It's Time to Rebuild Strong Communities: CUPE's Submission to the Standing Committee on Finance

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Introduction:

For the seventh year in a row, the Federal government has announced a budget surplus.[1] This year the surplus is $9.1 billion, which is $2.1 billion larger than last year. Year after year, Paul Martin has consistently under-represented the amount of money available for public spending. Once again, the whole surplus was automatically applied to the federal debt even though the public health care system is in trouble, there is no pan-Canadian childcare program and urban infrastructure is in a severe state of decay. This money should have gone towards rebuilding strong communities.

Last year, the government continued to siphon the surplus from Employment Insurance away from unemployed workers. The government took in $17.5 billion in Employment Insurance premium revenues despite the $0.3 billion decline in EI revenue caused by the reduction in premium rates. It spent $15.1 billion on EI during 2003-04. The EI surplus amounted to almost $2.5 billion ($2,488 million) in just one year.

In addition to saving money at the expense of unemployed workers, the federal government short-changed Canadians by under-funding other programs too. It causes us great concern to read in the Annual Financial Report that the federal government spent $2.0 billion *less* on program spending than it said it would at the time of the 2004 budget. The Department of Finance attributes this to "the year-end spending freeze and delays in implementing initiatives from previous budgets."

The government likes to point out that program expenses increased by $7.8 billion over the previous year, but we have to take a longer view. As a percentage of GDP, program expenses declined from 15.7 per cent in 1993-94 to 11.6 per cent in 2003-04.

While workers face federal government under-funding of social programs, corporations have benefited from tax breaks that made their profits soar in 2003-04. The increase in corporate profits is partly responsible for the federal surplus this year. This is because the federal government allowed corporations to carry their losses forward and pay lower taxes in 2002-03. The "dramatic" increase in revenue from corporate taxes in 2003-04 is because of low taxes paid the year before. The Department of Finance points out that the current increase in revenue is also due to the strong Canadian dollar resulting in increased profits for the financial sector. Corporations have already received huge tax cuts because of the government's $100 billion Five-Year Tax Reduction Plan. Higher corporate profits should not be used as a justification for more tax cuts in the upcoming budget.

While the corporations complain about paying too many taxes, in actual fact the regressive GST contributes more to government revenue than corporate taxes. Last year, the GST contributed 15.2 per cent to federal government revenues, while corporate income taxes contributed 14.7 per cent.

Accountability

The transfer of federal funds to the provinces with no strings attached is encouraging private, for-profit delivery of services. The Throne Speech indicates the government intends to give money to the provinces and territories without requiring national standards, monitoring or enforcement. This is the context of Martin's "flexible federalism"; a strategy that will not meet the needs of Canadian communities.

Yet, the government tries to make it appear that it values accountability by emphasising the need for results and reporting mechanisms. In other words, the Liberals intend to introduce corporate benchmarks into public administration but they will not actually require the public delivery of services. Indeed, the government already has the legal basis to protect public services. It could enforce the Canada Health Act, for example, but it does not use that power. Further, the proposed modernization of the Competition Act is meant to make regulation more business-friendly. The Throne Speech makes reference to "smart government", "smart regulation", "smart borders", and a "smart military". We are concerned this is meant to signal spending will be targeted, thereby casting aspersions on calls for government to uphold universality and commit to higher levels of program spending.

Early childhood education and care

In the 2004 spring election, the Liberals promised to bring about a pan-Canadian child care plan that would enshrine four key principles in legislation - Quality, Universality, Accessibility, and Developmental programming. Paul Martin promised to spend $5 billion additional money over the next five years to create 250,000 new high-quality, government-regulated childcare spaces at an affordable cost to parents. The Liberals promised a pan-Canadian system building on what Quebec already has – regulated, high quality, publicly funded child care at a maximum cost of $7 a day per child.

In the Throne Speech, the government said it would develop foundations for a national framework and work with provinces and territories, focus on best practices, require progress reports, and ensure flexibility in the system.

Child care advocates have worked tirelessly to bring this issue to the attention of successive governments and now the minority government presents a ray of hope. But cash-transfers are not sufficient to ensure a publicly funded, not-for-profit, quality pan-Canadian child care system (for children from birth to twelve years of age) that is fully inclusive and meets the needs of every child regardless of their ability, language, culture, family income status or where they live.

