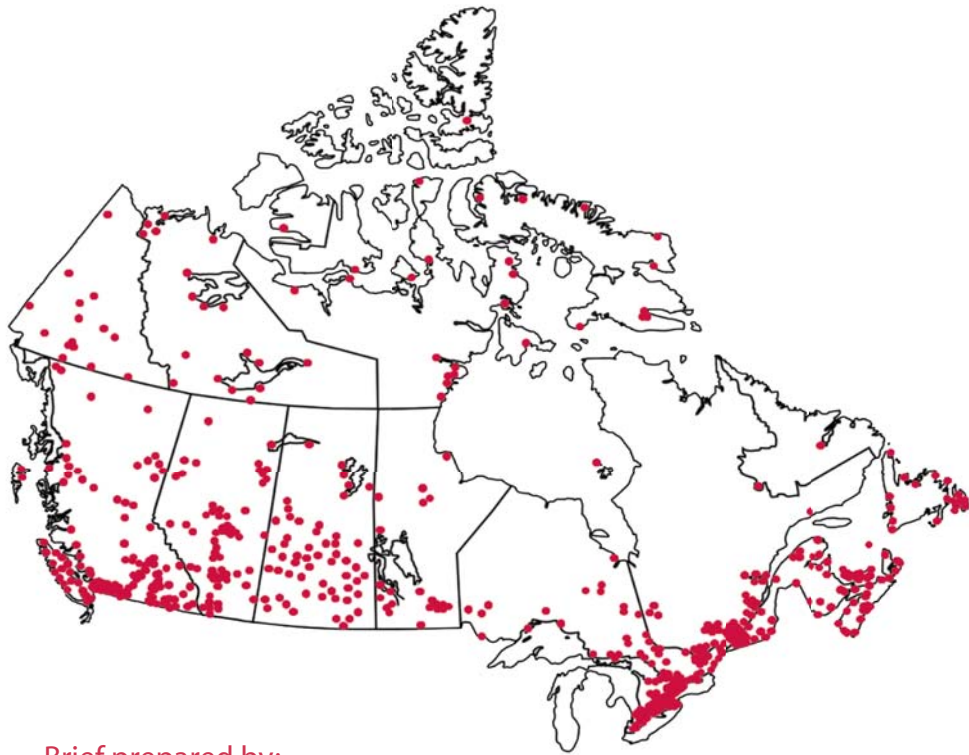




Investing for Economic Prosperity

ACCC Submission to the House of Commons
Standing Committee on Finance



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As the national and international voice of Canada's 150 publicly-funded community colleges, institutes of technology, cégeps and university-colleges across Canada, a primary role of the **Association of Canadian Community Colleges** is to engage proactively in discussions and debate with respect to the role and capacity of these institutions in the nation's economic and social development. With campuses in over 900 communities across the country, 1.5 million full-and part-time learners, and 60,000 professionals, our institutions play the pivotal role in employer, individual and government-funded skills updating and have traditionally been the implementers of federal retraining programs for the unemployed.

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INTRODUCTION

The future prosperity of Canada cannot be guaranteed if we do not address the human resources challenges facing our country – an aging workforce, workers whose skills aren't keeping pace with technological change in a global market, under-represented groups such as Aboriginal Canadians, immigrants, unemployed, older displaced workers and adult learners with low/basic essential skills. For Canada, the key to economic and social well being of its communities lies in the knowledge -and-skills base of our citizens, i.e. our human capital infrastructure.

The Association of Canadian Community Colleges has long advocated that the federal government must take the lead and move forward with governments, business, labour, post-secondary institutions and other community groups to develop and implement a comprehensive **Pan-Canadian Workforce Development Agenda**. The Agenda - a set of major national policies and initiatives - will ensure that Canada has the resources in place to build a highly skilled and adaptable workforce and compete in a global marketplace (see Annex I).

This year's pre-budget consultation process on tax reform being undertaken by the Standing Committee on Finance is broad in scope, involving a multitude of issues and options. The Association is aware of the immediate task confronting the Committee, namely targeting the inequities in the tax system and articulating a coherent, national public policy framework which will stimulate economic activity and promote a more efficient allocation of resources.

The purpose of our submission is to bring to the Committee's attention recommended tax measures and policies which will enhance post-secondary education and training and contribute to creating the skilled, adaptable workforce our country needs, as well as support and strengthen the capacity of our SMEs to be innovative and productive.

The Association wishes to draw the committee's attention to the following **five critical areas**:

- **A Dedicated Post-Secondary Education Transfer Fund**
- **GST Exemption for Public Post-Secondary Institutions**
- **Alleviating Student Barriers to Post-Secondary Education**
- **Increasing Tax Training for Employers and Employees**
- **Leveraging The Contribution of SMEs to Canada's Economic Activity**

A DEDICATED POST-SECONDARY EDUCATION TRANSFER FUND

With access to post-secondary education and skills training being an essential component to building Canada's workforce, the federal government must act now to ensure that its investments in the capacity of post-secondary educational systems do indeed meet the skills gaps facing our nation.

