Collaborative Federalism and Post-secondary Education:

Be Careful What You Wish For

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In their 1999 contribution to the third edition of James Bickerton and Alain-G. Gagnon's Canadian Politics, Ian Robinson and Richard Simeon characterize the contemporary phase of Canadian federalism as collaborative.[1] But at the same time they signal their own doubts as to the accuracy of this characterization by adding a question mark to their heading. Collaborative federalism, with a question mark, does seem to capture an important dimension of the current state of play in federalism and federal-provincial relations, especially as they are embodied and reflected in post-secondary education. There are some significant, even dramatic, changes taking place. But at the same time there is cause for concern that many of these changes may turn out to be superficial and short-lived, that the fundamentals of federalism and post-secondary education remain problematic. It is worth taking a closer look at recent developments in this area, in order to shed further light on the emerging pattern of both Canadian federalism and post-secondary education in Canada.

Federal Involvement in Post-secondary Education and Research

The federal government began to take an interest in post-secondary education and research early in the twentieth century.[2] Before that, what public involvement there was had been left to provincial governments. The first federal initiative was addressed to instruction in agriculture, and took the form of a conditional grant to the provinces to encourage programs in this area. Following the 1913 report of the Royal Commission on Industrial Training and Technical Education, but after a delay occasioned by World War I, the federal government expanded its reach with the introduction of the Technical Education Act of 1919. That same year marked the establishment of the National Research Council (NRC) and, with it, the beginning of federal grants to universities for the support of research.

Both of these federal initiatives were unopposed by the provinces even though they might have been seen as entrenching upon provincial constitutional responsibility for education. Technical education, which would later blossom into a full-fledged *cause célèbre* in federal-provincial relations, was initially perceived even by provincial officials as having more to do with economic development than with education. And research, except in very specific and applied fields, did not attract active provincial interest. Federal preeminence, which would grow significantly over the years, was largely ceded by default.

It was not until World War II that federal and provincial activities in post-secondary education actually began to overlap. Beginning in 1945, the Veterans Rehabilitation Act, coving the cost of tuition and living allowances for veterans entering or returning to university, as well as a per-student payment to receiving universities, led to such a massive increase in enrolment that existing universities were often hard pressed to accommodate the numbers. And no sooner did the war-induced influx of veterans begin to abate than a new crisis awaited Canada's post-secondary institutions. This time, the cause was a combination of an increasing participation rate, the result of the growing popularity of post-secondary education as the key to employment and higher earnings, and the bulge in the population of eighteen to twenty-one year olds associated with the post-war baby boom. When an official with the federal Dominion Bureau of Statistics told university officials in 1955 that they could expect a doubling of university enrolment over the next decade, the universities were galvanized into action. And they turned their attention to the federal government.

The Massey Commission provided the vehicle for the federal response, recommending in 1951 that the federal government begin making unconditional grants to Canada's universities and colleges. The government accepted that recommendation almost immediately and initially provided a sum equal to fifty cents per capita, divided among the provinces in proportion to their populations and then among the institutions in each province in proportion to their enrolments. The money increased over the years, reaching $5 per capita by 1965.

Federal involvement expanded in other areas as well. Research grants, which had reached $1 million annually by 1945, rose to over $40 million by 1965. The Canada Council, established in 1951 at the same time as federal grants to universities and colleges were introduced, received an endowment of $50 million for university capital construction. Another $50 million was made available in 1960 through the Central (now Canada) Mortgage and Housing Corporation (CMHC) for the purpose of loans to universities for student housing. This amount was subsequently doubled to $100 million and then increased again to $150 million. In 1964 the old Dominion-Provincial Student Aid Program was replaced by the much more generous federal Canada Student Loans Program. A year later the Bladen Commission went so far as to recommend the appointment of a federal minister of education.

That was too much for the provinces. They moved quickly to form the Council of Ministers of Education of Canada (CMEC), a wholly provincial body designed explicitly to resist further federal incursions into provincial jurisdiction. Indications of federal-provincial disharmony had been growing incrementally. Not surprisingly, Quebec was the first to take overt action. After allowing its universities and colleges to accept federal per-capita grants in 1951, it blocked them a year later. The impasse lasted until 1959 when, after a change of government in both Ottawa and Quebec City, an accommodation was worked out. It represented a significant retreat by the federal government, one in which the grants that elsewhere went directly to post-secondary institutions would, in the case of Quebec, go to the provincial treasury instead. The province would then finance the universities and colleges. It was the first ever instance of a province opting out of a wholly federal program. Other provinces were also chafing under the growing influence of the federal government. Ontario, for example, started advising its universities of their total government grant, a total that included the federal per-capita contribution. It was, however, the federal government that pulled the plug on its relationship with universities and colleges. Research grants and student aid would remain, but the rest was swept away in a dramatic policy shift announced at a federal-provincial conference in 1966.