We call on the Canadian government to:

- Ensure adequate funding for services that are of high quality and affordable to parents, and so that child care staff are well trained and fairly compensated. CUPE supports an increase in spending to $5 billion per year over the next five years, as the first part of a national funding plan tied to specific service targets and a specific timetable for implementation.

- Make a commitment to universally accessible and inclusive early childhood education and care. Canadians accept that all children benefit from education. Our public education system is not targeted to specific groups or designed as a welfare program –early learning and care services must not be targeted either. A national childcare program must also be inclusive of children with disabilities and culturally sensitive to Canada's diverse populations.

- Create a legislative framework to guarantee standards and funding, and strong accountability mechanisms in a national childcare program. The federal government should develop a federal/provincial/territorial social policy framework with licensed and regulated child care as the cornerstone of Canada's 'family friendly' policies. Currently, the availability and quality of child care services in most of Canada are uneven due to scarce funding and uncoordinated policies and standards in many jurisdictions. Any legislation should also respect Quebec's autonomy and leadership in child care.

- Uphold the public and non-profit delivery of services. Public auspice ensures more equitable access and higher quality. Any commercial dimension would, by its nature, increase the cost of services because of the necessity of a profit. Even quality control will be secondary to profitability. As well, public/non-profit delivery mitigates the risk of trade challenges.

- Require each provincial/territorial government to use federal childcare funds to build a publicly funded child care system that is high quality, inclusive, affordable and universally accessible, not-for-profit, and accountable for all public funding. Provinces must use federal money to supplement, not replace provincial spending.

- Support a human resources strategy for child care workers that leads to improved wages and working conditions including assisting the development of better bargaining structures for unionized workers.

Municipal Infrastructure and the New Deal for Cities

In the upcoming budget we want to see immediate investments in environmentally sustainable water and wastewater infrastructure, affordable housing, urban transit, and recreation facilities. As physical assets are renewed and developed using public funds, measures must be taken to ensure that they remain public assets, and are operated and delivered publicly.

A critical component of a New Deal for strong communities is an assurance that public funds for physical infrastructure are carefully administered by public bodies, to assure long-lasting reliable quality public services for vital local economies. This means not redirecting precious infrastructure resources to more expensive, for-profit schemes, or funding corporate profits through contracting out and public-private partnerships (P3s).

There are serious problems with P3 financing, operations and accountability. Public-private partnerships cost governments more in the long-run; they sometimes hide but never reduce public debt. Clearly, private corporations have to show a profit for their shareholders and this results in higher costs for the public. P3s result in reduced quality of service and reduced wages. The experience of P3s also shows that there is reduced transparency and reduced public control. Finally, it is clear that a majority of Canadians want their public infrastructure built through direct public investment, not P3s.

Paul Martin's "New Deal" for cities, outlined in the throne speech, is a weak response to the urgent needs of our communities. Cities are promised $2.5 billion spread over 5 years. This barely covers the $2 billion annual cost cities face for deferred maintenance, let alone the accumulated $60 billion cost the Federation of Canadian Municipalities estimates cities need to deal with the infrastructure deficit.

What we need:

We need a significant transfer of funds from the federal government to our cities and towns. This includes a generous share of the fuel tax, the GST exemption and direct federal funding for public infrastructure, affordable housing and urban transit.

Cities need stable, predictable funding – not one-time loans and grants without guaranteed resources for maintenance and operation. In the short term, significant transfers, tax rebates and exemptions, low-interest loans and direct federal funding for infrastructure are required.

Municipalities should be encouraged to pursue public infrastructure financing opportunities: A debt incurred to purchase an asset can be a very good investment. Instead, to date under-funding and downloading to municipalities by higher levels of government has encouraged the pursuit of P3s and other forms of privatization that compromise strong sustainable communities.

Strong communities require programs and legislative changes that will encourage pension funds to invest in public municipal infrastructure. There are many other public alternatives for funding infrastructure, including the pooling of municipal debt, government bonds, real return bonds, a dedicated Infrastructure Fund at the national level, tax-exempt bonds, federal subsidies, crown corporations such as the Canada Mortgage and Housing Corporation and Public Interest Companies.