Canada's colleges and institutes welcomed the government's Budget 2007 commitment to the importance of PSE and the increase in financing intended for such. However, we are dismayed that the funds continue to be lodged within the Canada Social Transfer and remain untrackable. The Association and its members are seeing little evidence that they will be used for post-secondary education and training. Does anyone really know?

Colleges and institutes have consistently expressed their concern over the existing system of transfer payments and the need for more transparency and accountability for the funding envisioned for post-secondary education and skills training.

The blend of PSE transfers into the Canadian Health and Social Transfer has led to a lack of transparency and accountability back to Canada's Parliament. The people of Canada expect more accountability for the spending of their money - they want clear objectives and measurable outcomes. Health care was separated from the CHST for exactly these reasons.

Post-secondary funding needs to be seen as economic prosperity and wealth creation and not as a social program of the federal government.

The Association recommends the separation of post-secondary funding from the Canada Social Transfer, and the creation of a dedicated Post-Secondary Education Transfer Fund.

GST EXEMPTION FOR PUBLIC POST-SECONDARY INSTITUTIONS

With increasing costs, colleges and institutes face enormous challenges on how to remain on the leading edge to deliver quality training programs, how to continue investing in the latest technologies and how to continue professional development opportunities for their staff and instructors. By removing the obligations for these institutions to pay the GST rebate, the federal government would free up revenues for post-secondary institutions to address their mandates within their respective communities.

In their December 2006 pre-budget consultation report, the House of Commons Standing Committee on Finance clearly demonstrated the arguments presented above. They recommended that the federal government amend the Excise Tax Act to allow for a full GST rebate for universities, colleges, school boards and hospitals, as well for scholarly research materials. Despite widespread support among MPs from all parties, Budget 2007 did not follow through on this recommendation.

The Association of Canadian Community Colleges recommends that the federal government amend the Excise Tax Act to provide a 100% GST rebate for public post-secondary institutions.

ALLEVIATING STUDENT BARRIERS TO POST-SECONDARY EDUCATION

Students in today's society are confronted by a number of obstacles as they embark upon the path of lifelong learning. Access to post-secondary education is an expensive proposition. Low-income and middle-class families are struggling to save for their children's education and student debt is increasing at an alarming rate. In many cases, the demand for highly skilled individuals has left many Canadians seeking retraining that they are unable to access or pay for. A large percentage of students come from families who have financial obligations and responsibilities of family life and who simply do not have the financial resources to fund the post-secondary education of their children. The federal government has made important strides in addressing the financial burden of students and families, through the Canada Student Loans Program, and we are encouraged by the review. However, student debt continues to be a serious barrier. Research evidence has shown that reducing financial barriers in the first couple of years of post-secondary education leads to successful completion and graduation of all Canadians.

With respect to middle-income families, there is evidence of a growing inability to fund their children's post-secondary education. These families are almost never eligible for needs-based grants or loans and without access to some form of financial assistance they must bear increased financial burdens. In many cases, they have to re-mortgage their house or cash in their RRSPs to finance the post-secondary education of their children.

Ensuring that a robust series of grants and other forms of non-repayable assistance target those who need it the most will be key to encouraging more Canadians to attend post-secondary education.

The Association of Canadian Community Colleges recommends that the federal government:

- **revamp the Canada Student Loan Program to expand the current needs-based grant allocation from one year to two years for students from low-income families and other under-represented groups;**
- **introduce a needs-based allocation process geared to assisting middle-income families;**
- **renew the Canada Millennium Scholarship Program or introduce a similar program which will continue to provide needs based grants.**

INCREASING TAX TRAINING BENEFITS FOR EMPLOYERS AND EMPLOYEES

As a result of continuous shifting labour market requirements, employers are in need of flexible specialized training programs to ensure that their employees have the necessary skills to keep pace with a changing industrial landscape. However, for many employers, the high direct and indirect cost impedes their ability to meet the training needs of their employees and has increasingly become the key barrier to further growth and prosperity.

At the same time, employees need training to keep their skills set current and transferable in an increasingly mobile Canadian workforce. Initiatives to alleviate costs of training helps individuals invest in their own future and their critical contribution to increased economic activity.

The federal government must move forward and introduce new tax measures which will encourage employer/employee based training, address literacy training and essential skills and substantially increase internships and apprenticeship opportunities. Increased investment in internships and apprenticeship is one of the most effective ways for a student to acquire the competencies and training to get established in a career while addressing the industry's need to remain competitive by investing in the development and continuous upgrade of the skills of its workforce.

The Association of Canadian Community Colleges recommends that the federal government:

- **modify the Employment Insurance Program to enable workers currently in the workforce to access funding for skills upgrading;**
- **introduce a national human resource investment tax credit program that provides a tax credit for employers who train in partnership with Canada's post-secondary public institutions;**
- **establish a tax credit incentive program to encourage businesses to provide internship and apprenticeship placements for students from Canada's public post-secondary institutions.**

LEVERAGING THE CONTRIBUTION OF SMEs TO CANADA'S ECONOMIC ACTIVITY

With more than 99% of Canadian business classified as SMEs, improving the ability and capacity of SMEs to grasp opportunities for innovation will be key to improved sustainability and growth in SMEs and Canada's prosperity.

