House of Commons
Chambre des communes
Canada

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

(•) **an organization** **Organization name:** Fédération étudiante universitaire du Québec (FEUQ)

or

( ) **an individual** **Name:** _____

Topic: Rural, remote and urban communities

*Recommendation 1: Please provide a short summary of your recommendation.

That a tax credit be introduced for new graduates working in the regions
- in fields related to their training;
- within 24 months of graduation;
- up to 40% of gross personal income, to an annual maximum of $3,000 and a cumulative maximum of $8,000.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$100 million -$499.9 million

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

This tax credit could be made a part of the initiatives carried out by regional economic development agencies across Canada (Quebec, southern Ontario, northern Ontario, northern Canada, Atlantic Canada and western Canada). In this way, costs would be internalized and spread across several initiatives, lessening the financial impact on other measures.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

New graduates working in designated regions within the meaning of the Regional Development Incentives Act (current to June 25, 2013). Designated regions covering not less than 12,500 square kilometres must therefore be characteristically in need, e.g., high long-term rate of unemployment, up to 2% more than the national average.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

This tax credit would encourage young people to move back to at-risk resource regions, which have seen young people leave in droves for years now. The problems associated with the aging of the population and reversal of the age pyramid are particular threats to the long-term vitality of Canada's regions. This incentive would help offset the financial hurdles people face when returning to the regions and would help strengthen the economic performance of regional businesses across the country.

Topic: Please select from the pull-down menu

Recommendation 2: Please provide a short summary of your recommendation.

That the non-refundable tax credits for tuition fees (lines 323 and 324) and the Canada Education Savings Grant (CESG) be eliminated and that the monies freed up be redistributed to the provinces for post-secondary education through the Canada Social Transfer (CST).

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

≤$499,999

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

This measure would be cost neutral.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

By increasing the CST for the post-secondary sector, the provinces could invest the money as they see fit, where it is truly needed. The measures implemented by the provinces are concerned directly with the accessibility and quality of post-secondary education for all students. This would tighten academic standards, resulting in better-trained graduates who would be able to enter the job market more quickly.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Non-refundable tax credits for tuition fees and the Canada Education Savings Grant are measures that have long been studied by economic thinkers (Collins and Davies, 2005; Zimmerman, 2003; Milligan, 2002; and Berger, Parkins and Motte, 2004 and 2005). Their conclusions are that these measures are poorly targeted and, broadly speaking, have no impact on access to education. Shifting these funds to the CST would allow the provinces to invest the money where it is truly needed.

Topic: Please select from the pull-down menu

Recommendation 3: Please provide a short summary of your recommendation.

That the Indirect Costs Program (ICP) be adequately funded to cover indirect research costs by up to 40 cents for every grant dollar awarded by the federal granting councils (Social Sciences and Humanities Research Council, Natural Sciences and Engineering Research Council and the Canadian Institutes of Health Research), compared to the current level of 23 cents for every grant dollar awarded.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$100 million -$499.9 million

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Ideally, as much new money as possible should be used. Otherwise, we recommend that funding be sought from the following sources:
- Canada Foundation for Innovation;
- the planned recurrent investment of $37 million by the granting councils to increase university-industry partnerships;
- Tax credit - Scientific Research and Experimental Development program.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Canadian universities.
This measure therefore affects professors and post-graduate students doing research. Indirectly, it affects Canadian society as a whole in terms of research and innovation spinoffs from universities, which are responsible for more than one-third of all R & D in the country.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

The proposed increase in coverage for indirect research costs would save universities $240 million, according to 2009 estimates from the Association of Universities and Colleges of Canada. The universities could then invest these savings in new research projects through grants to researchers and institutional scholarships for students. This would enhance training for new researchers and increase research and innovation output in Canada's universities, which would benefit Canada's social and economic development.

Please use this page if you wish to provide more explanation about your recommendation(s).

The proposed measures directly affect Canadian university students and graduates by improving access to and the quality of education, and facilitating entry into the job market.

Our first recommendation seeks to address the pressing problem of regional decline caused by the mass exodus of youth and the growing number of retirees, resulting in major succession issues for local companies, which nevertheless have strong economic potential.

Our second recommendation would allow all students to access education tailored to local issues. Programs such as the CST do the best job by far in improving access to and the quality of university education, taking different concerns in Canada's provinces into account. Non-refundable tax credits for tuition fees are accessible to only a small group of truly needy students. The CESG does not target those families who greatly need the extra money, i.e., middle-class and especially lower-middle-class families, who tend to make little use of this grant. These measures therefore seem poorly targeted. If the provinces were able to align this investment with universities, then students and universities across the country would receive assistance tailored to their actual circumstances.

Lastly, our third recommendation merely seeks to bring into line the amount of funding provided by the granting councils with the administrative costs and equipment requirements to provide a suitable environment for research activities. Investment in university research through the granting councils is by far the kind of investment that generates the most return in connection with innovation. However, funding for indirect research costs has not kept up with actual costs. Universities have therefore had to cut their budgets to cover costs, when the money could be used for more research.

*Please note that at least one recommendation must be provided