CUPE supports the GST rebate and delivery of $0.05/litre of the fuel tax (including diesel) within three years, as called for by the mayors of the largest cities, but this is barely a drop in the bucket compared to what cities need to reinvest in strong public infrastructure. Further more, a deal for cities requires more than a financial role for the federal government – we need an integrated urban strategy at the federal level.

We know the green municipal funds established last year have been used to leverage private- not public – investment in infrastructure already. We fear the new revenue for cities will end up lining the pockets of private companies that promote public-private partnerships (P3s) as the answer to infrastructure needs.

We call on the Canadian government to:

- Provide municipalities with enough money to address the approximately $60 billion infrastructure deficit that is growing at a rate of $2 billion per year

- Reject P3s and the privatization of public infrastructure by establishing a new Canadian Infrastructure Financing Authority that would raise up to $5 billion per year in federally guaranteed new credit, to be used to finance 50/50 cost-shared public infrastructure projects undertaken in conjunction with provincial, municipal, or other lower levels of public administration.

- Dedicate within three years, $0.05/litre of the federal fuel tax to help municipalities fund infrastructure and road improvements, ensuring that these new funds will not replace existing funds, and that infrastructure funding from other sources will not be clawed back

- Implement the promised GST rebate of $7 billion over ten years allocated for public infrastructure

- Ensure that public infrastructure funds are not used to justify the contracting-out of public sector work

Water

- Establish effective, pan-Canadian water standards by making infrastructure funding to provinces and territories contingent on enforcement
- Finance the expansion and upgrading of water and wastewater systems in the form of grants and loans to municipalities
- Co-ordinate the development of uniform training, testing and certification programs for water and wastewater operators, and provide resources for job transition programs
- Increase funding to assist First Nations communities to develop and improve their water and wastewater systems on a not-for-profit basis
- Reject any trade arrangement permitting the bulk export of water

Transit, Rail and Roads

- Invest directly in public transit, cycling and pedestrian infrastructure in our cities and freight rail and road investment in rural communities
- Amend the federal income tax act to make employer-provided transit passes a tax-exempt benefit
- Recognize the significance of urban transportation for reducing carbon dioxide emissions and live up to Canada's commitment to the Kyoto Accord

Solid Waste

- Require that public money support the public delivery of waste management services and the contracting-in of privatized operations
- Consider solid waste as a public resource belonging to all citizens and invest in publicly administered comprehensive recycling programs
- Inject more funds into green infrastructure programs in public sector waste management, tied to the promotion of solid waste reduction and diversion
- Implement national packaging regulations to minimize solid waste

Housing

- Establish a separate dedicated transfer for social housing and reinvest the surpluses from the Canada Mortgage and Housing Corporation in new social housing

- Commit $2 billion for new housing, including a flexible grants program to assist provinces and municipalities working with community-based housing organizations

- Commit previously promised funding to social housing, and support the homelessness and housing renovation programs already in place

- Develop a sustainable social housing program that builds between 20,000 and 30,000 new units, refurbishes 10,000 each year and supports co-operative housing

- Implement a national housing strategy aimed at increasing income support for low-income people. At least 50 per cent of the units should be made available at below-market rents

- Develop public sector partnerships between different levels of government to protect the stock of affordable housing and allow for the major restoration of public housing projects

- Work with communities to acquire lower rent properties at risk of demolition or conversion, and to redevelop older public buildings in the downtown of our communities as an alternative to more urban sprawl

Energy and the Environment

- Develop new standards for conservation, energy efficiency, and long term environmental sustainability and invest in programs to support these standards. Sustainable energy policies are vital for environmentally sustainable communities

- Establish a Kyoto Implementation Fund with $1.25 billion each year over the next seven years to provide training and benefits for displaced workers, assist in meeting Kyoto targets, invest in new green technologies, and make Canada a world leader in sustainable industries

- Take a leading role in retrofitting physical assets and enforce operation guidelines for environmental sustainability

- Provide incentives to provinces with open energy markets to close them and re-regulate the sale of electricity

- Address supply issues first through investment in conservation and energy efficiency measures

