Canadian Union of Public Employees
Submission to the House of Commons Standing Committee on Finance
Pre-Budget Consultation, September 2003

Introduction

The Canadian Union of Public Employees is Canada's largest union representing over 550,000 working Canadians in 2,300 locals. CUPE members work in urban and rural communities across the country. Our members are employed by municipalities, hospitals, and long-term care facilities, libraries and universities, social service agencies, public utility commissions, airlines, and other public institutions that deliver services to Canadians. CUPE has a long history of supporting and defending our communities and we have played a key role in making sure governments meet the needs and interests of their citizens.

CUPE welcomes the opportunity to present our views and discuss the upcoming federal budget with the House of Commons Standing Committee on Finance. Today we will address important issues that affect the lives and the communities of the people of Canada.

We believe the time is right for increased federal investment in our public sector. Canadians should not be denied the public services and the vibrant communities to which they are entitled. The upcoming federal budget must be a budget that renews public infrastructure and democratic participation.

Canadian Economy in a Global Context

The next federal budget will be brought down at a time of uncertainty in the international economy. Although the Organisation for Economic Cooperation and Development (OECD) anticipates ongoing global economic recovery led by the United States, it also recognises U.S. monetary and fiscal stimulus is the factor driving this recovery, and considers it "worrisome" (OECD, Economic Outlook for OECD Countries: An interim assessment, September 3, 2003).

The Bush Administration is creating an unprecedented deficit this year to pay for tax cuts, as well as the war and privatization of Iraq. U.S. workers are facing the highest job losses of any time since the Great Depression. Privatization and deregulation in the U.S. have resulted in acute infrastructure vulnerabilities and resulting economic weaknesses.

This the time for the Canadian government to consider alternatives to a strategy of deep integration with the United States.

Canada has great potential to be a leader on economic and social issues. The United States does not need to be our guide on these matters. Nor should the government bend to the pressure of wealthy Canadians who want further tax cuts and lower social spending. In our society there are serious problems that require democratic debate and participatory solutions. In August of this year, the unemployment rate jumped to 8 per cent. This is the highest it's been since December 2001. A disturbing part of the recent report by Statistics Canada is that full-time jobs were declining as part-time jobs are increasing. Among the hardest hit were workers in health care and social services. (Statistics Canada, The Daily, September 5, 2003) Our economy is becoming more polarized, but we have the opportunity to reverse this trend.

Statistics Canada reports that the Canadian economy declined by 0.1% in the second quarter of 2003. This was the first quarterly decline since the third quarter of 2001, but weaknesses are attributed to a series of events (SARS, Mad Cow scare, forest fires, U.S. protectionism), rather than any threat of recession. As reported in early September 2003, the OECD anticipates that growth in Canada will be 2.7 per cent this year and 3.4 per cent in 2004. Over the past decade Canadians have paid dearly for the restructuring of the Canadian economy. Clearly we have the economic means to ensure a more equitable and secure future for the people of Canada.

Public infrastructure – Our priority

In recent years, Canada has faced serious challenges from the decline in the quality of our infrastructure. We share the government's view that well developed infrastructure is a crucial determinant of sustainable economic growth and improvements in the quality of life. We are encouraged that the federal government's infrastructure program gives priority to green municipal infrastructure. Where we depart from the government's position is in our unequivocal support for fully funded, public infrastructure.

There is general agreement that Canada's infrastructure is grossly under-funded, but the issue is not only one of funding. Neither is the issue simply one of strong public regulation of private corporations. From our perspective, a modern, inclusive, and environmentally sustainable public infrastructure is key to the health of our communities, the well being of all the people of Canada and economic prosperity in Canada and elsewhere.

Advocates of privatization argue that the state cannot afford the financial investments needed to upgrade infrastructure and, therefore, they should turn to the private sector for financing. They go on to suggest that the private sector can bring efficiencies to service provision that will result in savings for consumers. Finally, they argue that private companies have access to expertise and technologies municipalities lack.

CUPE's analysis comes to different conclusions. On financing, experience has shown that the public sector can obtain better financing terms than the private sector because governments have better credit ratings than corporations. In a public-private partnership, a part of the money that could have gone towards a reserve fund for future infrastructure expenditures will instead go to the private company's profits. In a public-private partnership, the public partner tends to pay for upgrading and automation, but the private corporation profits from the upgraded system. P3 arrangements strain public finances further. A public system provides better opportunity for financial resources to be targeted on maintenance and operation instead of being siphoned off in profits.

