

FEDERAL AID TO UNIVERSITIES: 1951 to 1967.

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## ABSTRACT

<u>TITLE</u>	FEDERAL AID TO HIGHER EDUCATION WITH PARTICULAR REFERENCE TO UNIVERSITIES IN THE PERIOD 1951 TO 1967
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The purpose of this paper is to make an historical analysis of the relationship between the federal government and the universities over a definite period of time. The study examines the development of precedents leading to federal aid, the economic form that the government-university relationship assumes from 1951 to 1967, the quantitative and qualitative aspects of this relationship and the growth of mediating agencies at federal, provincial and university levels.

The paper deals with certain "agencies of involvement" that are seen as important institutions in helping to clarify the nature and form of the relationship. These include various agencies of both federal and provincial governments, the Association of Universities and Colleges of Canada and its predecessors, the Canadian Association of University Teachers and relevant investigating bodies.

FEDERAL AID TO HIGHER EDUCATION WITH PARTICULAR REFERENCE TO  
UNIVERSITIES IN THE PERIOD 1951 TO 1967

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## INTRODUCTION

A. The purpose of this paper is to make an historical analysis of the relationship between the Federal Government and the universities. The ancillary material will be confined to the various aspects of the relationship.

- a) The basis of the relationship involves an historical interpretation of the development of precedents leading to federal aid.
- b) The nature of the relationship deals with the form (economic) that the federal-university relationship assumed from 1951 to the present. This is a constantly changing structure but can be identified within three chronological periods (see Chapter Headings).
- c) The extent of the relationship involves an analysis of the quantitative and qualitative aspects over a definite time period.
- d) The effects of the relationship involve a study of the interactive factors including economic benefits, the growth of mediating agencies (at federal-provincial university levels), decision-making and a forecast of future developments.

### B. Definitions

The following are terms which are essential to the content of this paper. The list is not exhaustive but is an attempt to indicate the vocabulary which is of greatest importance. Other terms will be used during the course of the study but to a much lesser degree and can be defined at the time of writing. In no way are these definitions original or unique to the writer. They are the product of an article written by Mr. Christopher Gill entitled, "Rising Federal Expenditures on Higher Education."<sup>1</sup>

- a) Federal Aid is financial support given only for broad purposes, for example, to assist universities to meet operating or capital expenditures OR to assist those wishing to attend university.
- b) Selective Expenditure or Specific Expenditure is involved in programmes that relate almost exclusively to the federal concern with research and manpower development.
- c) Operating Grants are per capita grants given by the Federal Government through the Department of Finance to universities in the period 1951 to 1967.
- d) Capital Grants are funds for physical development given by the Government of Canada through the

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<sup>1</sup>Christopher L. Gill, "Rising Federal Expenditure on Higher Education," Canadian University, Nov.- Dec., 1966, pp. 28-31.

Canada Council and the Central Mortgage and Housing Corporation.

- e) Student Aid involves grants of money in various forms given by the government through the National Research Council, the Canada Council and the Canada Students' Loan Plan.
- f) Research Grants are funds distributed, for the most part, to individuals by the Federal Government for equipment, material, travel, publications and salaries of assistants. This generally excludes the salary of the recipient.

#### C. Delimitations

In order to restrict the scope of this paper to the topic at hand, the following areas will be dealt with only insofar as they help to elaborate the 'relationship'.

- a) The period 1951 to 1967 has been chosen because herein the concept of federal aid was initiated, put into operation and finally modified so that the term itself may be a misnomer for present practices. However, some discussion of the period preceeding and following these chronological limits will be necessary to demonstrate the conditions leading up to such

arrangements and the pattern of future involvement.

- b) Federal Aid. This study will make use of the definition offered in the previous section to the exclusion of "assistance offered to those wishing to attend university." The purpose here is to study a relationship between institutions; not individuals and institutions.
- c) Agencies of Involvement are limited to the Federal Government, Provincial Governments, the Association of Universities and Colleges of Canada and its predecessors, the Canadian Association of University Teachers and relevant Royal Commissions at Federal and Provincial levels.
- d) Administrative Machinery will be limited to agencies that distribute and receive federal aid. The major reason for omitting an analysis of such agencies is that the scope for such analysis is unlimited. It implies, from time to time, the elaboration of ten to twenty-four Federal agencies, national agencies of the universities such as the National Council of

Canadian Universities, the Canadian Universities Foundation, etc., and numerous bodies at the university level. In recent years Provincial agencies would also have to be included in any such study. However, we are making an a priori assumption that the machinery of distribution does influence all aspects of the relationship and whenever such effects are found, they will be included in this study.

