House of Commons
CANADA

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

HUMA • NUMBER 003 • 1st SESSION • 38th PARLIAMENT

EVIDENCE

Thursday, October 21, 2004

Chair

Ms. Raymonde Folco

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● (1105)

[*Translation*]

The Chair (Ms. Raymonde Folco (Laval—Les Îles, Lib.)): Pursuing to Standing Orders 108(2), we are holding a briefing session on Bill C-5, an Act to provide financial assistance for post-secondary education savings. As we discussed at our last meeting, the clerk invited witnesses who are public service officials. You will see on our agenda that three departments are represented: the Department of Human Resources and Skills Development Canada, the Department of Finance and the Department of Justice. I'd like to welcome everyone who is here to represent these departments.

I would suggest that we proceed as follows. We have a list before us and we could follow the order of this list for presentations. There are six of you. Ms. Thivierge will speak on behalf of the Department of Human Resources and Skills Development. She will make a 10-minute presentation. After that, we will go on with questions and comments. Given the very heavy schedule we have this morning, not just involving our witnesses but also other extremely important matters that we have to discuss, with your leave, I would propose that the first hour be devoted to the witnesses and the second to the other topics that we must discuss.

Ms. Thivierge, please proceed.

Ms. Marie-Josée Thivierge (Assistant Deputy Minister, Human Investment Programs, Department of Human Resources and Skills Development Canada): Thank you.

The Chair: Excuse me. All of you have the text of Ms. Thivierge's speech in both official languages. Please, go ahead.

[*English*]

Ms. Marie-Josée Thivierge: Madam Chair, members, thank you for the invitation to appear before this committee today. Please allow me to introduce my colleagues who are here with me: Lenore Burton and Marc LeBrun from Human Resources and Skills Development; our legal counsel, Suzie Beaulieu, from the Department of Justice; as well as colleagues Lise Potvin and David Wurtele from the Department of Finance.

We're here today to present to you Bill C-5, the Canada Education Savings Act: an Act to provide financial assistance for post-secondary education savings.

[*Translation*]

This legislation finds its origins in the March 2004 budget in which the government announced its intention to set up a Canada Learning Bond and enhance the Canada Education Savings Grant.

[*English*]

More specifically, the purpose of the act is to encourage families to plan and save for their children's education in a registered education savings plan or RESP, to motivate children to pursue post-secondary education, and ultimately to improve Canada's competitiveness in a knowledge-based economy and society that will increasingly rely on the skills and education of its citizens.

This bill also complements other student financial assistance programs, including recent announcements made by the government to improve the Canada student loans program.

The bill before you—built on the current Canada education savings grant, or CESG—Bill C-5, enacts a new act called the Canada Education Savings Act. It also moves the legislation governing the existing CESG program from the current Human Resources Development Act to this new act and aligns all initiatives with the Income Tax Act. The bill also implements enhancements to the CESG and introduces the Canada learning bond, as set out in the federal budget and the recent Speech from the Throne.

[*Translation*]

It provides the necessary authorities to enter into administrative agreements with provinces, to deliver similar provincial education savings incentive programs, such as the Alberta Centennial Education Savings Plan.

The Government of Canada has committed to administering this program on behalf of Alberta, using the existing infrastructure of the Canada Education Savings Grant Program.

[*English*]

The Government of Canada is introducing these new initiatives because research shows us that asset-based approaches to social policy, which these programs represent, appear to have effective, long-term behavioural and motivational effects when used in concert with income support. For example, according to the 2002 Statistics Canada post-secondary education participation survey, we know that young Canadians are 50% more likely to go on to post-secondary education if they have savings than not.

In addition, youth who contributed to these savings themselves were even more likely to attend PSE—80%—suggesting that savings may have a behavioural impact encouraging PSE attendance.

Research also shows that Canadian parents of children are strongly committed to their children's post-secondary future. However, much of the take-up of the CESG program has been by middle- and upper-income families, with relatively low take-up being seen among lower-income families. Twenty percent of families with income of less than $25,000 save for their children's education, yet only 8% use RESPs, thus missing out on the CESG.

[*Translation*]

The Canada Education Savings Grant or CESG, introduced in 1998, encourages parents to save for their children's education by adding an additional 20 per cent to the first $2,000 of RESP contributions in a given year—which represents a maximum annual grant of $400.

● (1110)

[*English*]

Every child in Canada accumulates grant room of $400 a year, with a lifetime limit of $7,200. However, the legislation provides that payments cannot exceed $800 in any given year. Since 1998, almost two million Canadian children up to 17 years of age have received over $2 billion in CES grants.