Shaking the Foundations

The new arrangement had two main components. First, existing federal per-capita grants to universities and colleges were replaced by unconditional transfers to the provinces, through a combination of cash and tax points. In effect, the rest of Canada now joined Quebec in terms of federal involvement in supporting the operating costs of post-secondary institutions. Universities, at least in English Canada, could hardly believe what had happened. Henceforth, they would have to rely on provincial funding decisions alone for their general operating support (along with tuition revenue), and they would soon discover that provincial funding could fall far short of satisfying their growing appetites. The new federal scheme, called Established Program Financing (EPF), was entirely unconditional, at least so far as post-secondary education was concerned. The provinces could use the transferred resources, half of which were actually taxes they levied themselves, any way they chose.

The second federal shoe that fell in 1966 was no less dramatic in its consequences for Canadian federalism and post-secondary education. In this case, the federal government decided to scrap its long-standing provision of financial support for technical and vocational education, or training, through conditional grants to the provinces, and substitute a wholly federal program of occupational training for adults. It was a dramatic initiative, intended to bring under direct federal control all aspects of program design, including the selection, counselling and training of adults already out of school and in the labour force. It was truly a grand design, but it ran head on into the emerging provincial community college systems, which did most of the actual training. In the event, the federal government was never able to achieve what it set out to accomplish, while some of the provinces managed to exercise considerable control over where the training took place, thus securing continued federal support of provincial colleges. It was not a very happy intergovernmental relationship.[3]

Then disaster struck for the provinces. Plagued by chronic deficits and mounting debt, the federal government finally decided to trim its fiscal sails and cut its spending commitments. Part of its plan, announced in its 1995 budget, was to combine EPF with the Canada Assistance Plan (CAP) into a single transfer to be known as the Canada Health and Social Transfer (CHST). The CHST was intended to cover federal contributions to health, welfare and post-secondary education, but the transfer, apart significantly from the health component, was still entirely unconditional. Indeed, post-secondary education was not even mentioned specifically in the name of the program. And with that, the total amount of the federal contribution to the new

CHST was cut by $6 billion. The provinces, of course, had to make up the fiscal shortfall somehow, and one inviting target was to restrain expenditures on universities and colleges. Post-secondary institutions, universities in particular, took the obvious course of action and began to jack up tuition fees. Despite policies in several provinces limiting increases in university tuition fees, their proportionate contribution to university revenues has doubled in recent years. They now contribute almost a third (31%) of total operating income.[4] This, of course, has led to greater borrowing by students and thus rising levels of debt.

Determination to reduce federal expenditures was part of the explanation for a dramatic announcement by the federal government in 1996, to devolve to the provinces much of its involvement in labour market training, reversing the bold 1966 initiative by which it asserted federal jurisdiction over this activity. The more compelling reason for this reversal appears to have been the near win by the Parti Québecois in its sovereignty referendum. Ottawa had earlier offered to withdraw from most of its programs in this policy area back when it signed on to the Charlottetown Accord. That was, of course, under a different prime minister, although it was an offer that was opposed at the time by Jean Chrétien. In any case, that offer collapsed with the defeat of the Accord. Now Chrétien, as Prime Minister, was forced to offer an even more generous transfer of jurisdiction. Quebec was quick to accept the deal, negotiating further limitations on the remaining federal role. Some of the other provinces were less sanguine about the prospects of assuming greater responsibilities in this area, with the result that a variety of arrangements were negotiated, creating a situation Herman Bakvis, quoting Pierre Trudeau, calls "checkerboard federalism".[5] Five provinces and two of the territories (Alberta, Manitoba, New Brunswick, Northwest Territory, Nunavut, Quebec, and Saskatchewan) chose to accept the devolution option. Three provinces and one territory (British Columbia, Newfoundland and Labrador, Prince Edward Island, and Yukon) chose a co-management arrangement. Nova Scotia entered into a "strategic partnership", while Ontario did not sign any agreement, leaving the situation essentially unchanged.

