fees in 2012-13.

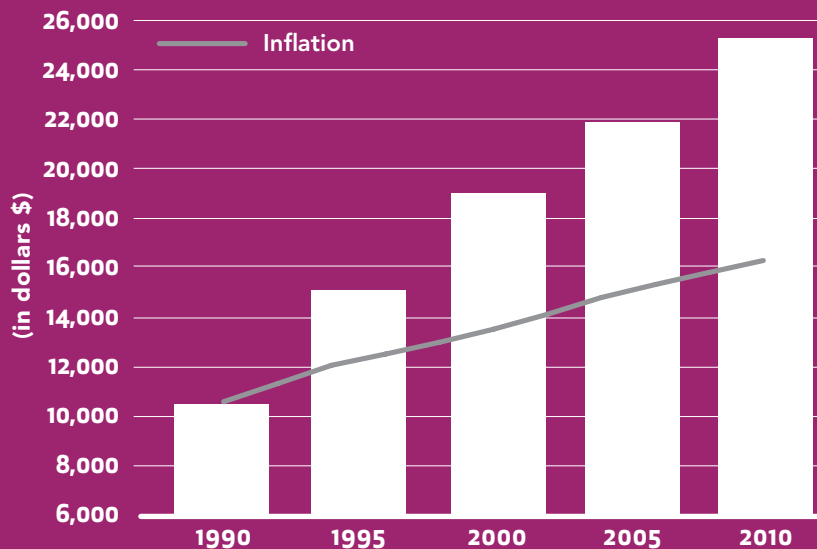


Note: tuition fees for 2015 based on provincial government policy announcements, and current legislation.

**“STUDENT DEBT LOADS HAVE NEVER BEEN HIGHER... PEOPLE ARE GRADUATING WITH \$30,000 IN STUDENT LOANS ON TOP OF \$5,000 IN CREDIT CARD DEBT... THE RESULT IS THAT MANY STUDENTS FALL INTO A HOLE THEY CAN’T EASILY CLIMB OUT OF.”**

**LAURIE CAMPBELL,**  
Executive Director, Credit Canada

**FIGURE 1.7 INCIDENCE AND AVERAGE AMOUNT OF GOVERNMENT STUDENT LOAN DEBT UPON GRADUATION**



# 147,000

**NUMBER OF CANADIANS UNABLE TO MAKE ANY PAYMENTS ON THEIR CANADA STUDENT LOAN**

## A GENERATION IN DEBT

Canadians are making sacrifices to prepare themselves for an evolving workforce. Past federal and provincial government decisions are forcing students to take on more education-related debt than any previous generation, while middle class earnings have largely stagnated in the past twenty years.

Skyrocketing tuition fees and the prevalence of loan-based financial assistance have pushed student debt to historic levels. This past year, almost 425,000 students were forced to borrow in order to finance their education. The aggregate of loans disbursed by the Canada Student Loans Program, less the aggregate of loan repayments received, is increasing by nearly \$1 million per day.

In September 2010, the total amount of student loans owed to the government reached \$15 billion, the legislated ceiling set by the Canada Student Financial Assistance Act. This figure only accounts for a portion of total student debt; it does not include provincial and personal loans, lines of credit, and education-related credit card debt. In response, the government altered the definition of “student loan” to exclude over \$1.5 billion in federal student loan debt. Even with this new definition, the federal student loan debt surpassed the \$15 billion limit. In response, the federal government again amended the Canada Student Financial Assistance Act in order to increase the limit to \$19 billion while, at the same time, dramatically reducing parliamentary oversight of the program.

### RECOMMENDATION 2

Cut student loan debt in half by 2015. In order to address rising student loan debt, the federal government must, in consultation with the provinces, implement an accelerated debt reduction program that sets benchmarks and includes both up-front and post-graduation measures to reduce student debt.

# THE IMPACT OF DEBT ON STUDENTS AND SOCIETY

Many potential students are reluctant to take on the required debt and associated risk required to pay for a college or university degree. Research has found that debt aversion is strong among those who chose not to pursue post-secondary education. Of the 70 percent, of high school graduates who cite financial reasons as the main factor for not pursuing post-secondary education, one in four cited accumulation of debt as the main deterrent. Those from marginalised communities, low-income backgrounds, and single parents are more likely to be strongly averse to accumulating student debt.

Students are also finding it more difficult to find meaningful summer employment to help cover the costs of rising tuition fees. According to Statistics Canada, student unemployment is almost twice as high as the rate of unemployment for the general population.

Research finds that debt levels have a direct impact on success and retention. Students with higher debt levels are far less likely to complete their degree or diploma.

After graduation, student debt distorts career choice, especially among professionals, which in turn undermines access to health care and legal aid. Studies of medical and law students found that debt levels prompt these students to seek higher paying jobs in fields or regions that are not necessarily their first choice or where demand is greatest. Student debt appears to be driving committed young doctors away from family practice and young lawyers away from public and community service work.

High levels of debt also discourage individuals from starting families, working in the public service, purchasing a home, and pursuing low paying or volunteer experience in a career-related field of study that may be necessary to get the experience needed to get a middle-income job.

**ACCORDING TO THE CANADA STUDENT LOANS PROGRAM :**

**AVERAGE TUITION FEES PER YEAR FOR THE 2013 KINDERGARTEN CLASS WHEN THEY REACH UNIVERSITY IN 2026:**

<b>2026-27:</b>	<b>\$13,100</b>
<b>2027-28:</b>	<b>\$13,700</b>
<b>2028-29:</b>	<b>\$14,400</b>
<b>2029-30:</b>	<b>\$15,100</b>

Tuition fee estimates based on provincial government policy announcements, and current legislation, indexed to 2.5% above inflation.