Budget 2004 introduced enhancements to the existing CESG as of January 1, 2005, that provide greater recognition and support for parental savings efforts. With the enhancements to the CESG, children in families with income of $30,000 or less and children for whom a special allowance under the Children's Special Allowances Act is payable would receive an additional 20% CES grant on the first $500 in RESP contributions each year, thus increasing their yearly maximum from $400 to $500. Children in families with income between $35,000 and $70,000 would receive an additional 10% CES grant on the first $500 in RESP contributions each year, thus increasing their yearly maximum to $450. These enhancements to the CESG are designed to encourage and recognize further savings by low- and middle-income families to finance PSE.

The last federal budget also introduced the new Canada learning bond, CLB, for each child born on or after January 1, 2004, to be paid into an RESP, for the first year they are entitled to the national child benefit supplement, NCB. This is to be followed by annual CLB installments of $100 for each year in which the family is entitled to the NCB supplement for the child, up to and including the year in which the child turns 15.

[*Translation*]

The Government of Canada is also introducing these new measures because not all parents appear to be fully aware of the cost of a post-secondary education and the need to plan well in advance. For example, our research shows that while 93 per cent expect their children to go on to PSE, only 50 per cent of them have prepared by saving and only 28 per cent of Canadian children are the beneficiaries of an RESP.

[*English*]

In order to ensure that our target population—low- and middle-income families with children—take advantage of these improved savings, we're working on the development of a multi-faceted communications strategy. We know that low-income families require both information and support throughout this process in order to benefit from the improved savings incentives. The strategy will therefore include traditional communication products, to be complemented by an outreach and awareness strategy. Program administrators propose to work with our existing Government of Canada network as a community liaison mechanism in an effort to build grassroot outreach activities. It is also proposed to establish a partnership with community organizations that work with the targeted population groups.

The goal of the outreach and communications strategy is to promote the importance of post-secondary education, to motivate parents to save early for their children's post-secondary education through RESPs, and to enforce the notion that even modest savings add up over time.

Increased awareness of the CLB and enhanced CESG at the community level improves, obviously, low- and middle- income families' understanding of how these education savings incentive programs can be secured via RESPs and encourages greater participation of all Canadians in the program.

Let me conclude by adding that a number of consequential amendments are also included in Bill C-5 in order to adjust the Income Tax Act, the Access to Information Act, as well as the Children's Special Allowances Act to ensure more specifically that children in care can also benefit from the Canada learning bond.

[*Translation*]

I would like to thank you for your attention.

[*English*]

My colleagues and I would be pleased to answer any questions the committee members may have for us today.

[*Translation*]

The Chair: Thank you, Ms. Thivierge.

We will now go to the first round of questions. I remind you that in the first round, we start with the Conservative Party questioners, who have seven minutes, and then we move on to the Liberals. Each party will be allowed seven minutes. In the next round, members will have a maximum of five minutes for their questions or comments. I remind you that the five and seven-minute periods include not only the question but also the answer. During the second and third rounds, we will have what we call a back and forth, that is to say the opposition has a question, then the government, then the opposition, and so forth.

Mr. Forseth, you have the first question.

● (1115)

[*English*]

Mr. Paul Forseth (New Westminster—Coquitlam—Burnaby, CPC): Thank you very much.

Thank you for coming and beginning to talk about Bill C-5. On page 5 of your comments you say that the Government of Canada is also introducing these new measures because not all parents appear to be fully aware of the costs of post-secondary education. Just from your comments, we certainly hear that there's quite a complex mix of measures, and it's going to become even more complex with this bill. It looks like the government has recognized that, so now they're going to spend a bunch of money on a communications strategy, an outreach program, to try to explain this very, admittedly, complex mix of measures.

The other thing I think the government recognizes is the problem of the low take-up, and I think that has two aspects: financial capability and just not understanding.

So I'm wondering, in that there is some recognition of these problems already, what discussions have been had to really address the problem that we are likely to get into the same problem again, that it will not really solve the low take-up issue, that an advertising program is not really going to do it, and to try to simplify this program so that people can understand it and so that they will have a better financial capacity to actually get involved in the program in the first place.

[*Translation*]

The Chair: I remind you that you can put your question to any of the witnesses present.

[*English*]

Is there anyone in particular you wish to address the question to?

Mr. Paul Forseth: I've posed a large policy question, so whoever feels they want to jump in.... Perhaps there are a couple of individuals who want to respond to that.

Ms. Lenore Burton (Director General, Learning and Literacy Directorate, Department of Human Resources and Skills Development Canada): You're quite right. The RESP is a complicated product—we hear that all the time—and all of these initiatives sit on the RESP. That's fundamental. Even the Alberta Centennial Education Savings Plan has been designed to sit on the RESP.

