

## **TIME TO WISE UP ON POST-SECONDARY EDUCATION IN CANADA**

**Presentation by**

**Don Drummond**  
**Senior Vice President and Chief Economist**  
**TD Bank Financial Group**

**to the**

**Association of Atlantic Universities**  
**Halifax, Nova Scotia**  
**February 10, 2005**

# TD ECONOMICS

TD Economics  
55 King Street West  
TD Tower, 21st Floor  
Toronto, Ontario M5K 1A2

General Inquiries 416-982-8065  
FAX 416-944-5536  
E-mail [td.economics@td.com](mailto:td.economics@td.com)  
Web site [www.td.com/economics](http://www.td.com/economics)

## Senior Vice President & Chief Economist

Don Drummond 416-982-2556  
Devi Kunan, Admin. Assistant 416-982-8061

## Vice President & Deputy Chief Economist

Craig Alexander 416-982-8064

## Canadian Macroeconomic Analysis

Carl Gomez, Economist 416-982-2557  
Eric Lascelles, Economist 416-982-6420

## U.S. Economic Analysis

Beata Caranci, Economist 416-982-8067

## Global Markets & Wealth Management

Gillian Manning, Economist 416-982-2559

## FX & Fixed Income Research, TD Securities

Marc Lévesque, Chief Strategist 416-982-8785  
Jacqui Douglas, Strategist 416-982-7784  
Rudy Narvas, Strategist 416-982-8979

## Sectoral Studies, Regional Markets & Public Policy

Derek Burleton, Senior Economist 416-982-2514  
Priscila Kalevar, Economist 416-982-2555  
Sebastien Lavoie, Economist 416-944-5730

## Administration

Melinda Wong, Publications Officer 416-982-7931  
Dominic Williams, Research Analyst 416-982-8066

## PC Communications/Web Site

Greg Biggs, Technical Analyst 416-982-8062

## FOR TD ECONOMICS PUBLICATIONS AND ANALYSIS

Please visit our web site at [www.td.com/economics](http://www.td.com/economics).

### CURRENT ECONOMIC AND FINANCIAL DEVELOPMENTS

- Commentaries on key statistical releases
- The Bottom Line - A weekly publication on economic and financial developments
- Monthly Global Markets and Commodity Price Reports
- Frequent analytical articles on topical issues