D. Assumptions

- a) Federal aid operated as a response to "crisis" situations.
- b) Without such aid universities could not have continued to operate at a level sufficient to meet social needs.
- c) The very presence of this aid forced a re-evaluation and re-alignment of provincial positions which will most likely determine the pattern of university finance in the future.

E. Major Questions

There are certain questions which help to initiate the investigation. The answers to such queries are of vital importance in elaborating the relationship and explaining the content of Section A of this introduction.

- a) Does the Federal Government have the right to operate within the area of higher education and particularly within the field of university finance?
- b) Why was federal aid established? Was it due to the financial disability of the provinces or a desire of the Federal Government to become involved in university finance?
- c) Why was it that the provinces did not object to federal involvement in 1951? Why has there been a change in their approach to this question in the past sixteen years?
- d) What factors are important in bringing about an increase in federal aid?
- e) Is federal aid a changing term from time to time?

## CHAPTER I

### THE PRE-FEDERAL AID PERIOD

#### Attitude Formation

. . . the task in educational finance is not to find the money or to devise the methods of spending it. The task is to develop in people attitudes and opinions that will lead to effective support of our schools.<sup>1</sup>

In an attempt to arrive at a satisfactory explanation of present attitudes toward central government involvement in higher education, some analysis of attitude development must be included in this paper. It would appear that opinion at the time of Confederation favoured the retention of provincial and local responsibility. The Canadian founding groups were characterized by marked differences of opinion over the nature of Confederation, but on this point there was a great degree of unanimity.

The most important single reason for making education in Canada a provincial matter was the presence in the country of 'two nations warring in the bosom of a single state' . . . The Province of Quebec, overwhelmingly French and Roman Catholic would never have consented to a plan for confederation which removed schools from provincial control.<sup>2</sup>

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<sup>1</sup>W. N. Toombs, "Federal Aid to Education: A National Controversy," The Canadian Administrator, Vol. II, No. 6 (March, 1963), p. 22, quoting H. P. Moffat, Educational Finance in Canada (Toronto: W. J. Gage, Limited, 1957), p. 89.

<sup>2</sup>Toombs, The Canadian Administrator, Vol. II, No. 6, 22, quoting M. A. Cameron, "The Financing of Education in Ontario," The Department of Educational Research Bulletin, Number 7 (Toronto: The University of Toronto Press, 1936), pp. 10 - 11.

French Canada had cultivated the nationalism of their European ancestors, but had rejected the liberalism of the French Revolution on the grounds that it represented atheism in disguise. The traditional outlook was considered essential if French Canada were to survive as a God-fearing nation. The Catholic Orders, particularly the Jesuits and Ursulines, were most adamant in their view that religion and education were inseparable. To permit a central authority to control education, the membership of which being mostly non-Catholic, was viewed as a disastrous threat to the future of French Canada. The essence of French Catholic existence, the spiritual relationship between man and God, could perhaps be destroyed by the crass materialism of the English Protestant majority. This point of view is intrinsic to the history of French Canada but is best illustrated in the period following the Act of Union of 1841. Because of pressure from both Protestant and Catholic majorities in Upper and Lower Canada respectively, the Assembly of the new united "Canada" was forced to issue a compromise bill which gave minorities the right to establish separate schools if they dissented from the "regulations, arrangements, and proceedings made by the Common School Commissioners".<sup>3</sup> This established a pattern that was preserved until Confederation. In the post 1841 era, the Protestant minority in Canada East was much better served by the legislation of 1841 than its French Catholic counterpart in Canada West. However, as Phillips points out, this was not a concession but

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<sup>3</sup>C. E. Phillips, The Development of Education in Canada (Toronto: W. J. Gage & Co., Ltd., 1957), p. 309.

a desire of the majority in Canada East since it helped to preserve the denominational school principle.<sup>4</sup> By 1867 the denominational tradition had developed in such a way as to negate any effort to place education under a central authority. If only to please the Roman Catholic majority in Quebec, it was necessary to grant provincial jurisdiction in education.

A second threat to French Canada, to its language and culture, lay in the fact that the English language groups were not only the more numerous, but in the dominant position. Because they saw their province as the last protector of French culture in the New World, they felt a particular responsibility for its survival. In 1867 it was obvious that to place education in the hands of Ottawa was tantamount to "foreign" control of an institution essential to the continued operation of a homogeneous group. Durham's assimilation proposals of thirty years before could have been achieved easily under central control, and the French were totally unwilling to succumb to a threat of cultural annihilation.