While this appeared to be a major concession on Ottawa's part, Rodney Haddow argues that it by no means represents a withdrawal from the field of labour market training. Rather, the federal government has simply found other means of expressing its interests in training and post-secondary education. Nor have federal-provincial relations in this area become noticeably less complex.[6]

The experience of the 1995 cuts in federal transfers had left a lasting mark on federal-provincial relations and provincial officials began to look for ways to rein in the federal government's use of the so-called spending power. The federal spending power, drawing on the historic, prerogative right of the crown to make gifts to its citizens, enables the federal government to spend money in areas of provincial legislative jurisdiction. It has been a powerful instrument in extending the reach of federal authority and has certainly increased the flexibility of Canadian federalism. But for the provinces it has also been the source of great frustration, because what the crown grants the crown can also take away. Time and again, the provinces have found themselves lured into expensive spending commitments by the offer of federal matching funds, only to be left holding the fiscal bag when federal priorities or circumstances change. The CHST was particularly galling if only because of the magnitude of the cut. The provinces united around two objectives: to get back the money withdrawn in 1995, now seen almost exclusively in terms of health care, and to put limits on the use of the federal spending power.

The upshot, after months of intense negotiations, was the Social Union Framework Agreement (SUFA), signed by Ottawa and all the provinces and territories except Quebec in February 1999. Quebec's refusal to sign bore eloquent testimony to the failure of the first ministers to reach agreement on any effective curtailment of the federal spending power, which had been a key demand of the government of Quebec. It had also been part of the unanimous provincial position going into the negotiations, but one the other provinces and territories were prepared to abandon in return for a pledge of federal dollars. Quebec, typically, got its share of the money without signing the agreement.

The money amounted to a commitment of an additional $11.5 billion, to be spread over five years, $2.0 billion in 1999-2000 and 2000-2001, and $2.5 billion in the three succeeding years. With that, the federal Minister of Finance, Paul Martin, was able to claim that "[w]hen the increase in funding reaches $2.5 billion in 2001-02, federal support for health care will be as high as it was before cost-cutting in the mid-1990s."[7] This was a tad disingenuous. It was true in the narrow sense that the absolute amount of the federal transfer, including both cash and tax points, would have reached the 1994-95 level, but as a proportion of total expenditures on health care, the federal contribution had fallen dramatically[8]. What is more significant for our purposes, while the increased transfers were to be included as part of the CHST, they were explicitly targeted for the health care component alone. None was even nominally intended for post-secondary education.

That said, it was the SUFA that held out the promise of a more collaborative federal-provincial relationship. What was contained in this framework agreement? The short answer is very little. But on closer examination, it may well turn out to represent a signal of more significant changes. The so-called social union encompasses the social policy dimensions of Canadian federalism. The framework agreement, SUFA, incorporates a goodly number of verbal commitments to cooperation among governments. Most are assertions of good intentions, without the means of enforcement. Three aspects of the agreement stand out as particularly significant.

Perhaps the most significant feature of SUFA was the willingness of the provinces and territories, again noting the absence of Quebec, to recognize the legitimacy of a substantial federal role in social policy. This was the first time the constitutional division of legislative responsibilities had been so openly set aside in a federal-provincial agreement. That agreement does not in any way alter the constitution, but it represents an important, if largely symbolic, victory for the federal government. It grants legitimacy to a host of current, and potential future federal initiatives in the realm of social policy. Once conceded, this recognition will be difficult to withdraw.

Second, SUFA failed to restrain the federal government's ability to employ, essentially unfettered, its spending power in areas of provincial jurisdiction. Indeed, it affirmed the contribution of this instrument in the development of Canada's social union. The ability of the federal government to transfer money to provincial governments has, it stated, enabled the federal government to "... support the delivery of social programs and services by provinces and territories in order to promote equality of opportunity and mobility for all Canadians and to pursue Canada-wide objectives." In terms of future conditional grants, the agreement pledged the federal government only to "... proceed in a cooperative manner that is respectful of the provincial and territorial governments and their priorities."[9] And in terms of future Canada-wide initiatives in health care, post-secondary education, social assistance and social services funded through intergovernmental transfers, the federal government would only proceed with the agreement of a majority (i.e. six) of provincial governments. All governments agreed to give each other advance notice of major changes in social programs, while the federal government agreed to provide a year's notice before renewing or making significant changes in existing transfers.

Finally, the agreement contained commitments by the provinces to remove any existing barriers to inter-provincial mobility, and not to erect new ones. This has particular resonance for post-secondary education, where higher tuition fees for out-of province students are now explicitly forbidden. It should be noted that Quebec, which of course was not a signatory to SUFA, does have higher out-of-province fees. This, however, is at least consistent with the spirit of the agreement since tuition fees in Quebec, by government policy, are held well below those of other provinces. Quebec's out-of-province fee is set at the average charged in provinces other than Quebec, so that students from other provinces are treated much the same as they would be if they studied at home.