**“[HIGH LEVELS OF] STUDENT DEBT ARE ONE OF THE PRIMARY EFFECTS OF THE MOVE TOWARDS POLICY THAT DOWNLOADS THE COSTS OF PUBLIC EDUCATION ONTO STUDENTS AND THEIR FAMILIES.”**

**ALTERNATIVE FEDERAL BUDGET**  
Canadian Centre for Policy Alternatives

# EFFECTIVE MEASURES: GRANTS NOT LOANS

APPROXIMATE COST OF  
EDUCATION TAX CREDITS  
AND SAVINGS SCHEMES  
FOR 2011:

**\$2.52**  
billion

AMOUNT THAT THE  
CANADA STUDENT LOANS  
PROGRAM EXPECTS TO  
LEND FOR THE 2012-13  
YEAR:

**\$2.33**  
billion

While creating the Canada Student Grants Program was an important first step to meaningfully reducing student debt, a larger investment in up-front grants is required. The tax credit and education savings schemes currently operated by the federal government allow for personal income tax savings on education-related costs and a higher rate of return on education-related savings, respectively. The indications are, however, that the total cost of the programs will exceed \$2.5 billion this year, making them by far the government's most expensive direct spending measure.

Despite their large price tag, the education tax credit and savings programs are very poor instruments to improve access to post-secondary education and relieve student debt. All students qualify for tax credits, regardless of financial need, which ultimately benefits those with the lowest amount of debt and those from high-income backgrounds. Savings schemes have largely benefitted those from high-income backgrounds, as individuals from low-income families often do not have the funds necessary to invest in the first place.

If this \$2.5 billion was instead used for up-front grants, it would turn every dollar loaned by the Canada Student Loans Program (CSLP) into a non-repayable grant. The CSLP expects to lend approximately

\$2.3 billion during the 2012-13 academic year. If the amount of money the federal government spent on savings schemes and education-related tax credits each year had been simply shifted to the Canada Student Grants Program, student debt owed to the federal government could be greatly reduced.

## RECOMMENDATION 3

Increase the value and number of non-repayable grants available to students by redirecting funds allocated to education-related tax credits and savings schemes to the Canada Student Grants Program, and allow graduate students to qualify for grants under the Program.

**"[CANADA EDUCATION SAVINGS GRANTS] GIVE SCARCE PUBLIC FUNDS TO THE WRONG HOUSEHOLDS... THE CESG PROGRAM SHOULD BE DISCONTINUED."**

**KEVIN MILLIGAN**  
UBC Economist



# TRACKING SUCCESS: EDUCATION STATISTICS

Collectively, the federal and provincial governments spend billions of dollars each year on post-secondary education, but adequate data to fully analyse the effectiveness of that spending are not collected. A 2006 report by the OECD noted that Canada could not provide data on 57 of the 96 post-secondary education indicators used to compare countries. Although the Council of Ministers of Education has started to fund the collection of some of the missing data, it is not a sustainable solution to the federal government's underfunding of the education branch of Canada's national statistical agency, nor does it make up for the entire shortfall.

For example, Canada does not currently collect information about the age of students when they enter or leave the post-secondary education system, nor are data collected on completion rates for higher education or the average length that a student spends in the post-secondary system. In a more general sense, Canada lacks much of the data regarding both the inputs and outcomes of the post-secondary education system.

In May 2010, the Department of Human Resources and Skills Development Canada announced that it would cease funding the Youth in Transition Survey (YITS) and the National Longitudinal Survey on Children and Youth. These studies are primary sources of information on who pursues post-secondary education and who does not. Among other things, they provide vital information on students, their first post-graduation interaction with the labour market, and the relationship between education and employment. The YITS results are necessary for fulfilling Canada's international commitment to provide the OECD with comparable data on post-secondary education.

Without the data supplied by these studies, it will be difficult for governments to make informed decisions about post-secondary education policies and priorities. The absence of this information will also make it extremely difficult to conduct further research regarding the post-secondary education system.

While the impact of discontinuing this research is significant, the amount of funding necessary to properly conduct research on students and the post-secondary system is relatively small. An increase of \$10 million, less than 0.3 percent of what the federal government spends on post-secondary education, would establish the resources needed to undertake this research.