The notion that parents don't understand the costs of post-secondary education, which Madame Thivierge referred to in her speech, comes from surveys and research that we've done that show that most parents dramatically underestimate what the costs of post-secondary education will be. That is something we hope to correct through an information campaign.

We are aware of the limitations of a traditional media communications campaign. That's why we've taken a great deal of care to try to design a program that will allow us to work with community groups that are working with the target population, for example, with aboriginal Canadians, with low-income Canadians, with immigrant communities, so that they'll show the leadership on how we get our message across and they'll provide the support these Canadians need to become involved in the program.

Mr. Paul Forseth: When problems develop, do we have a 1-800 number or some kind of a call centre that can actually hand-hold individual cases? The immediate problem that comes to mind is when you have a divorce and parents are fighting over who is responsible for what, where this money is going to be, who is in charge of it, who gets the credits, and so on. That complicates matters. Sole custody and guardianship, joint custody, whatever—that's an individual complicating matter on top of this. Maybe you can respond to that example and how you are going to provide a service to consumers or clients.

● (1120)

Ms. Lenore Burton: We do have a 1-800 number, but the front-line delivery of the program is done by promoters, by the financial institutions. They are the ones who guide their clients through the process. We in the department are the back room. Our primary contact is with those financial institutions and the service providers.

Mr. Paul Forseth: When people get frustrated I know where they are going to come; they are going to come to my constituency office. That's the issue.

If we as a government governing our country are going to provide this kind of service, we have to be prepared for all the complexities of what we're trying to deliver, so that when we spend a lot of money it's actually impacting on the ground without people getting so frustrated with a complicated system that they have to come marching into their MP's office.

Ms. Marie-Josée Thivierge: One of the things we're contemplating, as well as part of the outreach strategy, is to actually build a lot of this on the existing HRCC's network of human resources and skills development offices out there, so that if families do have questions and want to have a face-to-face contact to address some of these questions, they can work with the network of HRCC.

The Chair: You do have one more minute, if you wish, Mr. Forseth.

Mr. Paul Forseth: Thank you for that.

I do know that we happen to have an office in my constituency, and it's very busy. People take a number, and they get very frustrated. They often will end up walking away because they can't get to talk to anybody. I can imagine the frustrations for people in rural areas, who have to travel miles and miles.

I caution that the complexity of what I see here today may not be adequately responded to by just an advertising program. Be prepared for a crunch. The other signal is that I really wonder if we've done it sufficiently to respond to the problem of low takeup.

I'll conclude my remarks with that point.

The Chair: Thank you, Mr. Forseth.

[*Translation*]

Ms. Gagnon.

Ms. Christiane Gagnon (Québec, BQ): You have set up an ambitious project to assist low and middle-income families. You have told us that this decision was taken in light of research that you have done. You have presented us with rather high figures regarding people's intentions: 93 per cent of parents expect their children to get post-secondary education.

I would like to know how this research was done and who did it. It is very much an overall figure. Was the research done regionally? To respond to a particular need, there has to be a certain flexibility as regards the different needs and expectations of different populations, such as Quebec's. Do you have a breakdown of the 93 per cent?

Mr. Marc LeBrun (Director, Canada Education Savings Grant Program, Department of Human Resources and Skills Development Canada): We relied on two research projects for the drafting of this bill. First of all, we undertook a research project with Statistics Canada in 2002, which included 14,000 households. During this study, we targeted 14,000 families with children from birth to 18 years of age. The survey included several questions dealing with financial planing for post-secondary education for their children. We were able to determine regional results in order to establish the trends across the country: who participates in the program and who saves for their children. This is how we arrived at the 93 per cent figure.

Regardless of family income, all parents have the best of intentions for their children. However, they do not all intend to open an account. Therefore, the uptake rate is lower. That was the first research done with Statistics Canada.

The other research was also done in 2002. We completed the program assessment, and relied on the program data base in order to determine the take-up rate. We matched information from our data base with financial information from Revenue Canada and data on the parents in order to find the participation rate by family income level.

● (1125)

Ms. Christiane Gagnon: The goal is to have a greater number of parents turning either to the supplement or to the new learning bond.

What is your strategy? You are talking about local outreach programs. Do you have a specific goal? All families with children will not be aware of this. First of all, they have to be told about it. The guaranteed income supplement was not always a success as far as use of the program is concerned. As for the percentage of people who will obtain learning bonds, do you have realistic goals?

Ms. Marie-Josée Thivierge: Essentially, the projected cost of the learning bonds at maturity, that is to say in 20 years' time, in the federal budget is expected to be approximately $325 million. To arrive at this figure, we estimated the participation rate of parents with children who were eligible for the learning bonds.