### TD QUARTERLY ECONOMIC FORECAST

- Global and G-7 outlook, U.S. and Canadian economic and financial forecasts

### TD REGIONAL OUTLOOK

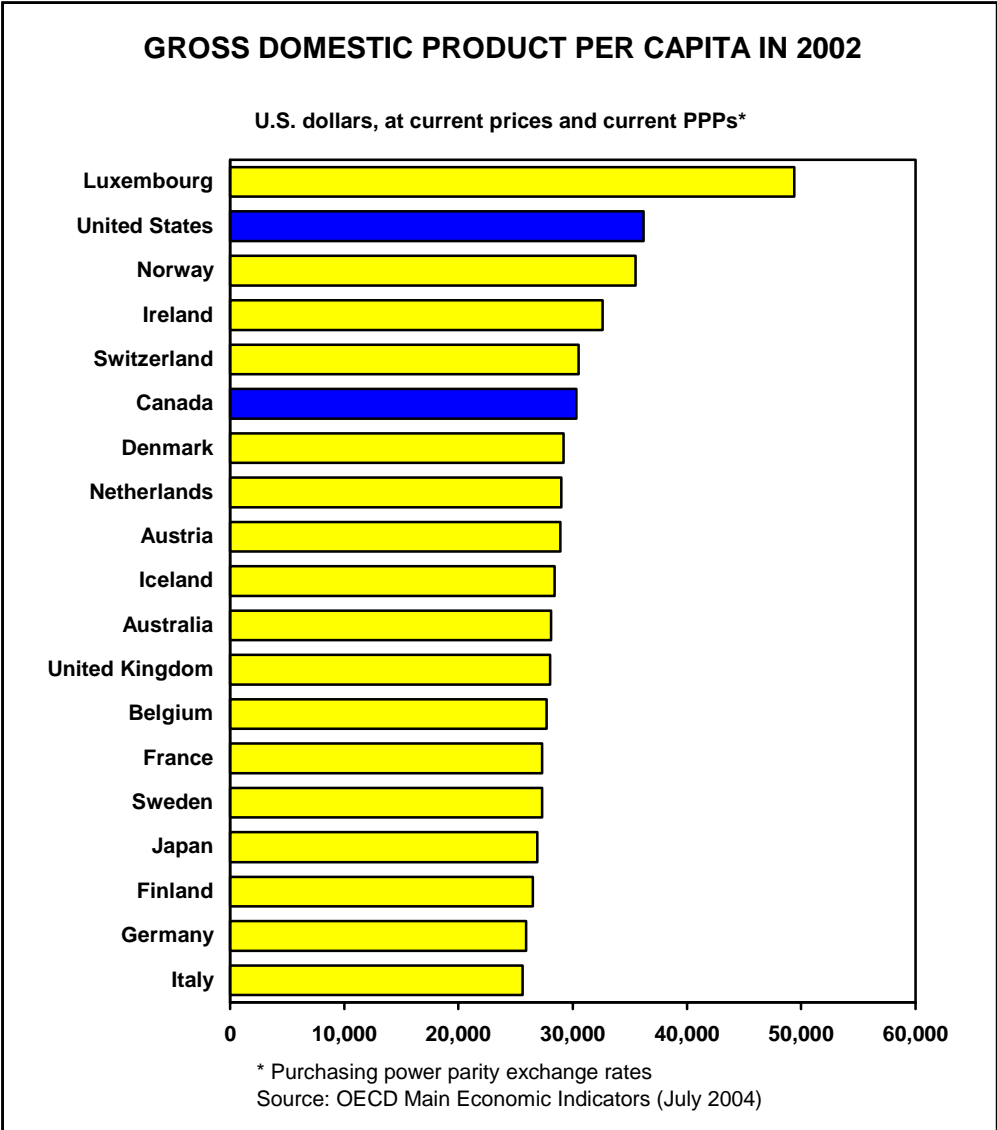
- Forecast commentaries and statistics for Canadian regional markets

### REPORTS ON FEDERAL AND PROVINCIAL GOVERNMENT FINANCES

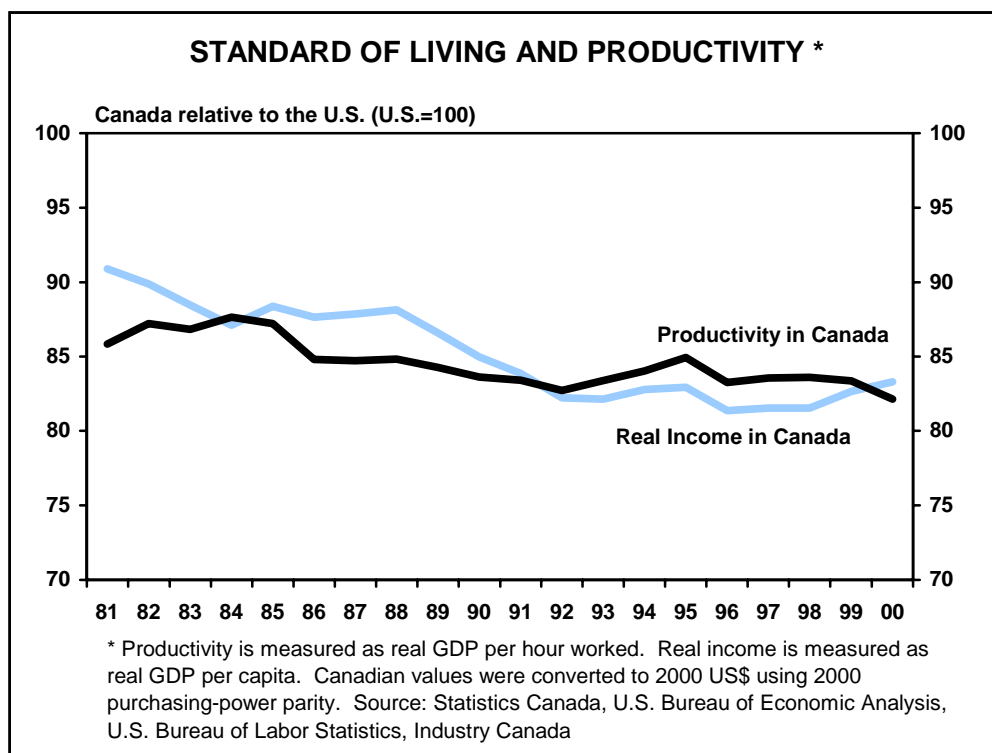
- Commentaries on federal and provincial budgets and economic and fiscal statements
- Annual Report on Canadian Government Finances