The tuition fee policy does raise a particular problem for a province like Nova Scotia, which has a disproportionate number of out-of-province students, more than any other province in the country. This results in a situation where, for years, Nova Scotia has had one of the highest levels of support for its universities, if calculated on a per-capita basis, but one of the lowest if calculated on a per-student basis. The necessary consequence is that despite its high level of support, its students must bear the highest level of tuition fees in the country. The reason is simply that the out-of-province students bring no provincial support with them from their home provinces. Since the CHST is calculated on an equal per-capita basis, it does not recognize or compensate for this disparity.

In conclusion, SUFA may indeed represent the confirmation of a more collaborative federal-provincial relationship. But it is hard to disagree with Alain Noël that it is a decidedly one-sided form of collaboartion.

> The SUFA leaves the provinces in a subordinate role, imposes stricter mobility rules, does not integrate a strong and credible federal commitment to sufficient, stable and predictable funding, creates weak dispute-resolution mechanisms, and hardly constrains the use of the federal spending power.[10]

Indeed, the federal spending power has recently afforded Ottawa opportunities for a truly massive expansion of its involvement in many aspects of post-secondary education, an expansion that also raises some troubling questions about the future of Canadian federalism.

Recent Federal Initiatives

The financial crisis that gave rise to the cuts in federal expenditures, including transfers to the provinces, proved to be remarkably short-lived. By 1997-98 the federal balance sheet was coloured black and was destined to move quickly into substantial surplus. The provinces wanted a share of the new-found largesse and, as we have just seen, most of them were prepared to accept a strengthened federal hand in social policy in order to get it. In the ensuing years, the federal government would unilaterally transform its role in post-secondary education, putting together a battery of new spending initiatives that Robert Pritchard, former president of the University of Toronto, described as collectively constituting a new paradigm.[11] None of these initiatives was brought within the collaborative purview of SUFA.

First came the Canada Foundation for Innovation (CFI), introduced in 1997. What was most remarkable about the CFI was the manner of its management and financing. Instead of relying on annual appropriations, approved by Parliament, the CFI was established as a private corporation, drawing down funds paid to the corporation as a lump-sum endowment. This novel management approach was defended on the grounds that it would give the corporation greater flexibility in negotiating partnerships with universities and other participants, but it has raised the ire of Canada's Auditor General and others, for playing fast and loose with the principle of parliamentary accountability.[12]

The CFI began operations with an endowment of $800 million from the federal government. This was subsequently increased several times, to $3.65 billion. But the real magic of the CFI initiative is the requirement that recipients of its grants obtain matching funds from provincial or private agencies or corporations. Indeed, the contribution from the CFI to a particular project is limited to 40% of the total cost. This means that CFI funds are able to lever more than $9 billion in total expenditures. This money, which is slated to last until 2010, is to be used for research infrastructure, including equipment, facilities and installations. It is available to both universities, colleges, and associated institutions.

The CFI addressed a real problem for universities in Canada. Years of expenditure restraint by both orders of government had left universities with limited capacities to replace worn out equipment or to acquire the supplies and equipment and related infrastructure needed to keep abreast of technological developments and new research priorities. At the same time, it also confirmed the federal government's preeminence in the financing of university research, and added a powerful instrument in support of the government's attempts to tilt university research toward the applied end of the scale, especially in cooperation with industry. This shift in focus had begun under the Mulroney government when it introduced its matching grants program in 1986, tying future increases in funding through the federal granting councils to matching contributions from non-governmental sources. That had been followed in 1988 when the Networks of Centres of Excellence (NCEs) were established. The idea behind this innovation had been developed by Fraser Mustard and embodied in his Canadian Institute for Advanced Research. It had subsequently been extended by Ontario, and it was Ontario's experience that inspired the program introduced by Mulroney. Significantly, when the Chrétien government introduced the CFI, it simultaneously confirmed the mandate of the NCEs and increased their funding.

The CFI, with its reliance on public-private partnerships, presented universities in Atlantic Canada with a special problem. With a smaller and relatively weak private sector, they were disadvantaged by a scheme that hinged government support on their ability to obtain contributions from the private sector. To overcome this disadvantage, the federal government introduced the Atlantic Innovation Fund within the Atlantic Canada Opportunities Agency (ACOA). Through this mechanism, the federal government provides an additional $300 million for investment in the region's infrastructure, much of it going to universities and research institutions.[13]

What is unique about the Atlantic Innovation Fund is the use of federal dollars to compensate for the weakness of the private sector in the region. By this means, it ameliorates the region's competitive disadvantage in attracting federal research dollars. Elsewhere in Canada, it has become common practice for provincial agencies to play a direct role in assisting their universities in this effort. Quebec has been especially aggressive in this regard. The CFI has encouraged other provinces to adopt similar strategies. From this has emerged a pattern of federal-provincial-private sector collaboration in university research, with the federal government playing the leading role.