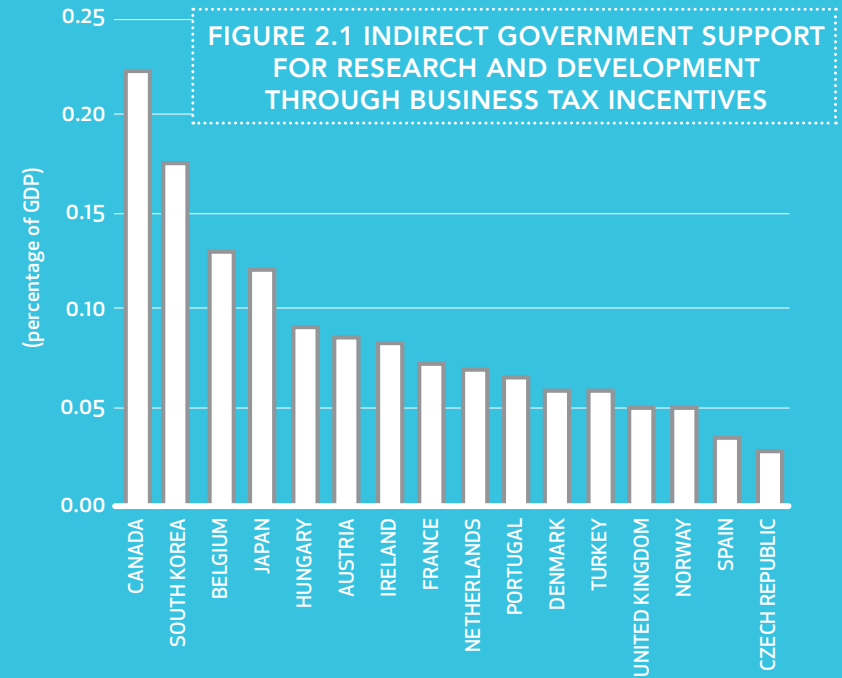
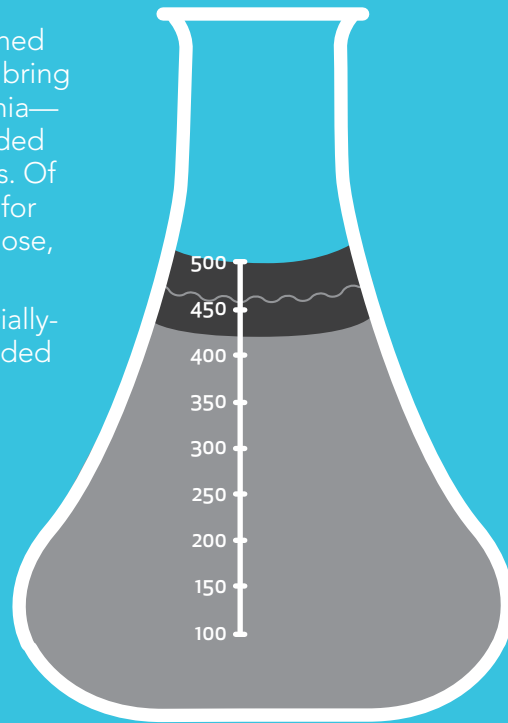
## RECOMMENDATION 4

Increase funding by \$10 million to Statistics Canada's branch for the collection and analysis of post-secondary education statistics in order to properly track the impact of a reduction in student debt on post-secondary education completion rates and the fulfillment of labour-market demands, as well as to provide accountability for the funds allocated to reducing debt.

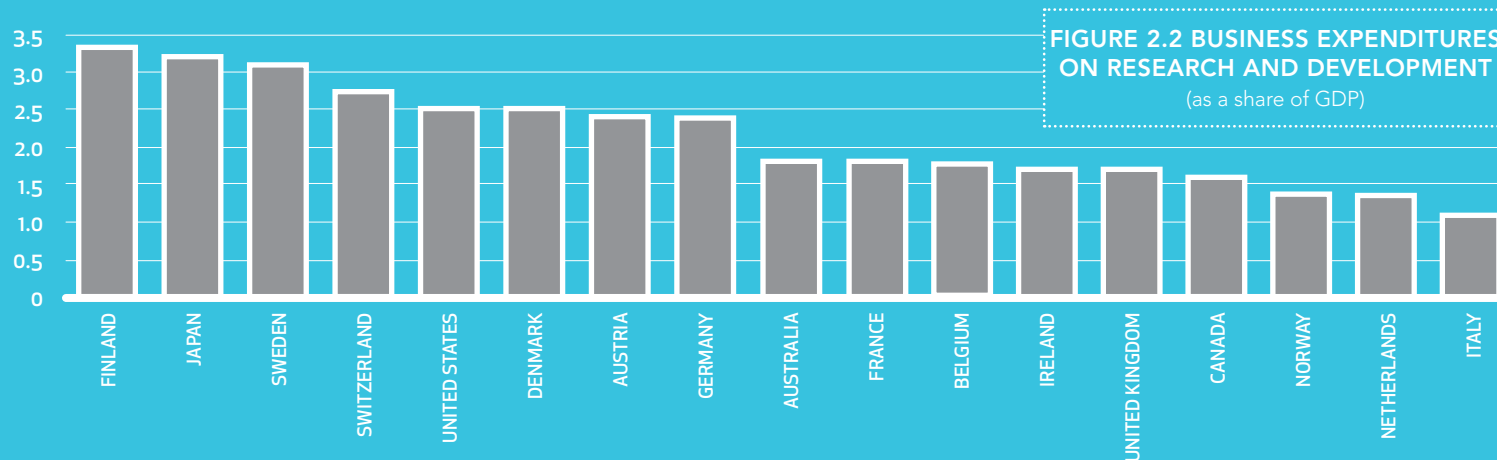
# IS CANADA'S DRIVE TO COMMERCIALISE UNIVERSITY RESEARCH PAYING OFF?

The Centres of Excellence for Commercialization Research (CECR)—the network established by the federal government to bring together industry and academia—has reviewed 500 publicly funded projects over the last ten years. Of these, only 80 were identified for commercial viability and, of those, only 40 moved forward.

This means that 460 commercially-driven research programs, funded with public funds, failed to produce commercially viable results.



Note: Finland, Sweden, Switzerland, Denmark, Germany, and Italy provide no tax incentives for research and development to businesses.