The information contained in this report has been prepared for the information of our customers by TD Bank Financial Group. The information has been drawn from sources believed to be reliable, but the accuracy or completeness of the information is not guaranteed, nor in providing it does TD Bank Financial Group assume any responsibility or liability.

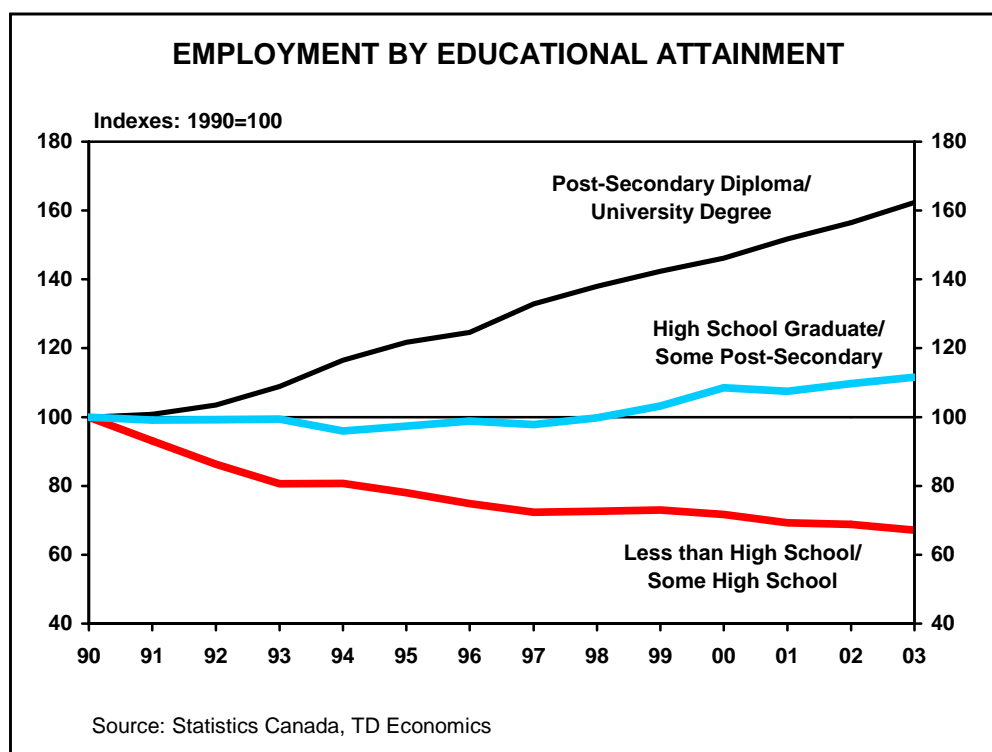
# CANADA SHOULD STRIVE FOR HIGHEST STANDARD LIVING



# STANDARD OF LIVING DIRECTLY RELATED TO PRODUCTIVITY...



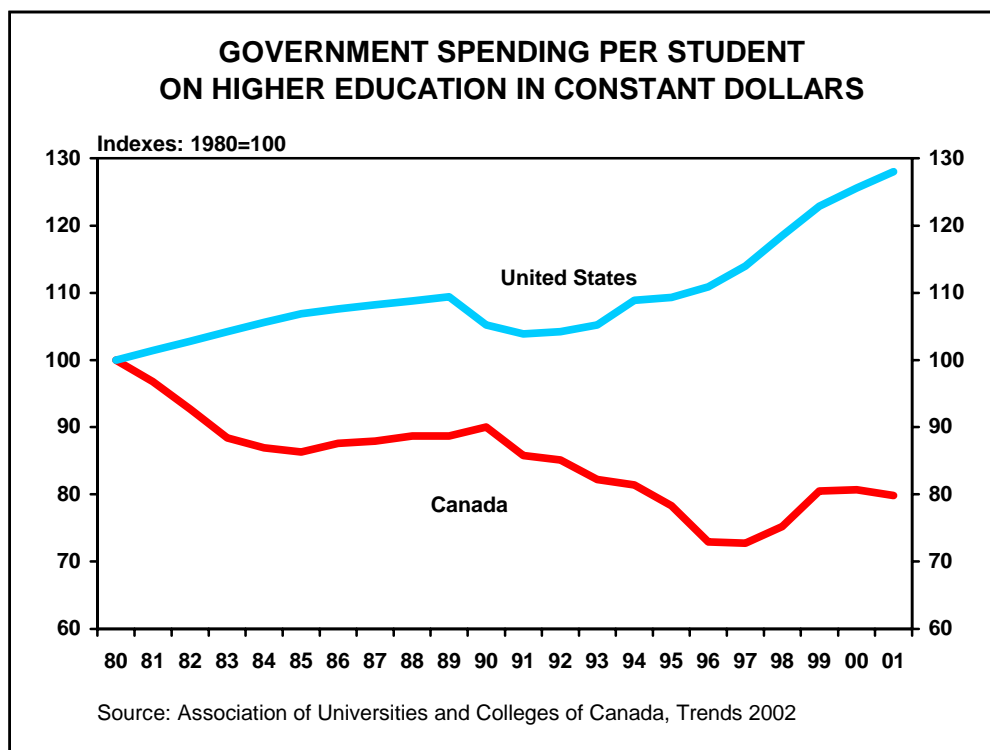