- Develop incentives to foster east-west Canadian electricity cooperation rather than north-south integration

- Increase regulation and enforcement in the public interest

- Reject any international trade and investment agreement that undermines the public provision of services within communities and the sustainability of natural resources used by communities

- Reduce the environmental impacts of our energy use and move closer to a pollution-free, renewable energy future

- Acknowledge that publicly owned and operated utilities are in the best position to manage demand through conservation and energy efficiency programs while also expanding capacity

Health Care

The Throne speech confirmed the first ministers' health care agreement reached in September 2004. The federal government will spend about $41 billion over the next 10 years to bring federal transfers up to about 25 per cent of total provincial/territorial spending on health care.

Despite the new funding, the federal government failed to require any meaningful commitments from the provinces on accountability or conditions that must be met to receive federal funding. Despite the health minister's promise to stem the tide of privatization, nothing has been done to ensure this.

We call on the Canadian government to:

- Seek provincial and territorial commitments to the public delivery of health care in exchange for the significant increase in federal investment and be directive in the area of prevention, promotion and public health

- Place conditions on the use of the funds, and enforce the Canada Health Act should the provinces and territories not use the funds as intended

- Prohibit provinces and territories from contracting health services to for-profit providers and licensing for-profit facilities

- Establish a national home care program under the Canada Health Act with guidelines and standards for all regardless of province of residence

- Implement immediately, measures to establish a national pharmacare program

- Ensure a safe and thorough approval process for new drugs and ensure all clinical trials and evaluations of all drugs must be free from self-interested corporate influence

- Enhance the $700 million plan for Aboriginal health with the necessary funding to address health care issues within aboriginal communities, including recruitment and training strategies

- Take care to ensure the integration of internationally trained health care graduates should not contribute to a "brain drain" from developing countries and should only be done as a partnership with developing countries such that both may benefit

- Implement a Canadian Labour Congress proposal for a pilot project for health care workers to be retrained and /or upgraded through an EI training program

- Review and take seriously the studies and recommendations of health human resources studies already on-going or recently completed and start a dialogue with provincial government about the results of these studies

- Allocate adequate funds to address the issues of care for the elderly into the next decade through a pan-Canadian and long-term plan

- Promote the model of primary care on a 24/7 basis with interdisciplinary teams of caregivers

- Demand accountability from the provinces for the privacy of health information

- Ensure the health needs of residents in the North are adequately funded and met

Equalization

The government intends to introduce a fundamental reform of the Equalization program. We are concerned the IMF has advised the Canadian government to ensure that "amendments to the system of federal-provincial equalization payments … contain the burden on the federal budget."[2] This means the IMF wants Canada to cut equalization payments to the provinces

If the equalization program is truly intended to ensure provinces have 'sufficient revenue to provide reasonably comparable levels of public services at reasonably comparable levels of taxation', equalization payments must be conditional on their use for publicly funded, owned, operated and delivered programs, and not for-profit alternative service delivery models such as P3s, and contracting out.

As well, CUPE calls on the federal government to change the equalization formula to take into account the average economic strength of all ten provinces, rather than excluding Alberta's strong performance, as the formula does now.

Further, CUPE supports the removal of the equalization floor. A "floor" only works to provide the "have provinces" with a slice of the equalization pie when they may not require it.

Employment Insurance and Training

The Throne speech raises plans to review the employment insurance system. This is long over due since roughly two-thirds of unemployed women do not receive EI, while more than half of unemployed men in Canada do not receive EI.

We need qualifying hours to be lowered to 360 for all benefits throughout the country. The duration of benefits must be lengthened, and benefit levels should be set at two-thirds of a worker's best twelve weeks. Benefits should be automatic if workers are laid off after a special leave, such as maternity leave. We need a Training Insurance system to be managed through the Employment Insurance system that would be similar to the apprenticeship system. E.I. would include a training benefit leave.

It would cause us great concern if the government were to take the advice of the International Monetary Fund which, in the spring of 2004, advised the government not to fund broader social policy objectives through the EI system and use the pending review of the system "to consider experience-rated premiums and alternative funding options."[3] We expect the labour movement to be consulted thoroughly in the upcoming review process in order to ensure that unemployment insurance and training funds exist to support workers when they need them.