I will ask my colleague to answer regarding the uptake on the supplement to the existing program.

Mr. Marc LeBrun: We estimate that participation in the enhancement of the Canada Education Savings Grant will reach 50 per cent within six years.

Ms. Christiane Gagnon: The bill provides for two ways of supporting parents who wish to set up education funds for their children. As for the Learning Bond, have you discussed the issue with the tax department to see whether the program comes under provincial jurisdiction? The goal is to put the money into an account. We would like more details on this, because it could constitute an infringement into areas of provincial jurisdiction. Instead of those funds being invested into the educational system, they will be given to parents. There is no tax impact. This is not like a Registered Education Savings Plan.

Ms. Marie-Josée Thivierge: I think the federal government's view is to promote savings among Canadians, something it has traditionally done. There are already some existing measures, such as Registered Retirement Savings Plans and the Registered Education Plan established in 1998. The initiatives announced, which appear in Bill C-5, are based on the 1998 measure which was designed to encourage families to save for their children's post-secondary education.

Ms. Christiane Gagnon: But one of those measures comprise an incentive that is financially-based, while the other is a cap. These measures are very different, and are differently applied.

Ms. Marie-Josée Thivierge: But both measures or programs, have the same basic goal: to provide an incentive for families to set up education savings plans for their children.

Ms. Lise Potvin (Senior Chief, Personal Income Tax Division, Department of Finance): I would like to add something here. These measures were designed to correct a problem inherent in the Canada Education Savings Grant. Low- and middle-income families did not receive the CESG. By enhancing the contribution so that all low- and middle-income families became eligible to receive it, essentially by giving low-income families a Learning Bond we are correcting the problem. This is sufficient to implement the intent of the program established in 1998.

[*English*]

The Chair: Merci, Madame Gagnon.

Mr. Martin, it's your turn.

Mr. Tony Martin (Sault Ste. Marie, NDP): I take some exception to the comment that we're donating money to the poor so they can take advantage of these programs. It just isn't going to work. As far as I'm concerned, any of the poor families I have spoken to in terms of post-secondary education just don't have the money, and they won't have the money for this program either.

What do you suggest we do? You can do all the advertising you want, and once people actually come to realize how expensive it is to send kids to university—I have two there now, and a third coming next year—it will more than inform them; it's going to scare the crap out of them if they don't have the money already. As a matter of fact, there are some families now at the low-income level who are making decisions as basic as whether to pay the rent or feed the kids. You've probably heard that out there.

Have you thought of any way, once you've informed them of the cost of post-secondary education, to actually help them take advantage of this program?

● (1130)

Ms. Lenore Burton: This program is part of a suite of programs, including improvements to the Canada student loan program, that were introduced in the budget in February 2004. Besides some very positive measures that we'll take to help students with their debt, the Government of Canada is going to be introducing, in August 2005, a grant to students from low-income families that will offset the cost of their first year of post-secondary education. We are looking after the needs of today's students as well as the future generation of students through a long-term savings program.

Mr. Tony Martin: Is this grant included in this...?

Ms. Lenore Burton: In this bill, no. It's part of the Canada student loans program and it will be introduced through regulation.

Mr. Tony Martin: When will that happen?

Ms. Lenore Burton: I believe early in the new calendar year.

Mr. Tony Martin: Okay. Certainly a grant is good news. Free money is good news for families who don't have money.

Next, did anybody give any thought at all to just simply stopping the rise in tuition and maybe even moving to lowering it for the existing students as well as the new students? As you know, tuition continues to go up. Who's to say that this extra $100 or whatever that you give to these poor families, even though most of them won't be able to put money into it anyway, won't just be eaten up with further increases in tuition, and will actually have no real concrete effect?

Ms. Lenore Burton: The federal government doesn't have any jurisdictional responsibility for tuitions.

Mr. Tony Martin: But you do have the facility to sit down with your provincial partners and talk about those things, and perhaps help them deal with the rising cost of education across the board. Rather than putting money in here, which exposes it as well to the vagaries of the market for people, why not just put money directly into the hands of provinces so they can fund educational institutions at the post-secondary level and they don't have to increase tuitions?

Ms. Lenore Burton: Point noted.

The Chair: Mr. Adams.

Hon. Peter Adams (Peterborough, Lib.): On a point of order, Madam Chairman, I understand what Tony is doing, and it's your call, but at some point I think colleagues should know that when a question becomes political—I don't mean partisan political, but I mean in the sense of policy—there is some point beyond which the officials cannot go and should not go.

The Chair: Point taken. Thank you very much.