On the question of efficiency, the public system can avoid the disruptions that result from corporate failure and corporate takeovers in the global economy. Private companies are often unstable in their ownership and management over the long or even short-term. Municipalities choosing privatization are faced with new types of financial and operating risks from the instability of its private partner. There is no regulation that can prevent corporations from walking away from service delivery once their corporation collapses or they fail to extract enough profit out of the system.

The public system can adopt new technologies, efficiencies and environmentally responsible practices. A public system can keep infrastructure in Canadian hands, and avoid the duplication and higher costs incurred if there are multiple providers of services. Privatization fragments the system and leads to problems with operation and planning. Furthermore, publicly operated systems ensure access to services of high quality.

Private companies do not always run their operations as efficiently as they would have us believe. Private utilities have to pay taxes and profits as well, which adds to their operating costs and a private company may pass on hidden costs to its public partner. For example, the costs of negotiating and monitoring a P3 contract are usually absorbed by the public.

On the question of expertise, the public sector has highly skilled expert staff. Through competitive bidding processes, governments are able to procure the materials and technologies and required expertise and ensure accountability and the involvement of citizens. In most public-private partnership situations, the contract limits the liability and responsibility of the private sector. Private utilities, for example, are not mandated to protect the general public interest. They are legal entities that exist to maximize profits and returns for their shareholders.

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We have witnessed the disturbing trend towards privatization within Canada and around the world over the past two decades. The harmful legacy of privatization has caught the attention of theWorld Bank and the United Nations Development Program. Recent reports on massive private investment in infrastructure in developing countries confirm many of the problems OECD countries face. (UNDP Human Development Report 2003; World Bank, "Private Participation in Infrastructure in Developing Countries: Trends, Impacts, and Policy Lessons" March 2003) Lack of transparency in the tendering of contracts and the purchasing of public assets; difficulties of raising funds for privatization because of failures in the stock market; rate increases that hurt the poor; and a reduction in public accountability are some of the key weaknesses that international institutions have acknowledged.

Public Infrastructure

The 2003 federal budget committed $3 billion over the next 10 years. Of this money, $2 billion was allocated to the Canadian Strategic Infrastructure Fund. This money is to be matched by funds from provincial and territorial governments, as well as private corporations. $1billion was allocated to municipalities in the Municipal Rural Infrastructure Program. The federal government is looking to boost this investment to $7 billion, which means that we can expect to see more public-private partnership initiatives for infrastructure.

The 2003 federal budget included insufficient investment monies for municipal infrastructure, water and the environment. What we needed last year and what we need now is a clear commitment to funding for needed municipal infrastructure, especially as it relates to water and wastewater management.

<u>CUPE calls on the federal government to:</u>

- Establish a National Environmental Infrastructure Investment Program with an annual investment of $6 billion per year, shared equally by all levels of government

- Establish a National Infrastructure Investment Authority, seeded with $500 million

- Facilitate the integration of public power systems operating throughout the country, develop a Canadian grid; ensure a secure and affordable supply of electricity; and encourage the democratic control of our energy systems

- Encourage public-public partnerships in infrastructure. Cooperation among municipalities in a region or county on procuring inputs such as chemicals and electricity more cheaply and sharing resources could significantly reduce costs and maintain public control over operations.

- Limit private sector participation to the designing and building of the infrastructure, which is the traditional role that they have played. Financing, leasing, operation, maintenance and management of such projects should be left in public hands so as to limit costs to the public as well as optimize public control and accountability.

- Fund adequately the infrastructure needs of communities across Canada. Municipalities are frequently frightened into considering privatization by the huge estimates given for the capital costs required to upgrade and expand infrastructure.

- Work with provinces, territories, and municipalities to implement life-cycle costing systems that factor in the long term costs of operating, maintaining and upgrading infrastructure; providing grants or low interest loans to ease the transition to full-cost accounting, which should not rely solely on user-fees

- Provide First Nations communities with special financial and technical assistance to address the acute and long-term infrastructure problems faced by these communities.

Environment

In the 2003 Budget, the federal government allocated $710 million over two years for climate change initiatives, primarily for sustainable development technology.

What we need is a much stronger commitment to the environment and health of Canadians.

CUPE calls on the federal government to:

- 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.

- Commit new money to clean up abandoned mines and contaminated areas, and to establish new national parks and protected areas.

- Develop new standards for conservation, energy efficiency, and long term environmental sustainability

Affordable Housing

We know there is a tremendous lack of affordable housing in Canada. In Toronto alone, there are 64,000 people on the waiting list for social housing. According to the 1996 census, 516,000 families with children live in housing that is in need of major repair, is overcrowded, or cost more than 30% of pre-tax income.