# SUPPORTING RESEARCH AND INNOVATION, AND INVESTING IN CANADIANS

In order for Canada to remain economically competitive at a global level, it must secure its status as a centre for research and innovation. Investment in graduate studies provides the foundation for long-term innovation and trains the highly skilled workers and researchers needed to respond to the economic and social challenges that Canada faces now and in the future.

Enrolment in graduate studies increased by 41.5 percent between 1998 and 2008 (Figure 2.4). However, there have been only modest funding increases to the federal research granting councils and scholarships. The stagnation in federal funding for research and graduate education limits the number of masters and doctoral students that receive grants, thus limiting the pool of highly skilled researchers to those who are able to afford it personally or who are able to secure limited institutional or industry funding.

Despite the relatively high number of university graduates, Canada ranks last among peer countries for PhD graduation rates (Figure 2.5), notwithstanding a dramatic expansion of graduate studies over the last ten years.

Recent federal budgets have directed research funding to meet the short-term priorities of the private sector, thus undermining primary research and long-term innovation. The drive to commercialise university research has far-reaching consequences—from limiting academic

freedom and public ownership of research, to discouraging private market innovation.

Commercialisation of university research undermines the broader public interest research aims of the country. It discourages private sector investment in its own research and development facilities, which leads to fewer employment opportunities for graduates in an already difficult job market. The result of this restructuring is that many highly skilled workers are often unable to contribute their full potential, thus undermining Canada's global economic competitiveness.

## COMMERCIALISATION OF RESEARCH

The drive to commercialise university research has a number of negative consequences. As jobs in government research facilities are becoming increasingly scarce, universities are replacing tenure-track professors with contract academic staff making it even more difficult for graduates to find employment in their field.

Replacing the public interest with commercial interests as the driving motivator for university research undermines the broader research aims of the country. Federal funding geared towards market-driven research programs has resulted in the private sector increasingly relying on public universities for research and development. This dependence contributes directly to Canada lagging behind comparable countries in

private sector investment in research and development (Figure 2.2) and the products those labs produce.

Canada has consistently ranked low on indices that measure innovation. The World Economic Forum's annual competitiveness report highlighted the need for Canada to increase the sophistication and innovative nature of private sector research and development. This year, Canada slipped from ninth to eleventh place for the quality of scientific research institutions.

Perhaps most concerning is that Canada ranked 24th and 25th on capacity for innovation and company spending on research and development, respectively. Overall, Canada ranked eleventh for innovation in the report, behind the United States, Japan, Germany, Sweden, and Switzerland, among others.

As this trend continues, private sector research and development infrastructure is being replaced with a publicly-backed university system that is forced to advance private sector research, a collaboration that does not have a consistent track-record of successfully bringing innovations to the marketplace.

Since the late 1990s, a number of initiatives have been undertaken to bend public university infrastructure to meet the government's commercialisation objectives, such as requiring publicly-funded research to secure direct, private sector investment.

University research geared towards commercialisation is focused on generating products that may yield short-term results, with little consideration of long-term research and innovation goals. As research funding is increasingly directed in this way, basic research and academic pursuits are undermined.

Recent increases in funding for the federal research granting councils, especially those resources dedicated to graduate students, have disproportionately benefited applied research programs that are designed to pursue a commercialised research agenda over basic, curiosity-driven research.

The encroachment of the private sector into universities undermines the independence of the academy, as money for research is increasingly tied to entities outside the academic system. These corporations often influence decisions that are normally left to the research community, such as investment in maintenance, research facilities, and new infrastructure. The research community can also come under pressure from private funders of research when outcomes are not commercially favourable for those funders. Despite the threat to the independence of university research resulting from an increased reliance upon industry sponsorship, there is currently no whistleblower protection for graduate students who wish to report research misconduct.

## RECOMMENDATION 5

Remove targeted research funding earmarks within the granting councils and award research funding based on academic merit determined through a peer review process.

## BARRIERS TO ACCESS

Graduate students often face a variety of challenges in pursuing their studies, including limited funding options, an increasingly commercialised and restrictive research environment, rising tuition fees, little access to need-based grants, and high levels of student debt from previous degrees. Last year, average tuition fees for graduate students increased by 3.7 percent, to over \$5,600 (Figure 2.3).

The financial burden of high fees for graduate students is exacerbated by the foregone earnings from not being employed full-time, along with substantial debts accumulated from earlier degrees. Despite their significant investment of time and money, a recent study indicated that doctoral graduates earn little more—and in some instances less—than those with only a master's degree.

## GRADUATE STUDENT FUNDING

Although funding for the granting councils has increased slightly in recent years, it has never fully recovered from the cuts of the 1990s. While funding has not kept pace with rising graduate student enrolment, the 2012 federal budget failed to invest new money in the granting councils for curiosity-driven research.

Funding for curiosity-driven grants in the social sciences and humanities lags far behind the applied sciences. Without proper levels of funding and support for graduate students, Canada's research and innovation capacity will continue to fall behind global competitors. An investment in

graduate students will help to produce the highly skilled workers that Canada needs to compete in the global economy.