These are civil servants. As you saw from Madam Burton's answer, there are certain types of questions they cannot answer.

Mr. Tony Martin: Okay, that's fine, and they can just say so. But I have a right to put my points on the table and make my case too in terms of this particular initiative. My concern is that it won't actually do what the government is anticipating.

Again, once these people get into actually putting money aside and investing it, have you given any thought to protecting them so that the vagaries of the market don't eat up the little bit that they're able to put aside? It's attractive for all of us, when we start into the market, to look at maybe more aggressive forms of investment that would give us a better return and all that kind of thing. All of a sudden you realize, six months or a year down the road when you get your statement, that all of a sudden the money you thought you had and was growing has disappeared. Has there been any thought given to how we would protect people in that instance?

● (1135)

Mr. Marc LeBrun: There are two facets to that question, I think. From the RESP perspective, regarding investments, there are no strict limitations on what parents can invest the money in. That is, the Income Tax Act allows certain investments. For instance, if you want to invest in the stock market, it is allowable. That is one facet of the answer.

The other is that we're proposing to introduce regulations, that are in the act itself, to limit or somehow set to limit the fees that could be charged by promoters who administer these plans. We've carried out in a very preliminary way a look at what the institutions are charging families for opening up these accounts and maintaining these accounts. We're proposing to look at that a little further and make sure we protect at least the assets the parents are contributing, and the Government of Canada's portion as well. That is in the act.

Mr. Tony Martin: At the moment, then, that's not protected?

Mr. Marc LeBrun: Correct.

Mr. Tony Martin: So they could be exposed in a way that would be hurtful. I'm already hearing from seniors out there who, because there was no other vehicle available to them, put money into RRSPs. Once they retire they're discovering that there's nothing there.

Is there any intention to expedite these processes to make sure that, before this actually kicks in, this kind of protection is there, with timelines, maybe?

Mr. Marc LeBrun: The Department of Finance, if there's...as far as allowable investments—

Ms. Lise Potvin: Investments? No way. I don't think we plan on changing that.

There's an agency called the Financial Consumer Agency of Canada, whose role is to educate consumers about financial products and what they should take into consideration. I think that's going to be important. This agency will take a role in ensuring that appropriate information is provided to people.

Mr. Tony Martin: Can you understand my anxiety around that? People who are already fairly well educated and investing don't understand half of that. There's confusion out there right now because of the way the market has played out in the last few years. The poor, who are making decisions daily about whether they should pay the rent or feed the kids, now have to get into understanding not only how much it costs to educate their kids at the post-secondary level, but how to make investments intelligently.

The Chair: Please give a very short answer.

Ms. Lise Potvin: We'll try to help them. We cannot give financial advice to people. As a government, we cannot tell them they should invest in A, B, or C. Our role is to inform them of their choices, and I think we do that.

The Chair: Thank you, Mr. Martin.

We'll now turn to the government side. Monsieur Silva.

[*Translation*]

Mr. Mario Silva (Davenport, Lib.): Thank you, Madam Chair.

[*English*]

What happens to the Canada education savings grant and the Canada learning bond if the children do not go on to post-secondary education?

Ms. Marie-Josée Thivierge: Essentially, the bill before you proposes a number of features. The first one is that the bond be available up to and including age 21. That means that by age 18, if the parents of a child have not opened an RESP and if the child was entitled to the Canada learning bond, that child can actually secure the amount of entitlement and open an RESP in their name and put that in. As soon as the RESP is opened and the amount is transferred into it, the child can use it for post-secondary education. The RESP can in fact stay open for 26 years.

In the event that the child does not attend post-secondary education, the contribution of the parent, to the extent there was one, would return to the parent. The bond and the CES grant would return to the government. The earnings would be available to the individual either to transfer into an RRSP if room is available or, alternatively, to use for other purposes. If this were the case, it is provided for that they pay income tax and that there be a 20% penalty.

Ms. Lenore Burton: Just to add to that, if one child does not go on to post-secondary education, there is the option that the Canada education savings grant and the earnings from the grant and the bond and whatever contribution the parents made are transferable to a sibling, who may decide to go on to post-secondary education.

● (1140)

Mr. Mario Silva: Are both transferable, or just the CESG and not the learning bond?

Ms. Lenore Burton: The Canada learning bond in the budget statement is an entitlement to a specific child. It is not transferable.

In the current Canada education savings grant program, the grant is transferable to siblings in a family plan. The earnings from the parents' contribution, the grant, and the bond will be pooled, and those earnings are transferable to a sibling.

[*Translation*]

The Chair: We will now begin the second round. I would just remind you that this is a five-minute round.

Mr. Van Loan.