## ... WHICH IS TIED TO EDUCATION



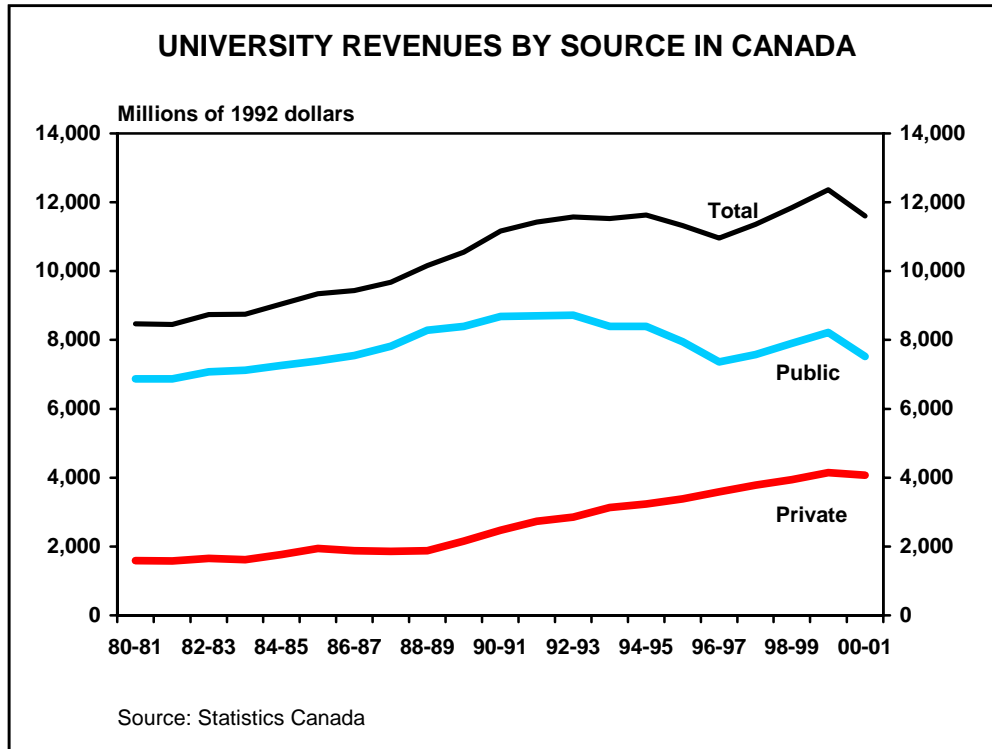
## EDUCATION ALSO KEY TO COMPETING WITH EMERGING ECONOMIES

- Canadians rightly concerned about competition from China, India etc.
- Only feasible response is for Canada to move higher on the value-added chain
- That means education, skills, R&D
- In turn, that means PSE
- Challenge daunting because emerging economies racing up the ladder