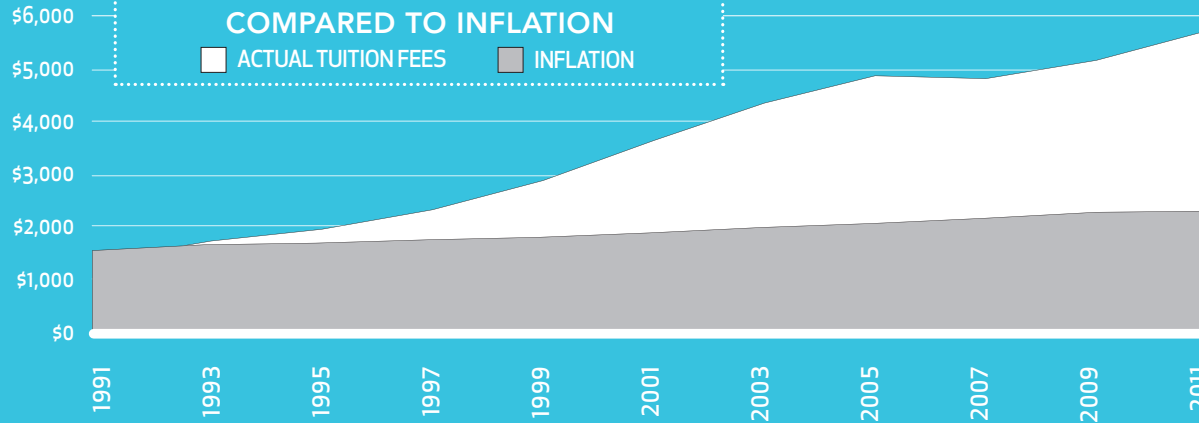
Students often enter graduate programs with substantial debt from their previous degree. However, there are currently no need-based grants available to graduate students from the federal government. Students from low-income families have a harder time affording graduate studies due to high tuition fees and the lack of financial assistance. In the absence of a grants program, completion rates for graduate degrees remain low.

Canada Graduate Scholarships (CGS) provide merit-based funding directly to graduate students. These scholarships are administered through the granting councils and are one of the main mechanisms for the federal government to fund graduate studies. The limited number of scholarships available has meant that many of the best and brightest researchers are unable to maximise their potential. Increasing the number of CGSs would help promote graduate research and ensure that graduate students have the resources to focus on their research, which will pay long-term dividends to Canada's research capacity and innovation.

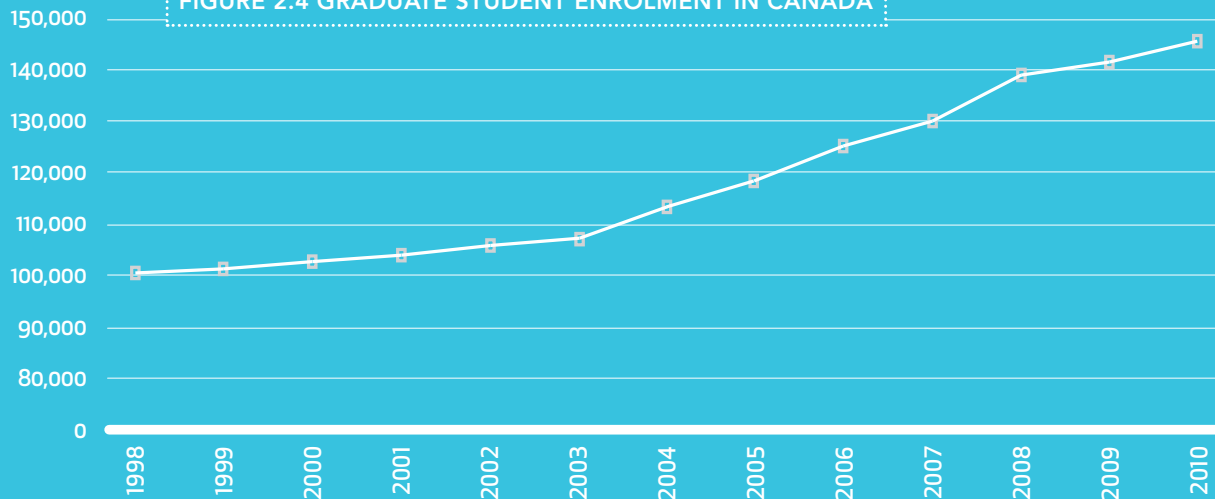
## RECOMMENDATION 6

Increase the number of Canada Graduate Scholarships to be consistent with average program growth and also to be distributed proportionally among the research granting councils according to enrolment figures.