In 2001 a federal-provincial agreement committed the Federal government to a contribution of $680 million over 5 years for affordable housing. After signing agreements with each of the provinces and territories, the provinces *or a third party* will be required to match federal funding. This agreement opened the door wide to public-private partnerships and profit-making in the provision of housing to low-income people.

The 2003 budget dedicated $320 million over five years to top up the Affordable Housing Initiative, but allocated only $80 million during the first two years. That money will create no more than 2,500 new homes per year in the entire country. This is far short of a fully funded and comprehensive national housing program that would meet the objectives set by government which would cost about $2 billion annually to build 20-30,000 units. The government also renewed its commitment to the existing community homelessness initiative and provides $128 million each year for three years for rehabilitation of existing units.

The 2003 budget continued the slow progress that the federal government has made in the last three years, as the nation-wide housing crisis and homelessness disaster has grown worse.

CUPE calls on the federal government to:

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

- Develop a sustainable social housing program that builds 20,000 new units and refurbishes 10,000 each year.

Social Equality

The last several years has seen billions of dollars cut from federal transfer payments. With changes to the Canada Health and Social Transfer (CHST) also came the greater bundling of transfers. No longer are specific amounts earmarked for each sector. This allows the provinces to spend the funding as they wish and also makes it difficult to determine the amounts the provinces have dedicated to teach of the sectors, thereby reducing public transparency and accountability.

In the 2003 federal budget, advocates had hoped to see a substantial down payment on a poverty reduction strategy and the establishment of a pan-Canadian child care program as well as movement on housing. We were left disappointed with the modest level of funding that was committed during the critical first two years of the government's strategy and a weak agreement on child care.

In the last budget, the federal government committed $2.195 billion over three years for defence spending and national security. Canadians need more than secure national borders. We need social security. Decreased CHSTs over the years, worth billions of dollars, has hit the social services sector the hardest. The lion's share of CHST funding goes to health care and post-secondary education, leaving the social services sector with the least amount of funding. As it now stands, there is no obligation on the part of the provinces to spend any of its CHST funds on social assistance and social services.

Despite recent figures that show a growing shift of the Aboriginal population towards urban centres, the government allocated a meager $17 million over two years to an urban Aboriginal initiative.

Canada has one of the worst child poverty rates among the 23 industrialized nations. A report by Campaign 2000 (May 2002) identifies 18.5% or 1.3 million Canadian children as living in poverty. Child hunger persists in Canada. As Canadians, we should be appalled, and this budget should be addressing this issue.

Canadians are struggling against growing social inequality in Canada. Workers of colour, persons with disabilities, First Nations Peoples, gay men, lesbians, transgendered persons, all need their voices heard. They offer a variety of alternative voices to the voice of the business community and will never be heard in the absence of financial support. While the federal government has cut funding for advocacy groups, it has increased grants to organisations such as the Canadian Council on Public-Private Partnerships to build support for P3s in the wider society.

CUPE calls on the federal government to:

- Ensure specific funding amounts are earmarked to social assistance and social services in order to bring funding levels up to 1996-97 levels, and hold provinces publicly accountable for proper distribution of the monies.
- Increase spending contributions to 25 per cent of provincial and territorial spending
- Set national standards for income assistance
- Increase the income floor to 60% of the LICO and increasing to 75% by 2004
- 10 per cent increase in the Guaranteed Income Supplement in each of the next tow years
- Establish of a $200 million Equity Participation Foundation to support and restore the crucial work of social activist and advocacy groups in Canada
- Make a funding commitment to peace, justice and sustainable development

Early Childhood Education and Care

After years of no movement on child care, the federal government set out a spending commitment for a quality national child care program in the 2003 budget. $935 million is dedicated over 5 years. But only $100 million is dedicated over the first two years including a paltry $25 million in the first year. The amount will be $75 million in year 2004/05. The first year will bring only about 3,000 new spaces. This is entirely inadequate given that the labour force rate of mothers of children in all age groups continues to grow; the rate for those with children 3-5 years grew from 68% to 73.4% (1992-2001). There are about 3.3 million children with mothers in the paid labour force.

As a result, child care will continue to be unavailable for most parents outside Quebec. Currently, 40 percent of the 600,000 regulated child care spaces in Canada are in Quebec. Only about 12% of children under the age of twelve have access to child care.

The subsequent framework agreement refers to regulated care. Regulation is defined as programs that meet quality standards that are established and monitored by the provincial/territorial governments. There are not benchmarks established. This leaves the door open for provinces to establish quality standards that are inferior to what advocates would expect from a truly regulated program.