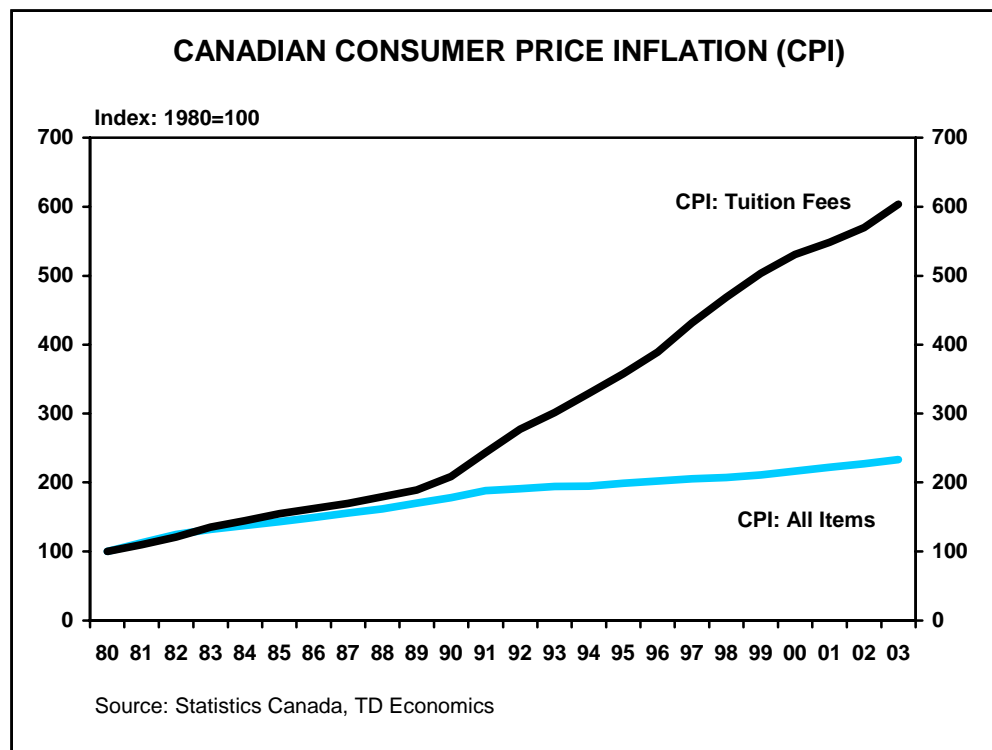
## DESPITE IMPORTANCE OF EDUCATION, GOVERNMENT SUPPORT HAS DECLINED IN CANADA



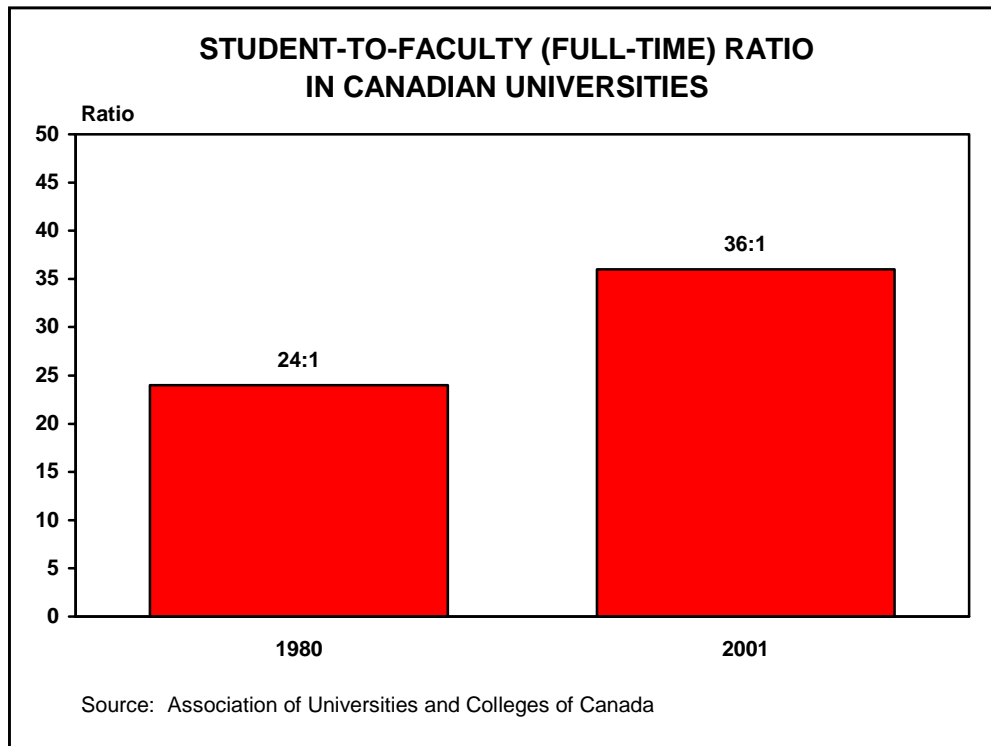
## PRIVATE SECTOR HAS HAD TO FILL THE GAP



## STUDENTS HAVE HAD TO CARRY MUCH OF THE BURDEN



## QUALITY OF EDUCATION BEING THREATENED BY RISING CLASS SIZES



## UNIVERSITIES WILL NEED SIGNIFICANTLY MORE FUNDING TO MEET FUTURE DEMANDS

- \$6.2 billion more annually in operating revenue
  - expecting a 30% increase in enrolment by 2011
  - need to hire 35,000 - 40,000 new faculty (34,500 full-time faculty now)
  - severe rationing of space with entrance requirements
- \$1.9 billion in additional annual capital costs to address deferred maintenance, on-going maintenance and needed expansion
- \$6.4 billion more annually in research funds
  - for universities to play their role in achieving the research goals set out by the federal government in the Innovation Strategy of 2002

## PSE STILL DELIVERS A STELLAR RETURN

### RETURN TO A POST-SECONDARY EDUCATION IN THE 1990s

|                   |               |
|-------------------|---------------|
| <b>University</b> | <b>12-20%</b> |
| Men               | 12-17%        |
| Women             | 16-20%        |
| <b>College</b>    | <b>15-28%</b> |
| Men               | 15-28%        |
| Women             | 18-26%        |

Source: Boothby & Rowe (2002), Vaillancourt et al. (1997, 2002)