**FIGURE 2.3 GRADUATE TUITION FEES COMPARED TO INFLATION**

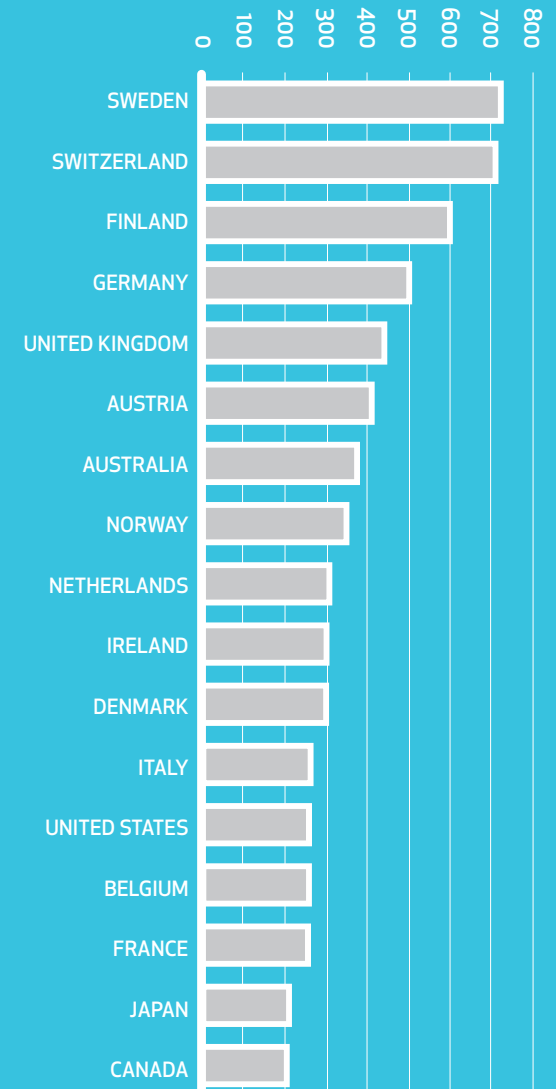


**FIGURE 2.4 GRADUATE STUDENT ENROLMENT IN CANADA**



**FIGURE 2.5 PHD GRADUATES**

(Number of PhD graduates per 100,000 people, aged 25-29)



# KEEPING THE PROMISE OF ABORIGINAL EDUCATION AND PROSPERITY

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As with most OECD members, Canada's future depends on its ability to replace its aging workforce to meet its economic goals. However, Canada has an advantage over many countries with its rapidly growing Aboriginal population.

Investments in post-secondary education should provide essential improvements to the well being of Aboriginal peoples and communities. Canada's Aboriginal population is growing at six times the rate of the non-Aboriginal population. According to the 2006 census, over one million people, roughly four percent of Canada's population, identified as Aboriginal.

Of these, 48 percent were under the age of 24 (Figure 3.1). It is estimated that over 300,000 Aboriginal youth could enter the labour force in the next 15 years alone. In May 2009, the Centre for the Study of Living Standards concluded that closing the education gap would lead to an additional \$179 billion in direct GDP growth, and over \$400 billion in total growth over the next 20 years.

The right to education for Aboriginal peoples comes from a series of treaties signed over the course of several decades and recognised in Canada's Constitution.

However, despite the clear economic and moral necessity to ensure access to education for Aboriginal peoples, funding for their education has remained stagnant for over a decade. The participation rates in post-secondary education can be attributed to the significant and complex barriers to access that Aboriginal students face.

Research has found that Aboriginal learners are much more likely to be debt-averse and more reluctant to use loan-based programs if they are in financial need. Aboriginal students are also more likely to enter post-secondary education at a later age given the higher likelihood they will have dependents. This leads to higher costs such as childcare and relocation.

Additionally, approximately 20 percent of the First Nations population is unemployed, including a staggering 41 percent of those in the 15-24 year age group. Unemployment limits financial resources for families to pay for the rising costs of college or university.

Currently, the federal government provides financial assistance to status First Nations and Inuit students through the Post-Secondary Student Support Program (PSSSP), which was created to facilitate access to post-secondary education and also to alleviate the financial barriers faced by Aboriginal students by covering the costs of tuition fees, books, supplies, travel, and living expenses.

In 1968, Aboriginal Affairs and Northern Development Canada (AANDC), formerly the Department of Indian and Northern Affairs Canada, began providing direct funding for First Nations and Inuit students to pursue post-secondary education. In 1977-78, only 3,600 students received funding; by 1999-2000, over 27,000 students were federal funding recipients. Nevertheless, educational attainment levels of Aboriginal peoples remained significantly lower than the overall population (Figure 3.1).

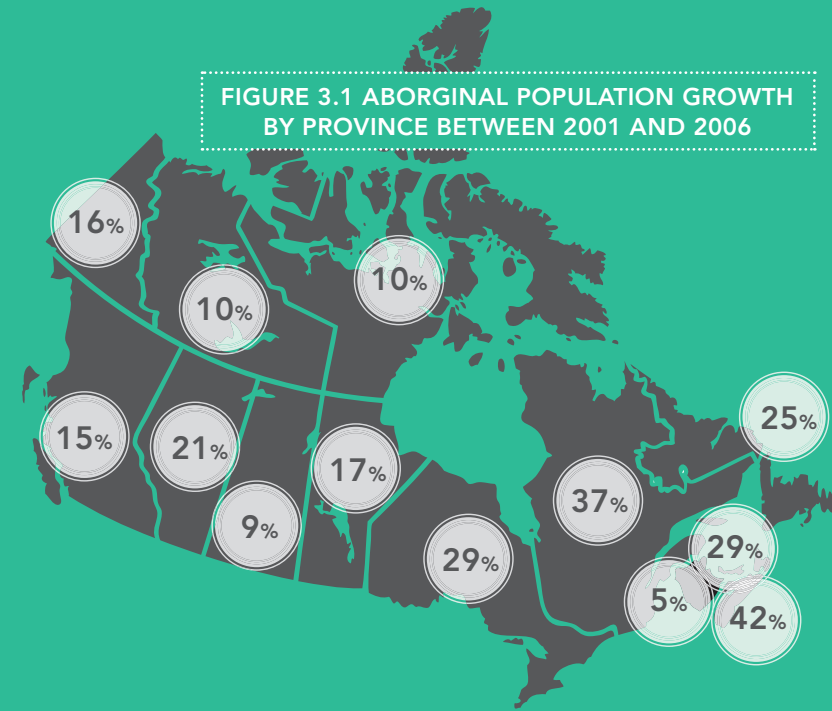
Before 1992, funding was determined by the number of eligible students and their expenses. Between 1992 and 1997, the model shifted from per-student funding to block funding, to be administered by local Band Councils.