Colleges and institutes have been called upon to help companies solve problems and meet goals through applied research initiatives - to test out products and processes, develop prototypes, assist with the implementation of new practices and new technologies and "transfer" the know-how to use technologies to the company in the most appropriate and timely manner.

In Budget 2007, the federal government recognized the potential of the vast college and institute network in helping small-and medium-sized businesses become more innovative by accessing the technology development and application capacity residing in colleges and institutes. While the increased investment in the College and Community Innovation Program was applauded by colleges and institutes, the budget envelope allocated for this program will support only a small number of college/institute-industry partnerships.

Unfortunately, current programs and opportunities to support small-and medium-sized businesses are too limited and in many cases, complex and time consuming. Programs such as the Scientific Research and Experimental Development Tax Incentive Program (SR&ED) which are open to SMEs, require enormous amounts of paperwork and financial expertise. To substantially expand the capacity of SMEs to move forward, SMEs will need to be supported at the organizational, technical, managerial and productivity level. SMEs will need help not only for sourcing and incorporating new knowledge and technology but will also need help through the various stages of the technological process. In addition, SMEs will need entrepreneurial skilled employees and business management structures that enable them to be innovative as well as being capable of accessing and applying to federal support programs.

Canada's 150 colleges and institutes are the natural choice to support our SMEs. Given the unique potential of both industrial expertise and physical resources resident in colleges and institutes, colleges and institutes can respond effectively and efficiently to the needs of SMEs.

The time has come for the Federal Government to introduce new policies and incentives for improving the productivity climate for small- and medium-sized businesses.

The Association of Canadian Community Colleges recommends that the federal government:

- **Create within the Scientific Research and Experimental Development (SR&ED) Tax Incentive Program a fund that would enable colleges and institutes to assist SMEs to access the Program.**

SUMMARY OF RECOMMENDATIONS

It is the Association's hope that the Standing Committee will examine all the issues presented in this brief and, to the greatest extent possible, incorporate the recommendations expressed as it moves forward towards articulating measures and policies for improving Canada's tax system and ensuring productivity growth in this country. We recall to your attention our primary recommendations:

- The Association recommends the separation of post-secondary funding from the Canada Social Transfer, and the creation of a dedicated Post-Secondary Education Transfer Fund.
- The Association recommends that the federal government amend *the Excise Tax Act* to provide a 100% GST rebate for public-post-secondary institutions.
- The Association recommends that the federal government alleviate student barriers to post-secondary education by:
 - revamping the Canada Student Loan Program to expand the current needs-based grant allocation from one year to two years for students from low-income families and other under-represented groups;
 - introducing a needs-based allocation process geared to assisting middle-income families;
 - renewing the Canada Millennium Scholarship Program or introduce a similar program which will continue to provide needs based grants.
- The Association recommends that the federal government increase tax training benefits for employers and employees by:
 - modifying the Employment Insurance Program to enable workers currently in the workforce to access funding for skills upgrading;
 - introducing a national human resource investment tax credit program that provides a tax credit for employers who train in partnership with Canada's post-secondary public institutions;
 - establishing a tax credit incentive program to encourage businesses to provide internship and apprenticeship placements for students from Canada's public post-secondary institutions.
- The Association recommends that the federal government leverage the contribution of SMEs to Canada's economic activity by creating within the Scientific Research and Experimental (SR&ED) Tax Incentive Program a fund which would enable colleges and institutes to assist SMEs to access the Program.

ANNEX 1

A Pan-Canadian Workforce Development Agenda

The Agenda - a set of major national policies and initiatives - will ensure that Canada has the resources in place to build a highly skilled and adaptable workforce, compete in a global marketplace.

Principles

- The agenda must be based on the principle of inclusivity, providing access to learning opportunities for all Canadians. They must have the opportunity to develop and use their skills and knowledge to the fullest. This includes:
 - ▶ upgrading the current workforce, including the underemployed and working poor,
 - ▶ accelerating the provision of skilled trades training,
 - ▶ facilitating the application of new technologies,
 - ▶ the skills inclusion of those without post-secondary education,
 - ▶ meeting the learning needs of aboriginal peoples,
 - ▶ facilitating immigrants labour market integration,
 - ▶ providing enhanced learning opportunities for people disabilities,
 - ▶ Canadians living in urban, rural, remote and northern areas,
 - ▶ targeting the waste productivity of the un-employed, adult learners with low/basic essential skills, older displaced workers who lack the necessary skills to successfully re-enter the job market, and the untapped pool of skilled women in non-traditional roles.
- While the Federal Government must take a leadership role, there must be a concerted effort with provinces, territories and communities. Communities are best attuned to human resources needs with their own environment. The creation of community partnerships which bring together industry, labour, community economic development organizations, colleges and institutes and other public education providers is vital.
- The agenda must promote a commitment to lifelong learning among our citizens, encouraging individual investment in learning. Canada must develop a culture in which individuals value knowledge and training and possess the means to seek these opportunities.
- It must capitalize on the significant contribution that aboriginal peoples and immigrants make to our society and our economy.