[*English*]

Mr. Peter Van Loan (York—Simcoe, CPC): Merci.

As I've already had the benefit of an excellent presentation from most of these folks and I got to ask most of my questions at that time, I don't have a lot to say. In the Conservative Party we do support the legislation in principle. In terms of fine-tuning, because it has the benefit of building on an existing program, by and large, I think there's a minimal degree to which you have to look into fine-tuning.

What did intrigue me were the questions on the communications that were raised today, particularly by the deputy chair of the committee. My colleague, Mr. Devolin, said that as a new father he thinks you should probably communicate the cost of post-secondary education before people have children, before they decide to take that step, which I thought was perhaps wise. But right now, as I understand it, the communications are largely done by the providers of the program.

I guess my first question is, do you expect that with the supplements, with it being beefed up, and with the Canada learning bond, there will be more incentive for them to do a better job of that communications and perhaps more providers? Second, from my perspective, when I see those promotions of the programs by the providers, I have that healthy skepticism of anything that some huckster is promoting that I should buy in the market. To give it greater legitimacy in communications, I think—and I don't know if this exists right now—just simply companion materials from the government explaining how these programs work are probably the best form of communication. I assume that exists already now. I just don't see them putting them out front and centre.

Ms. Lenore Burton: As you have alluded to, the RESP industry is a very competitive marketplace, so I imagine that the advertisements that the institutions are doing now, they will continue to do to attract the consumer. As my colleague Madame Potvin said, we take a sort of buyer beware attitude. We don't try to dictate where people go to open up an RESP. What we want to do is be able to educate Canadians about the RESP and about these programs that are available to them, and to do it in plain language and in a way that communicates with them. That's what we hope we'll be able to do effectively by working with local community-based groups that can communicate not just in a passive way, but in an active way, like holding workshops, etc., but also in a way that's culturally meaningful to them and in a language they understand.

Mr. Peter Van Loan: I guess I'm just slightly skeptical of trying to set up a huge marketing program. I think the best thing is stuff that dovetails tightly with those who have the real incentive to go out there and sell it. If you're going to do marketing stuff, I think that's where it makes more sense to direct it, by and large.

I presume there are other providers, other groups, that may be useful as well that deal with those who will particularly require the help. That's just for what it's worth, but I'm happy to turn it over to Mr. Devolin.

Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC): Actually, my colleague misstated my concern. Rather than thinking that you should communicate this to people before they have kids, my point is that you in fact should not communicate the costs of post-secondary education to people who haven't yet decided whether to have kids or not, because they may choose not to have children.

First of all, I think many parents underestimate the cost of their kids' education, simply because costs have changed so much in the last 25 years. What it cost me to go to university 25 years ago was... $1,300 a year, I think, was my tuition. I suspect that explains most of the misunderstanding or the low expectation of cost.

My comment, though, is that I think low uptake is partly a function of complexity, and the more complicated a program is, the less people understand it, the less likely they are to participate in it. I thought one of the strong, positive things about the RESP was that it was relatively simple and straightforward. I actually think that if changes had been simply made to the RESP to inject some money into it, without matching dollars, instead of creating a new program and giving it a new name, making it income contingent, all of those things—I understand the public policy thrust, but they just make it more and more complicated.

I'm reading this and trying to figure out how I'm going to explain it to my next-door neighbour back in Haliburton. I think if it was just the RESP, here's the way it used to be, but now if you open it the government will automatically put in $200 a year.... That's just a comment. I think it's the complexity of the program that leads to the low uptake.

● (1145)

The Chair: I don't think that requires an answer.

I'll now go on to Mr. D'Amours.

[*Translation*]

Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.): Thank you, Madam Chair.

I am very interested in a program you describe to us this morning. I graduated quite recently from university, and during my studies I was certainly able to see how important a program like the one you are describing today is to young Canadians. Nowadays, families are increasingly anxious to ensure that their children acquire the education they will need to advance in life.

I can see the benefits of this program. Could you tell us why the government wishes to invest in a program that encourages young families to save for their children's studies, while the average student debt is increasing continuously? In New Brunswick, my province, financial assistance for post-secondary education is almost zero. So students debts increase while assistance drops. Can you tell us about how important this program is in encouraging families to save for their children's education?

Ms. Marie-Josée Thivierge: The research shows that five years from now, 70 per cent of jobs will require a post-secondary diploma, and this means that today's students obviously need support and tomorrow's students have to start getting ready now for post-secondary studies.

In the last federal budget, the idea was to have a program to meet the needs of today's and tomorrow's students. Bill C-5 provide initiatives to create incentives and the support families need to plan for their children's post-secondary education. Basically, it is a matter of making a financial contribution to that education through incentives.