In 1996, increases in funding to the PSSSP were capped at two percent annually—a threshold that has not been reached in several years. As a result of this limit on increases, funding has been unable to keep pace with increasing living costs, inflation, and tuition fees, which averaged four percent this year.

Approximately 27,000 Aboriginal students received financial assistance prior to the implementation of the funding cap. By 2006, the number had fallen to just over 22,000. The lack of funding has meant that communities administering the funds must make difficult decisions about who receives funding each year. Between 2006 and 2011, over 18,500 people were denied funding—roughly half of those who qualified. Because of the shortfall in funding, priority is often given to shorter college programs—to the detriment of those interested in pursuing more expensive professional or graduate programs of study.

According to the Assembly of First Nations, a total of \$569 million is required to ensure that no Aboriginal student is denied access to post-secondary education due to financial barriers, and that those students who are funded receive an adequate level of support. As AANDC currently provides \$306 million, an additional \$263 million would be required. This funding

FIGURE 3.1 ABORIGINAL POPULATION GROWTH BY PROVINCE BETWEEN 2001 AND 2006



would support a total of approximately 40,000 students across Canada.

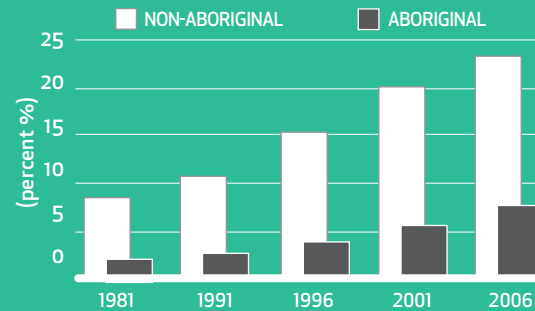
The funding disbursed through the PSSSP has a proven track record for those who can access it. Most Aboriginal students who are able to receive funding through the PSSSP succeed in completing their studies and go on to find meaningful work. Regardless of their place of residence, the majority of Aboriginal graduates return to work in their communities and are employed in their field of study, achieving economic self-reliance and helping to develop healthy and stable communities while improving the Canadian economy.

In addition to funding restrictions currently impacting Aboriginal learners, there is no federal funding support provided for non-status First Nations and Métis students.

### RECOMMENDATION 7

Remove the funding cap on increases to the Post-Secondary Student Support Program and ensure that every eligible First Nations, Inuit, and Métis learner is provided with adequate funding to attend post-secondary education.

FIGURE 3.2 PROPORTION OF THE POPULATION WITH A UNIVERSITY DEGREE



The potential GDP contribution of Aboriginal Canadians over the next twenty years if Aboriginal education levels rose to match those of the general population.

**\$400 billion**

The cost per year to raise Aboriginal education levels to match those of the general population.

**\$253 million**

GDP CONTRIBUTION OF  
INTERNATIONAL STUDENTS  
TO THE CANADIAN ECONOMY  
IN 2011.

\$\$\$\$\$\$\$\$

\$8  
billion

ANNUAL CONTRIBUTION OF  
INTERNATIONAL STUDENTS  
TO GDP IF NATURALISED  
TO FILL LABOUR MARKET  
VACANCIES.

\$\$\$\$\$\$\$\$  
\$\$\$\$\$\$\$\$  
\$\$\$\$\$\$\$\$  
\$\$\$\$\$\$\$\$  
\$\$\$\$\$\$\$\$

\$40  
billion

# INTERNATIONAL STUDENTS IN CANADA

The Federal government anticipates significant shortages in the labour market over the next 15 years. Specifically, it is estimated that there will be more than two million job openings over the next decade. This is largely a consequence of the retirement of aging baby boomers and fewer young Canadians entering the labour market because of declining domestic birth rates.

Canada could benefit from a robust international student program from which it could draw skilled workers. By increasing the number of international students who make Canada their permanent home, the expected shortage of skilled workers could be significantly eased. A greater number of international students making the transition to the domestic workforce, particularly in key sectors and regions, will help meet coming skills shortages and also ensure that the Canadian economy will continue to grow.

Education stakeholders agree that there is untapped potential for attracting international undergraduate students, but that the market is very competitive. International students comprise about 6.5 percent of all students in Canadian post-secondary education—lower than the OECD average.

The number of international students worldwide currently tops 3.3 million. By 2025, that number is expected to grow to 7.2 million. There will be strong competition for these students, as other leading jurisdictions are equally aware of the benefits of international education and are pursuing their own strategies to attract larger shares of students.

While all students in Canada have faced dramatic fee increases over the last decade, tuition fees for international students have become particularly burdensome in recent years. By fall 2012, average tuition fees for international undergraduate students were \$18,641—more than three times the already high fees paid by Canadian citizens (Figure 3.3). At some universities, international students pay over \$20,000 a year in tuition fees, and this figure rises to over \$25,000 for some graduate programs, and a staggering \$57,000 per year for some professional programs such as dentistry and law.

High differential fees are an unfair burden and a barrier to post-secondary education for international students. Ultimately, such fees could threaten Canada's ability to attract and retain foreign scholars from diverse backgrounds.