In the framework agreement, spending is allowed on a range of investment such as capital and operating funding, fee subsidies, wage enhancements, training, parent information and referral. The problem is that governments could continue to fund information and referral with these funds and not improve and expand childcare. There is no funding for childcare programs for children between the ages 6-12, even though in 2001 there were almost 2 million children in this age group whose mothers were in the paid labour force. Furthermore, the door is left open to for-profit delivery in the framework agreement. Studies consistently suggest that childcare services operated for-profit are less likely to deliver the high quality care environment in which young children will thrive.

There are no dispute mechanisms- a requirement under the Social Union Framework Agreement for intergovernmental agreements. There are no penalties for non-compliance. There is nothing requiring a province to spend or report within the year it received the funds .

The government raised the maximum child tax benefit to $3,243. But this is over a five year period that targets only the lowest income families and still falls far short. Without an end to the clawback of increases to the National Child Benefit, there will not be any benefit to families on social assistance.

The government knows its commitment is inadequate. In November 2002, the national Liberal caucus social policy committee recommended: $1 billion in year one; $2.2 billion in year two; $3.2 billion in year three; and $4.5 billion in year four, specifically to expand spaces and cover operating costs for children 3-6 years of age.

The European Union recommends at least one percent of GDP be targetted to publicly fund child care. For Canada, 1% of GDP would mean approximately $10 billion to be spent annually.

CUPE calls for:

- Commitment of sufficient federal funds to develop a publicly funded, 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 family's income and employment status, where they live, their ability, language, or culture.

- Federal leadership in developing a federal/provincial/territorial social policy framework with licensed and regulated child care as the cornerstone of Canada's "family friendly" policies.
- Requirement for provincial/territorial governments receiving designated federal funds to spend them directly on improving and increasing access to affordable, quality, regulated, not for profit, universal and inclusive child care.
- Requirement that all provincial/territorial governments receiving federal funds designated for child care maintain or increase their spending on child care and use the federal funds to supplement, not replace, provincial/territorial child care funding.
- Mechanisms to ensure monitoring and compliance with the terms of the federal/provincial/territorial agreements, develop obligations for public reporting that will ensure clear data detailing improvements and progress, and develop effective processes for dispute resolution.

Health Care

The federal government needs to recognize the integral link between policy and funding. More money without substantive policy leadership simply does not produce effective social programming. The federal government needs to increase its funding without public-private partnerships.

In the last Federal Budget, the government stuck true to form and mirrored the First Ministers' Accord struck earlier in the month. Provinces are free to spend health transfers on for-profit health care providers and public-private partnerships. The new money over 3 years is only $13.7 billion. New money over 5 years is only $29.4 billion. Furthermore, the government claims the proposed National Health Council is part of its new accountability measures, but it has yet to form the Council. Even if the government gets the approval of the provinces, the Council will not be able to ensure federal health spending goes to not-for-profit care.

CUPE calls on the federal government to:

- Develop measures to ensure provincial governments are held accountable for spending tax dollars on publicly delivered services

- Establish a new Canada Health Transfer (CHT) with funding going only to publicly delivered, not-for-profit health care services – not to privatization.

- Increase health spending by $19 billion over three years.

- Set a new cash floor for the CHT of $20.2 billion by 2005-06 or 25 percent of health spending.

- Bring all home care and palliative care services under the Canada Health Act

- Establish a national drug agency and a national prescription drug plan.

- Ensure these programs are funded on a 50/50 cost sharing basis with the provinces

- Invest in retention and recruitment strategies that will serve to alleviate health care staffing crises across the national health care system

As well, we call on the government to pay attention to the broader determinants of health, and take measures to reduce poverty and inequality, improve housing, support early childhood development and protect the environment. These would all contribute to improving the health of Canadians and in the long term reduce health care costs.

Unemployment Insurance

The most recent figures indicate that unemployment rate has reached 8 per cent and is now the highest since December 2001. This rate of unemployment, the system of qualifying for UI and the size of the UI surplus are national disgraces.

In 1990, before "reforms" to the Unemployment Insurance 74 per cent of unemployed workers received benefits. By 2002, only 38 per cent of unemployed workers received benefits. Furthermore, these reforms had a profoundly negative impact on insurance protection for women of all ages.

Unemployment Insurance premiums were lowered in the last federal budget, for both employers and workers. A new Family Care Leave Benefit provides for 6 weeks of compassionate leave, but does not meet the need for a national home care program with publicly funded and delivered palliative care. Many part time workers and women will not even qualify because of the high number of hours required.