Next in the litany of federal initiatives came the Canada Millennium Scholarship Foundation (CMSF), introduced in 1998. Once again, it used the device of an independent corporation, financed by means of a one-time endowment of $2.5 billion, designed to last for a period of ten years.The name of the new foundation is a tad misleading. Only a small portion of its annual expenditures (5%) goes in the form of scholarships, awarded on the basis of merit. The remainder (95%) is in the form of bursaries, awarded on the basis of need. And it is in the administration of these bursaries that the foundation got into its rather odd relationship with the provinces.

The CMSF was conceived in the prime minister's office and has been described as part of Jean Chrétien's legacy. It was put together in considerable haste, in order that the first cheques could be issued before the end of 2000. There was some initial confusion as to the purpose of the program. The enabling legislation says it is "to grant scholarships to students who are in financial need and who demonstrate merit, *in order to improve access* to post-secondary education in Canada so that Canadians can acquire the knowledge and skills needed to participate in a changing economy and society."[14] But when then Finance Minister Paul Martin described the scheme in his 1998 budget, the stated purpose was not improving access but reducing student debt:

> This investment will provide over 100,000 scholarships to low- and middle-income students each and every year over the next decade. The scholarships will average $3,000 each, per year. As a result, a student receiving a scholarship over four years *will see his or her debt load cut by $12,000, half what it otherwise would have been*."[15]

Reducing the debts of students already in the post-secondary system is hardly likely to increase access, except indirectly and to a very limited extent.

Conflicting objectives aside, the push to get the money into students' hands quickly also compelled the new foundation to work through the provinces. It could have set up an independent administrative apparatus, but that would have entailed costly duplication. As it was, there already existed the means of assessing student need through the federal government's Canada Student Loan Program (CSLP), which used provincial needs assessment criteria. The decision was taken early on to piggy-back the millennium scholarship program onto existing provincial administrative processes.

This decision yielded two significant outcomes. First, the implementation of the bursary program differed somewhat from province to province (the merit-based scholarships were administered directly by the foundation, using a small army of volunteers, and consequently were essentially uniform across the country). Several patterns emerged. A number of provinces, specifically Nova Scotia, New Brunswick, Prince Edward Island, Saskatchewan, Manitoba and, initially Ontario, insisted that the bursaries be paid directly to the student's bank, under the CSLP, reducing his or her student debt. In most of the remaining provinces and territories, and later Ontario, the awards go directly to the student as a cash grant. Newfoundland and Labrador adopted a mixture of the two approaches. Quebec is distinct in that the federal grants replace provincial grants.

Herein lies the second significant outcome. Unless further action were taken, the impact of the new federal bursaries would simply have been to displace provincial loans or grants with federal grants. To avoid this, the foundation negotiated agreements with each of the provinces indicating that they would re-direct at least some of the displaced money to other priorities in post-secondary education. In this, the foundation explicitly cited the SUFA to support its case.[16] The commitments entered into by the provinces varied considerably, and it remains a moot point as to how positive the net effect has been.

There is also a future problem that faces the student aid system as a result of the CMSF. The foundation's endowment will be exhausted by 2010. If it is not renewed, future students will be left in the lurch. Federal surpluses may not continue, of course, which would make renewal of the program difficult, to say the least. But simply allowing the program and foundation to disappear will almost certainly place a severe strain on federal-provincial relations, given that the provinces have, in varying degrees, become dependent on the program, using it to displace their own expenditures on student aid.

Yet another federal initiative, announced in the 1999 budget and confirmed in legislation the following year, was the transformation of the Medical Research Council, one of the three federal granting councils, into the Canadian Institutes of Health Research (CIHR). This transformation was accompanied by a doubling of funds to almost $500 million, subsequently increased to $620 million. The CIHR is currently seeking a further increase to $1 billion.[17] The new agency incorporated a new organizational structure as well. It is not a single research council, but rather a collection of thirteen distinct institutes, each pursuing a distinct line of research. This approach is reminiscent of the innovative approach pioneered by the Canadian Institute for Advanced Research and then the Networks of Centres of Excellence, in drawing leading researchers from a variety of universities and disciplines to focus on a defined problem area.

The federal government took one of its boldest steps in the 1999 Speech from the Throne, announcing its intention to establish a program of Canada Research Chairs (CRCs). This was set up as a one-time investment, although it did not involve the creation of an independent foundation. The program will pump $900 million into hiring 2,000 professors over a five-year period. Half the appointments will be at senior levels, known as Tier 1 Chairs, funded at a level of $200,000 each. The other half will be junior appointments, called Tier 2 Chairs, costing $100,000 each.