Charging differential tuition fees to international students is drastically out of step with the long-term needs of Canadian society. According to the federal government's own research, immigrants who have previously worked or studied in Canada have the easiest time integrating into the Canadian workforce and prospering in Canadian society. Differential tuition fees work directly against the Canadian government's professed goal of building an educated, prosperous, and innovative society.

While international students already contribute over \$8 billion annually to the Canadian economy, their potential contribution as residents and citizens, if naturalised, would present a boon to the Canadian economy and lessen shortfalls in the aging labour market.

### RECOMMENDATION 8

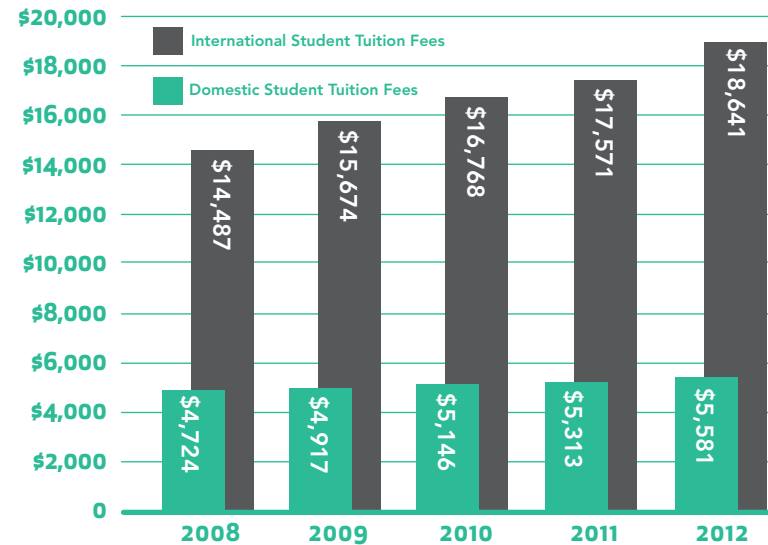
Act to safeguard and strengthen Canada's reputation as a country of choice for international students by:

- regulating the fees charged to international students;
- prohibiting private institutions from hosting international students; and
- combining the Off-Campus Work Permit and Post-Graduation Work Permit into the Study Permit (Student Visa).

**"[WHILE] DOMESTIC SOURCES CONTRIBUTE THE LARGEST PORTION OF NEW LABOUR MARKET ENTRANTS [IN 2011], IMMIGRATION IS PROJECTED TO ACCOUNT FOR ALL NET LABOUR FORCE GROWTH IN CANADA WITHIN THE NEXT DECADE AND ALL POPULATION GROWTH WITHIN THE NEXT TWO DECADES."**

2011 ANNUAL REPORT TO PARLIAMENT ON IMMIGRATION  
Citizenship and Immigration Canada

**FIGURE 3.3 AVERAGE UNDERGRADUATE TUITION FEES FOR DOMESTIC AND INTERNATIONAL FULL-TIME STUDENTS IN CANADA**



**INVESTING IN POST-SECONDARY EDUCATION IS NOT AN OPTION, BUT A NECESSITY. IT WILL PAY SUBSTANTIAL DIVIDENDS IN ECONOMIC GROWTH AND ENSURE THAT EVERYONE IN CANADA CAN BENEFIT FROM HIGHER EDUCATION WHILE ENSURING THAT CANADA'S ECONOMY REMAINS GLOBALLY COMPETITIVE.**

# POST-SECONDARY EDUCATION: A NECESSARY INVESTMENT

With an annual investment of \$2.28 billion, and the adoption of a post-secondary education act, the federal government could ensure that the Canadian public post-secondary education system remains accessible and of high quality. An investment of \$3.57 billion per year for three years would address outstanding deferred maintenance and safety issues at institutions, halve student loan debt in Canada, and ensure that previously denied Aboriginal learners receive requisite funding.

## COST OF PROPOSALS

(amounts in millions)

CREATION OF NEW POST-SECONDARY EDUCATION ACT	\$	0	
ADDRESSING TUITION FEE INCREASES	\$	1,340	
ADDRESSING COSTS OF ENROLMENT INCREASES	\$	639	NOTE 1
SHIFT FUNDING FROM TAX CREDITS AND SAVING SCHEMES TO UPFRONT GRANTS	\$	0	
INCREASE FUNDING TO STATISTICS CANADA CENTRE FOR EDUCATION STATISTICS	\$	10	
INCREASE THE NUMBER OF CANADA GRADUATE SCHOLARSHIPS	\$	25	
INCREASE FUNDING FOR ABORIGINAL EDUCATION	\$	264	
ACT TO SAFEGARD CANADA'S REPUTATION AS A COUNTRY OF CHOICE FOR INTERNATIONAL STUDENTS	\$	0	
<b>TOTAL ANNUAL INVESTMENT</b>	<b>\$</b>	<b>2,278</b>	
ADDRESSING DEFERRED MAINTENANCE	\$	1,000	
CUT STUDENT LOAN DEBT IN HALF BY 2015	\$	2,500	
CLEAR BACKLOG OF FUNDING FOR ABORIGINAL EDUCATION	\$	78	
<b>TOTAL SHORT TERM INVESTMENT</b>	<b>\$</b>	<b>3,578</b>	<b>NOTE 2</b>

**NOTE 1** FUNDING TO REDUCE TUITION FEES ACROSS CANADA TO 1992 LEVELS.

**NOTE 2** FUNDING PER YEAR FOR THREE YEARS.

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