

Testimony to the Standing Committee on Human Resources, Skills Development, Social Development, and the Status of Persons with Disabilities

The Canada Education Savings Act (Bill C-5)
Thursday, October 28, 2004

Any government-sponsored savings vehicle, for low-, middle-, or high-income earners are fundamentally flawed. They are the wrong solution to a real problem.

In addition to the Canadian Federation of Students, the RESPs and the Learning Bonds are opposed by:

- Canadian Association of University Teachers
- Canadian Council on Social Development
- National Anti-Poverty Organisation
- National Organisation for Immigrant and Visible Minority Women of Canada
- Low-Income Families Together (Toronto)
- Fédération étudiante universitaire du Québec

In fact, outside of the RESP providers, I don't know of any organizations that have been calling for an increased emphasis on government-funded savings plans.

1. The Learning Bond will not get anywhere close to the heart of the problem. Speaking in purely financial terms, the amount of money that low-income Canadians may accumulate under a Learning Bond will be wholly inadequate to cope with the rapidly increasing costs of college and universities in most jurisdictions. Until spiraling tuition fees are brought under control, the federal government is just throwing good money out after bad in student financial aid.
2. Despite lofty orations in the House of Commons, the Learning Bond imposes an upper-middle class philosophy of personal investment onto people with a different reality and different challenges. In other words, the "problem" of low RESP up-take from modest income earners has nothing to do with low motivation or an inadequate understanding of the world of register savings plans. For families struggling to get by, the very existence of RESPs is evidence that their government has failed them, that access to post-secondary education is about lifelong monetary commitment that they are unable to make. The RESP program and its new food-stamp cousin the Learning Bond, are an invention of those who have already enjoyed the dividends of savings, and doesn't take into consideration the problems of modest income Canadians.
3. RESPs and Learning Bonds reward provinces who have divested from universities and colleges by "letting them off the hook". Savings-based access to education re-frames the question about affording high tuition fees as a question about the individual and their savings history, rather than on our collective resources and collective responsibility to make education affordable to all.

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4. Conversely, government-sponsored education savings vehicles promote uneven spending in the regions, because Canadians in regions where forward-looking governments have kept tuition fees low, such as Québec, will have less incentive to save, and Quebeckers on average will see below average federal spending in this area.
5. Lifetime savings vehicles are a needless bureaucracy with weighty administrative costs. Money spent on RESPs and Savings Grants and Learning Bonds is better spent on needs-based grants through existing systems that the provinces have accepted, such as the Canada Student Loans Program.
6. The biggest winners in this approach are undoubtedly the RESP providers. The federal government has created cottage industry at the expense of real access to college and university. An industry, I might add, that has been the subject of criticism from both the Alberta and Ontario Securities Commission.

We believe that the reliance on individual savings for education should be put in the context of other Canadian social programs. Healthcare is the crown jewel of Canadian social programs because what you see is what you get, and Canadians understand the value of unfettered access to a doctor, and paying for that access through a progressive taxation system. That principle of universal access is what makes Canada's system the envy of the world. We guarantee you that it would not be the case if access to a doctor depended on navigating sky-high user fees through a competitive savings history, subsidized and unsubsidized loans, partial-loan forgiveness, complicated tax credits, and meager regional systems of grants.

Yet, this is precisely where we have steered post-secondary education and training. And now, I'm afraid that proponents of the Learning Bond are proposing that we can undo social and economic inequities by breaking imagined bad savings habits of those who are underrepresented in our universities. The real solution, staring at us right in the face, is to restore transfer payments to the provinces for post-secondary education, implement a real system of needs-based grants, and reduce tuition fees. To solve the problem of diminishing access to post-secondary education for low- and middle- income Canadians, we must learn from Canadian successes in social programming, rather than conceding defeat with respect to the federal government's role in boosting access to post-secondary education.