The government indicates its intention to develop a workplace skills strategy that would enhance apprenticeship systems and boost literacy and other skills; training facilities and labour market agreements developed in collaboration with provinces and territories, unions and sector councils. As well, the government plans a review of the Employment Insurance system and promises to recognise foreign credentials and prior work experience.

This could be a positive development if the government intends to address these issues from the perspective of workers' needs. We agree that our apprenticeship system is sorely lacking and needs further development. It should be extended to traditionally female jobs as well.

We agree that a program to recognise the international credentials of immigrant workers should be implemented. Appropriate assessment tools, including prior learning, should be used with immigrant workers and all workers in Canada, including aboriginal workers. The government should not use immigration policy to replace a comprehensive EI training insurance and apprenticeship program.

Post-secondary education

The Throne Speech fails to mention increased funding for post-secondary institutions. Instead the government promises to increase access to post-secondary education by establishing learning bonds as a savings vehicle to help low-income families. This is entirely inadequate given the outrageously high tuition fees, contingent labour, high workloads and level of deferred maintenance at universities and colleges across the country. Once again the government signals its intention to follow investments in basic science and technology by efforts to increase the commercialization of bright ideas. This indicates deepening corporate influence in post-secondary institutions.

Given its huge surpluses, the federal Liberal government has the fiscal capacity to restore the billions of dollars that have been cut from post-secondary education since 1993. The federal government must increase the transparency of its funding commitments to the provinces by establishing a separate accounting of cash transfers for post-secondary education. The federal government should establish a national system of grants based solely on need. The federal government should pass a federal Post-secondary Education Act that prohibits the establishment of private, for-profit educational institutions and ends public-private partnerships.

Community Social Services

In the Throne speech, there is no mention of the federal program funding social assistance, housing and post-secondary education. The Canada Social Transfer is in need of fundamental restructuring. We need to have separate and dedicated transfers to promote accountability and build strong communities.

Many municipalities across the country fund social services at the community level through property taxes. Property taxes are not related to income, and as such, they are regressive and place a heavier burden on these with lower and middle incomes. This is an inadequate and flawed approach to funding municipal services. Furthermore, municipalities are faced with growing responsibilities for social assistance, as unemployment insurance covers fewer and fewer Canadians. This is inappropriate for the needs of unemployed

Canadians and entirely unnecessary, given the huge surplus in Employment Insurance.

The Throne Speech reiterates Paul Martin's support for the "voluntary" sector. Paul Martin intends to introduce a new not-for-profit Corporations Act which is an idea that was part of the 2004 Budget Plan and grew out of an Industry Canada consultation in the year 2000.

While we recognise that the Corporations Act was never a really good fit with the not-for profit sector, we call on the government to ensure full consultation before introducing this legislation to evaluate its effect on the work of community activists, our members and the communities they work with, especially in terms of administrative workload and governance questions.

CUPE requires a guarantee that any new legislation concerning the not-for-profit sector will ensure volunteers do not replace public sector employees in providing community services. Voluntary organizations should be required to respect "work of the bargaining unit" language in collective agreements, as part of a broader recognition that this work is of economic and social value and should be fairly compensated. This commitment is essential for women's equality, and work of new immigrant women in particular. The work that women do in the paid workforce should not be returned to the private sphere where women are compelled to do the same work without pay. Voluntarism cannot be used to replace programs for which the government bears responsibility.

Conclusion:

In our view, the minority government introduces a more democratic impulse into Parliament. After experiencing the government's lack of regard for the needs of communities, Canadians declined to give the Liberal Party a majority government in the last election. It is now time for the Government of Canada to re-invest in public services across this country, as the first step in rebuilding strong communities. It is time for this government to be made accountable to communities, not corporations.

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[1] Department of Finance Canada, Annual Financial Report of the Government of Canada Fiscal Year – 2003-2004 www.fin.gc.ca/afr/2004/afr04_1e.html October 13, 2004
[2] International Monetary Fund, March 10, 2004
[3] Public Information Notice No. 04/18, "IMF Concludes 2004 Article IV Consultation with Canada", March 10, 2004 International Monetary Fund
http://www.imf.org/external/np/sec/pn/2004/pn0418.htm