## ACTS OF GOOD INTENTION DON'T CUT IT

- Canada Millennium Scholarship
- Canada Education Savings Grant
- Ontario Tuition Freeze



## **POSITIVE MEASURES IN 2004 BUDGET**

- R&D and commercialization
- Better targeted assistance to students
- Better targeted incentives for saving

## **BUT IT IS ALL STILL PIECEMEAL**

- Need a debate on where we want PSE to go
- Then a holistic reform

## IN THE MEANTIME, KEEP THOSE DONATIONS FLOWING

### UNIVERSITY ENDOWMENTS

#### American Universities ( U.S. dollars)

|                     |                |
|---------------------|----------------|
| Harvard             | \$18.8 billion |
| Yale                | \$11.0 billion |
| Princeton           | \$7.0 billion  |
| Stanford            | \$7.0 billion  |
| University of Texas | \$7.0 billion  |

#### Canadian Universities (Canadian dollars)

|                       |                 |
|-----------------------|-----------------|
| University of Toronto | \$1.06 billion  |
| McGill University     | \$0.672 billion |

## RAE REVIEW OF ONTARIO PSE

- Enhanced quality
- Greater participation
- Greater accessibility

## RAE RECOMMENDATIONS FOR ONTARIO

- Increase operating grants toward national average
- Infrastructure support
- Improve student finance system
- Upfront grants for low-income students
- With federal government and other provinces, consider income contingent repayable scheme