In the federal budget, there was also a series of measures to increase the cap on loans, to create grants for low-income families and students with disabilities, etc. There were also measures to improve the current state of student debt. There were also savings incentives. So the budget contained a package of measures aimed at recognizing the reality of tomorrow's labour market, where post-secondary education will be necessary in most cases.

● (1150)

Mr. Jean-Claude D'Amours: I'm going to make a comment, not ask a question. I understand the beginning of your answer given the globalization of markets that we are experiencing today. As a society, we owe it to ourselves to be ready to react. Apparently, 70 per cent of tomorrow's jobs will require post-secondary education and we want to make sure that the population is able to remain competitive and to forge ahead in the global market. We can no longer limit ourselves to our province or country. The economy is now a global economy. So we have to make sure that we position ourselves in the lead if we wish to remain in the lead.

The Chair: Thank you, Mr. D'Amours.

Mr. Alain Boire.

Mr. Alain Boire (Beauharnois—Salaberry, BQ): In Quebec, our education system is different from the rest of Canada; our system includes a network of CEGEPs. At the CEGEP level, the education is virtually free, except for books. When young people leave CEGEP to go to university, they are 19 or 20 years old. Given that students will only be eligible for the program up to age 21 and that under the program, at that point, people will want back what they've invested in the fund, what proportion will the government take back from its investment in the fund?

Ms. Marie-Josée Thivierge: I am going to repeat something I said earlier. The way the plan is structured, a parent must open an RESP for the first 18 years of the child's life. If the child is eligible for the National Child Benefit Supplement, up to $2,000 could be available.

Now, if the parent has not open an RESP by the time the child or teenager turns 18, the child has three years to open an RESP himself or herself. Once the plan is open and the money has been transferred —my colleagues can confirm this—the plan remains in place until the person turns 26. So at the CEGEP level and in the first years of university, the money in the plan is available. The important thing is to open an RESP and put money in it. Even if its only done when the student is 20, the plan will still be there.

Mr. Alain Boire: That means that if a student finishes university at 25, he or she is covered. He or she can use that money.

Ms. Marie-Josée Thivierge: Yes, if the plan was opened before the student turned 21.

Mr. Alain Boire: Since the $2,000 amount is invested in this bond, it cannot be tied to a provincial grant. Since the government is making this $2,000 amount available to the parents, are you not running the risk that provincial grants will, as a result, be reduced?

Ms. Marie-Josée Thivierge: I can give you the example of the Canada Students Loans Program. With the Canada Students Loans Program, the loan is based on the individual needs. If an individual has additional income available to him, either through the Canadian Learning Bond or through the Canada Education Savings Grants, this income will be taken into account when calculating the loan.

● (1155)

Mr. Alain Boire: This money that is available will prevent a student from getting a provincial grant.

Ms. Marie-Josée Thivierge: That probably depends on the terms and conditions for the various grants programs. These programs vary from one province to the next. Consequently, I cannot really take a position on that.

Ms. Christiane Gagnon: That would not give the individual $2,000 more. It would be calculated as income.

Ms. Marie-Josée Thivierge: There is a distinction between a loans program and a grant program. Every jurisdiction has its own way of establishing when the bursary has to be granted. Is it given once the total amount of the loan has been spent? With these particular initiatives, income will be provided for the present and, ultimately, in most cases, the debt loan will be decreased. But the impact may vary from province to province. Depending on the grant programs offered.

The Chair: Thank you.

Mr. Peter Adams.

Hon. Peter Adams: Thank you, Madam Chair.

[*English*]

I have a few questions, if I could, because I see that the time is running out. Let's follow up what Alain Boire was just asking about.

It seems to me that we are really talking about lifelong learning here, and therefore this money can be used—we keep mentioning university—obviously for colleges and CEGEPs if necessary. It could also, I imagine, be used for certain types of trades training. And I would think if it's going to be available until you're in your forties, it could be for updating an appropriate program, which would update you in your profession. In a moment you could comment on that.

The other issue I'm interested in is the eligible expenses. We keep talking about tuition here and the difficulty the federal government has in dealing with different jurisdictions. The highest tuition in the country is in Nova Scotia. The lowest is in the province of Quebec. Does the money have to go to tuition? Can it not go to other expenses?

My last point, unrelated to these, is with regard to these low-income families. By the way, if I might say, I notice in the act that the primary caregiver can in fact be an agency, a children's aid agency. Let's use that example. Say a children's support agency is the primary caregiver and a bond account is opened. Can someone else or can that agency put in extra money that would accumulate in the way it would if a grandparent put the money in, for example?