The CRCs are distributed amongst Canada's universities in an interesting combination of equity and demonstrated research strength. Every institution gets at least one appointment. The rest go to institutions in proportion to their success in winning grants from the three granting councils. The government did not follow this principle through to the allocation of chairs among the disciplines represented by the three councils. Instead, it raised the share going to the social sciences and humanities from about 12% (their share of research dollars awarded) to 40%. The health sciences received 35% of the money and the natural sciences and engineering 45%. Still, the Canadian Association of University Teachers (CAUT) complained that the social sciences and humanities should have got more, reflecting the fact that 42% of the current faculty complement are employed in these disciplines. There is, of course, merit in both positions; the disparity is largely explained by the fact that research in the social sciences and humanities employees more professors but costs less (or, at least, is supported at lower levels). The upshot is that most of the chairs will go to the three most research-intensive universities: Toronto, McGill, and U.B.C.

The CRCs are administered by a steering committee consisting of the heads of the three granting councils, plus the head of the CFI, plus the deputy minister of Industry Canada. This committee is advised by a College of Reviewers, consisting of panels of internationally recognized researchers. Considerable long-term significance must be attached to the fact that under this program, holders of Canada Research Chair will be expected to teach as well as perform research, a fact that draws the federal government into direct support of university teaching, a responsibility heretofore considered the preserve of the provinces and the universities themselves. The federal reach extends even further. Each university, in applying for its quota of chairs, is required to submit for approval by the steering committee, a detailed research plan.

The CRCs were designed as a partial response to two looming problems. One is a coming shortage of professors, a shortage fuelled in part by growth in student numbers, especially in B.C., Alberta, and Ontario, and in part by the pending retirement of the cohort of professors hired back in the 1960s and early 1970s during the last great hiring boom. The AUCC estimated in 2002 that Canada might need to hire as many as 40,000 new faculty members by 2011, more than the entire current crop of professors.[18] The AUCC now says this figure may be a conservative one.[19] The second problem arises from evidence that many of Canada's top professionals, including academic researchers, are being lured away by higher salaries in U.S.

universities. The CRC program was designed to bring some of them back while persuading others to stay.

The federal government's expanding role and influence in post-secondary education and research was given a further boost in 2001. Indeed, this may prove to be the most significant step of all. After years of equivocation on the issue, Ottawa finally agreed to recognize and address the burden it was imposing on some universities by its refusal to pay the indirect costs of research. The step was initially a tentative one, a one-time commitment of $200 million, paid on a sliding scale inversely related to the value of research grants received through the three granting councils. As a result, universities with the most funded research receive the least proportionate compensation for indirect costs.

The reason this decision is so important is that it recognized and began to remove one of the most critical impediments to research productivity. Indirect costs are those not directly and immediately connected to the production of research. They include overheads, such as administrative expenses, and such things as heat, light and depreciation. But they also include the portion of professors' salaries devoted to research. These costs have been estimated at 40% or more of the direct costs of research, which are currently covered by research grants.[20] Paying for at least a portion of these costs reduces the penalty imposed on Canada's universities, a penalty that increased in proportion with their research intensiveness and their success in winning research grant competitions. It is hard to imagine a more counter-productive policy. The United States has long paid the indirect costs of sponsored research, and this practice has had much to do with supporting and sustaining that country's outstanding record in research. Not paying for these costs put Canada's universities at a comparative disadvantage compared with their American cousins. Together with the CRC program, the decision to pay for at least a portion of the indirect costs of research will undoubtedly help to develop a tier of distinctively research-intensive universities in Canada. And perhaps most important, it is a policy that rewards rather than penalizing demonstrated excellence as measured by success in attracting research grants. The 2001 initiative was secured in 2003, with a commitment of $225 million per year, announced in that year's budget. The program continues the practice of paying a higher ratio of indirect costs to institutions performing lower proportions of research, and is administered by SSHRC. The arrangement is to be reviewed after three years of operation.[21]

There have been other federal initiatives as well which time and space prevent elaboration. Of particular note is the Canada Student Loan Program, mentioned above. Even more significant, at least in terms of money spent, is the Registered Educational Savings Plan (RESP) and its expanded Canada Education Savings Grant. This program will cost Ottawa some $623 million annually, more than that currently spent on the CSLP.