Those who do quality find their benefits are now lower and the coverage period has been shortened. The present system, as it is interpreted and applied by HRDC, is having a particularly negative impact on post-secondary education workers.

In 1994-95 the UI surplus was $4 billion. It is anticipated that the UI surplus account will reach $50 billion this year. The federal government has increased its coffers at the expense of ordinary workers. The government has used the UI surplus to meet its deficit reduction targets, while paying for tax-cuts that benefit the wealthy.

No worker should be left behind in maintaining and upgrading their skills. This is key to any successful innovation strategy. Canadians expect the Unemployment Insurance system to include training insurance for all workers - employed and unemployed. The first step in developing a comprehensive UI training insurance plan could begin this year with a pilot for health care workers where there are acute shortages and where there is no training or assistance programs for skills upgrading.

CUPE calls on the federal government to:

- Expand the definition of workers eligible for unemployment insurance by instituting a universal requirement of 360 hours to qualify for insurance benefits applying to regular, maternity, sickness and parental benefits

- Increase the entitlement period for regular benefits to 1 week for every 30 hours of work, up to a maximum of one year

- Increase UI benefits to at least 2/3 of weekly pay based on the best 12 weeks of earnings over the previous twelve months, applied to all forms of UI benefits

- Extend sickness benefits up to one year

- Attend to the needs of post-secondary academic workers who, because of employment restrictions, will not work the required minimum number of hours to qualify for UI

- Support a national, public training strategy which would meet the needs of older and young workers, and workers seeking recognition for their foreign accreditation

- End the federal government's reliance on the UI surplus in order to subsidize tax cuts

- Establish a pilot project under UI to deal with looming skills shortages in the health care sector, and to examine how training might be transformed into a regular UI benefit for all insured workers

Post-secondary Education

University and college students are increasingly being forced to accept impossible debt loads or forfeit higher education. Public post-secondary institutions are desperate for academic and infrastructure funding, forcing these institutions to consider privatization and corporatization. University workers are finding their workload increasing and their work being contracted out.

We know that education allows working people the opportunity to experience and demand equity and social justice. Our democracy is premised upon simple notions of equality, social justice, rights and freedoms. Public education is a right.

In last year's budget the federal government increased exemptions for income earned while in school and allow for some debt reduction for loan repayments. It allocated research money contingent on private partnerships.

CUPE calls on the federal government to:

- Restore the billions of dollars that have been cut from post-secondary education since 1993
- Work to reduce tuition fees and institute measures to prevent student debt
- Establish a national system of grants based solely on need, funded at $750 million per year over the next three years.
- Enact a federal Post-secondary Education Act that will prohibit the establishment of private, for-profit educational institutions and end any current initiatives involved in public-private partnerships
- Stop making research funding contingent upon private sector donations and stop under-funding research councils like the Social Sciences and Humanities Research Council

Taxes

In the last budget, the federal government committed to increase the ceiling on RRSP contributions to $18,000 by 2006. The Budget also planned to eliminate the Capital Tax on businesses over 5 years.

These moves increase the tax benefits of a retirement income system that already favours high-income earners. It ensures full tax deductibility for contributions on earnings up to $100,000. Given other priorities, it is difficult to understand how greater tax benefits for the top three to four per cent of tax filers can be justified.

CUPE stands in opposition to tax cuts. Tax cuts lead to the under-funding of public services and put our public services at risk from privatization, increasingly through public-private partnerships with multinational corporations, exposing public services to market-forces.

CUPE calls on the federal government to:

- Reverse corporate tax cuts over three years to allow program spending that would need the urgent needs of Canadians and address the widening gap between the rich and poor in Canada
- Institute an inheritance on transfers of more than $1 million between generations.
- Reverse changes to the capital gains tax made since 2000
- Eliminate the regressive Goods and Services Tax

Conclusion

Strong, healthy, vibrant communities can only be sustained with appropriately funded public services, programs and infrastructure. The federal government has been ignoring that plight of ordinary people, while allowing private and global interests to advance their for-profit ventures. It is our governments that have the responsibility to provide us with safe affordable housing, safe drinking water, affordable public childcare, education, pharmacare, and a well funded and secure national Medicare program.

It is time for the government to accept its responsibilities and stop promoting privatization and the destruction of public services, a move that is costing ordinary Canadians their livelihoods and their communities. It is time for this government take a more active role in strengthening our communities, so they become safe, peaceful communities, free of violence, discrimination, and poverty, and where families of all kinds can thrive in dignity.

We call on the federal government to act now, act in the public interest, invest in public services and public infrastructure and work to create democratic, strong and vital publicly serviced communities.

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