Ms. Marie-Josée Thivierge: I can certainly begin by addressing your two first questions, and then perhaps I can let my colleague take the third one.

You're absolutely correct that this is for post-secondary education. It could be for trades programs, it could be for community colleges, it could be for university studies. There is a great deal of flexibility. If the institution is an eligible institution, or recognized as an educational institution, you're absolutely right, there's a great deal of flexibility. To the extent that the RESP is active and in place, it is available. The funds are there. An individual, be they 18, 21, 25, or 40, can certainly access and benefit from that.

In terms of eligible expenses, again, we've been talking about tuition costs, but it's much broader than that. There is a great deal of flexibility. It actually can include living expenses, books, or any other costs related to attending post-secondary studies. The funding can be used for quite broad purposes.

On the question of who can contribute, maybe my colleague can respond.

Mr. Marc LeBrun: One of the flexibilities being proposed in the act is to open it up to more than just parents and grandparents. Provincial agencies, if you will, can open up the account. If somebody's opening it, or wants to make a contribution, we have to tie it back to a primary caregiver—in this case, an agency responsible for that child. If a grandparent, say, wants to make a contribution, they can still contribute and attract the higher grant rate, the higher matching rate.

Hon. Peter Adams: Thank you, Madam Chair.

[*Translation*]

The Chair: Thank you, sir. We have a few minutes left.

Mr. Martin.

● (1200)

[*English*]

Mr. Tony Martin: I just have one question. I'm interested in the comments from Mr. D'Amours and Mr. Devolin about the challenges now. I would suggest that when I went to university, the situation was quite different. This was back in the sixties. We had grants available to us if we came from families that were of modest means. We actually were also able to get jobs in the summer that paid us the going rate at a plant or whatever. Most students today who work get jobs at minimum wage, and it's very difficult. So not only has the cost escalated, but the ability to generate your own money has escalated...the gap is growing.

Could you help me understand how you came up with the figures of $500 and $100? They're actually quite minuscule. They're gigantic for really poor families, but if you actually had the money to invest and take advantage of this, they're not very much.

As well, where did the $7,200 cap come from? Is there provision in this to change that, in time?

Ms. Lise Potvin: With regard to the $2,000 figure, essentially we need to remember that the bond, the CLB, is one measure in an array of federal and provincial measures in support of education. When we take into account that the bond can grow over time and reach maybe $3,000, and include the other measures in support of education for children, I don't think we can say it's that minuscule.

Again, there's fiscal consideration; there are priorities. The cost of the bond at maturity is expected to be $325 million. I don't think we can say that's a non-significant commitment from the government.

Mr. Tony Martin: Thank you.

[*Translation*]

The Chair: On behalf of the Committee members, I would like to thank Mrs. Thivierge and her team, as well as all the people here representing the Department of Finance, Justice and Human Resources and Skill Development.

[*English*]

Mr. Paul Forseth: Madam Chair, can I have one more question?

The Chair: We're over our time, Mr. Forseth, but if it's a short question we'll allow it.

Mr. Paul Forseth: Thank you very much.

You may not have the total answer today, but perhaps you could think about it. We are trying to help students access higher education beyond high school. Various vectors help that, and some go against. What about the tax situation of just taking away less from families in the first place? We know that the millennium scholarship fund is taxed. I had a student who got a big award, and yet he lost a lot of it in taxes. I don't know about scholarships and bursaries and so on.

Maybe you could talk about the tax implications of Bill C-5 and the mix there. One of the benefits.... The situation should be just don't take the money in the first place. There's a whole mix of vectors for it.

The Chair: Yes, Mr. Adams.

Hon. Peter Adams: On a point of order, Madam Chair, it's my impression that it's Tony Martin's time.

Mr. Tony Martin: No, I asked my questions. Thank you, though.

[*Translation*]

The Chair: Ms. Potvin, please.

[*English*]

Ms. Lise Potvin: The educational assistance payment—that is, the portion that is the interest, the CESG, the bond—will be taxable to students. However, there are very generous tax measures in support of students. They get the tuition tax credit, and they can essentially have a credit for their full tuition costs. We have an education credit of $400 per month, for full-time studies. The first $3,000 in scholarship bursary is tax exempt. Later on, students can deduct the interest on their student loans.

Most students don't pay that. The vast majority of students don't pay tax. So saying that we're going to take back the money, when most students are not taxable, I don't think is a fair statement or description of the situation.

Mr. Paul Forseth: Thank you very much.

The Chair: We'll stop there.

[*Translation*]

Once again, I would like to thank you all for responding to our invitation.

[The meeting continues in camera]

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Publié en conformité de l'autorité du Président de la Chambre des communes

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