Ottawa's growing importance in post-secondary education and research was given added point and purpose in its two-part, ten-year policy paper entitled Canada's Innovation Strategy, released in 2002. The two parts, respectively authored by Industry Canada and Human Resources Development Canada, set out an ambitious set of goals intended to put Canada in the top rank of countries in terms of competitiveness in the global knowledge economy, as well as the steps needed for Canadians to acquire the skills and attitudes appropriate to an innovative society. The goals are nothing if not ambitious. By 2010, Canada should rank among the top five countries in the world in research and development, and rank among the world leaders in terms of Canada's share of private-sector sales from innovations. To get there, the paper sets a target of at least doubling the federal government's investment in R&D, and raising the per-capita value of venture capital investments to prevailing levels in the U.S.[22] On the training and education side, the strategy set equally ambitious goals. By 2010 every high school graduate should have the opportunity to participate in some form of post-secondary education, 50% of those 25 to 64 should have completed a post-secondary degree or diploma, and the number of Canadians admitted to masters and doctoral programs should increase by 5% per year.[23]

These are certainly ambitious targets. The question is not just whether we can get there from here, but what are the implications of doing so, or not, for Canada's universities and colleges and for Canadian federalism. It is to a consideration of some aspects of these questions, as well as the other related federal initiatives, that we now turn.

Reflections, Implications and Questions

There is no question the federal government has grabbed the lead in shaping post-secondary education policy in Canada. It is a policy that takes aim at transforming Canadian universities into more innovative institutions, with closer ties to both government and private industry, more attuned to commercialization of their discoveries, and all the while admitting a growing proportion of Canadians. The emphasis throughout is focussed on research.

Speaking as the collective voice of Canada's university presidents, the AUCC has enthusiastically bought into the federal vision. In July of 2002 they published their response to the federal government's Innovation Strategy. Titled "A Strong Foundation for Innovation: An AUCC Action Plan," it announced that Canada's universities

> ...are ready and willing to build on their already impressive contribution. They are eager to perform more research, to produce even more highly-qualified graduates, and to play an even more central role in empowering their communities through knowledge and innovation.[24]

They signed on to meet all of the specific targets set out in the Innovation Strategy adding, by way of *quid pro quo*, that to meet these targets will require substantially increased funding from both federal and provincial governments, as well as from business and industry.

The federal government and university presidents then consummate their emerging consensus by signing a "Framework of Agreed Principles on Federally Funded University Research", signed on 18 November 2002. In that framework agreement, the parties acknowledged AUCC's commitments as spelled out in the Action Plan, while the federal government accepted that it "...is responsible for providing the necessary levels of investment in university research to achieve these aims, including ongoing contributions to the indirect costs of research."[25]

This is certainly going to be an expensive enterprise. In a recent issue of Policy Options dedicated almost entirely to Canadian universities Robert Giroux, President and CEO of the AUCC, put the price tag for meeting the federal targets, as well as responding to projected enrolment increases and making up for the erosion of quality caused by the under-funding of the recent past, at a staggering $25 billion over the next decade.[26] Whether or not this is either a realistic or achievable estimate, it provides a useful yardstick against which to assess the recent federal initiatives.

It may be unwise to look this gift horse in the mouth, but prudence demands that we at least reflect on its possible implications, both for post-secondary education and for federalism.

There are some positive implications to be sure, even beyond the simple fact of more money for colleges and universities. The decision to pay at least a portion of the indirect costs of research stands at the top of the list. Not only does it address a perennial deficit for universities, but it alleviates pressure on the provinces to compensate for this federal neglect, a pressure to which several provinces had already responded. The CRC program also deserves to be singled out because of its explicit recognition and reward of demonstrated research excellence. The expansion of medical research to encompass a much broader definition of health, with added resources, needs also to be noted.

On the other hand, some areas cry out for reform, to clarify objectives and coordinate conflicting operations. One of these is student aid, with its federal and provincial involvement through the CSLP, the Millennium Scholarship Foundation, as well as federal tax expenditures for present and future tuition and living costs. Ross Finnie recently advocated a radical re-jigging of Canada's student aid policy, arguing that the existing panoply of grants, loans, debt remission, tax credits and savings grants

> ...often miss the mark and...don't necessarily deliver enough money where it is needed while providing funds to others (i.e. wealthier families) who don't necessarily need the money to make post-secondary schooling a viable option.

His recommendation is to consolidate these various elements into "...one program that does the job well."[27] The federal government, in the Throne Speech just delivered, has promised a full review of student aid. We will have to wait to see what emerges from that review.

There are also some broader questions that warrant concern. One is surely the tendency on the part of the federal government to limit its funding commitments to one-shot injections. The CRC program falls into this category, as does the CFI and the Millennium Scholarships. Of course, public funding must always be subject to changing circumstances and priorities, while parliamentary principles limit multi-year budgeting. Still one-time commitments provide a weak foundation on which to build long-term plans. After all, 1995 and its federal cuts in fiscal transfers is not exactly beyond living memory. Nor, at least for some of us, is 1966 and the federal decision to terminate direct grants to universities.

Indeed, we know at least that the CHST will not survive beyond this year, although what exactly will replace it has not, at the time of writing, been announced. We do know that health is to be split off as a separate transfer, and at least some are arguing that post-secondary education should also be separated from the remaining social programs.[28] Whatever the outcome of that debate, the successor to the CHST is not likely to remain the benign, indeed no-purpose, transfer that currently exists. The federal government will almost certainly seize this opportunity to inject greater point and purpose into federal expenditures for post-secondary education.

The federal government has been increasing its leverage across the board in its recent initiatives. One need only mention the CFI, the CMSF and the CSLP, the CRCs and the Indirect Costs Program to appreciate how far into post-secondary education federal influence now penetrates. The Innovation Strategy puts the icing on the cake, so to speak. And where are the provinces in all of this?

In a recent article in University Affairs, the official organ of the AUCC, two senior officials with Industry Canada, Chummer Farina and Ken Hart, observed that "...the federal policy for research in the universities is on a collision course with, at a minimum, provincial treasuries."[29] The provinces long ago accepted, at least tacitly, a legitimate federal role in university research. Indeed, more recently they have actively supported that role, taking steps and money to assist their universities in maximizing their potential revenue from federal research support. But it is one thing to support a specific federal role in university research. It is quite another to invite the federal government to assume a pervasive role in shaping post-secondary policy. That seems to be the not so thin edge of the wedge embodied in recent federal initiatives. The implications for Canadian federalism are not entirely sanguine.

Farina and Hart, in the University Affairs article just cited, go on to turn their attention to universities, suggesting a triangular relationship among universities, federal, and provincial governments.

> Dialogue between the two levels of government on this issue could be improved, and, as the "meat in the sandwich," it would be in universities' interest to catalyze a more systematic, analytic and ongoing dialogue.[30]

Appetising as the analogy may be, suggesting that universities provide the substantive content for this intergovernmental relationship misses an important point. The fact is that the university "meat" is something of a dog's breakfast of ingredients. It is one thing for the AUCC to buy into the federal strategy. It is quite another to infer that the AUCC brings with it the consensus opinion of all universities.

Universities are, in fact, seriously divided within themselves. The most serious dvision is that between senior administrations, whose interests the AUCC does represent, and faculty members, now almost everywhere represented by certified trade unions. And then there are the students and the question of where they fit in this imaginary sandwich.

What we desperately need is precisely to develop a new consensus, a new common sense of how the several elements comprising "the university", along with its benefactors and beneficiaries, will work collectively for the common good. Others have tried to articulate a similar objective. Frank Rhodes, former president of Cornell University, refers to a "community of inquiry."

> Only in community, in dialogue, across the boundaries that now divide them, can universities regain their full effectiveness. Only in dialogue can they fulfill their obligations to the society that supports them.[31]

John Evans, former president of the University of Toronto, speaks of the idea of a social contract between the university and society.[32] And Donald Kennedy, president emeritus of Stanford refers to the public trust that must underpin the university's relationship with its society.[33]

There once existed this kind of public trust or social contract. It was perhaps most eloquently expressed in the Flavelle report on the University of Toronto back in 1906. Flavelle's contract embraced the public, the university faculty, and the university administration. To each he assigned specific responsibilities in university governance: the public interest through a board of governors, the faculty through a university senate, and the administration through the university president, who provided leadership and integrity to the whole enterprise. Ian Clark reminds us of another version of this idea of a social contract, also framed in Ontario. In 1966 then Premier William Davis put it bluntly:

> [P]rovided that universities can meet the responsibilities of our times we should undoubtedly be better off if they were allowed to operate with ... autonomy. On the other hand, if they cannot or will not accept those responsibilities ... there will inevitably be a demand ... that government move in and take over.[34]

We need a new social contract for post-secondary education in Canada. It must be an accord that embraces the interests of students, faculty, administration, and the general public. Most important, it must accommodate the distinctive public interests represented by and expressed through our federal and provincial governments, while recognizing the primary constitutional roles of the provinces. It will not be an easy undertaking. Universities seem too divided within themselves to speak with a united voice. Students can hardly be expected to take the lead, although their interests certainly need to be incorporated. Leadership has fallen to the federal government, largely by default, but it is a partial leadership at best. The provinces must step forward, however constrained they are in terms of resources. It is only they who have the breadth of constitutional jurisdiction to respond to the full gamut of interests and opportunities, including the governance of universities, as well as colleges. Obviously, the federal government has a role to play. But to cede responsibility to the federal government alone, for charting the future of post-secondary education, is to accept a blinkered view of the roles of universities and colleges. In leaping to embrace the recent flood of federal dollars, we should perhaps be mindful of what it portends for post-secondary education and for federalism. Do we really know enough about what tune the piper is playing?

Notes

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