Significantly, the English took the same defensive posture as the French. In some cases this was brought about for similar reasons, although the degree of concern differed among the two founding groups. Denominationalism was a phenomenon well known to the British

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<sup>4</sup>Phillips, p. 310. Phillips also makes the argument that a "common school" could have been established in Canada West had it not been for the Protestant tendency to confuse Protestantism with non-denominationalism. This encouraged the establishment of separate schools and necessitated the inclusion of clauses protecting minority rights in the British North America Act.

North American colonies; one that would not easily surrender to the new national government. The in-fighting that had gone on for years between Anglicans, Presbyterians, Methodists and others had led to deeply entrenched positions relating to church control over education.

It is much easier to illustrate the relationship between denominationalism and the university in English Canada ~~than~~ in French Canada, mainly because prior to 1867 the majority of universities lay outside of Lower Canada (or Canada East as of 1841). Of the sixteen universities founded prior to Confederation, only three were Roman Catholic and two of these were founded in 1866. Only one of the three universities situated in French Canada was Roman Catholic.<sup>5</sup> Undoubtedly, the classical college in French Canada was a substitute for or the equivalent of the university in English Canada. However, since these fell under the control of a single religious group, they do not illustrate the same process of denominational university relationships that developed in the other British North American colonies.

Higher education, prior to 1867, was almost exclusively under denominational control. The number of universities bears no relationship to the needs of the colonies at the time, but is rather the result of reaction by minorities to the privileges of an established church. When King's College was founded by Loyalist settlers at Windsor, Nova Scotia in 1789, it became eligible for public funds as a result of its Anglican origins. In addition, it insisted upon its

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<sup>5</sup>See Appendix A for universities founded prior to 1867.

faculty and student body subscribing to the tenets of the Church of England. This dogmatic attitude set off a chain reaction that resulted in the establishment of no fewer than seven universities in Nova Scotia, each being a breakaway from its predecessor. Baptists, Methodists, Presbyterians, Scottish, French and Irish Catholics all contributed to this proliferation of universities so that any opportunity to set up a central seat of higher learning in Nova Scotia was doomed to failure.

In Ontario, Anglican control over King's College, Toronto, led to the establishment of two universities and two colleges, each controlled by a dissenting denominational group. Although three of these were later to join with the University of Toronto, this was not to be until a generation after Confederation. Only in New Brunswick did the forces of denominationalism manage to unite so that the University of New Brunswick became a non-sectarian provincial university in 1859.<sup>6</sup>

Thus, although English Canada felt no threat to language or survival, the denominational tradition was in itself a sufficient protector of local control. Both English and French found that their precautionary attitude toward the federal authority placed them on common ground in maintaining local management over education.

### Summary

The period of Confederation witnessed many similarities between

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<sup>6</sup>Willson Woodside, The University Question (Toronto: The Ryerson Press, 1958), pp. 3 - 6.

English and French Canadians in their attitudes toward educational control. While the French logically feared the implications of a national system and subsequent Anglicization, the English clung jealously to the traditional principles of denominationalism and local autonomy. In fact, although both peoples recognized the need for a national federation, both feared the usurping of traditionally parochial affairs that the new system might bring about. In 1867 regional factors were in the ascendancy and the complications of taxation and finance were a long way off. The retention of education in provincial and local areas seemed not only proper but also desirable.

The thoughts of the constitution writers concerning higher education are open to conjecture. It could well be that since the universities which existed in 1867 were under denominational control, they were viewed as institutions catering to the needs of their respective churches. Thus they may have been ignored as bodies capable of being placed under state authority. In this case the term "state authority" applies to both federal and provincial levels of government. Finally, since higher education was, for the most part, a privilege of the elite it is doubtful whether it would have been considered as a matter concerning the "general welfare".

#### The British North America Act

The attitudes expressed in the previous section help to explain the wording of Section 93, subsections 1 to 4, of the British North

America Act. The statement that is of direct concern to the topic at hand, however, is deceptively brief.

"In and for each province, the Legislature may exclusively make laws in relation to education."

In relation to university education this section had little meaning until the post World War II period when it became a central point in the debate over federal aid to higher education. Since that time much has been written by supporters and critics of federal aid, yet the debate goes unresolved. This impasse over the significance of the above statement for university education can be attributed, for the most part, to an absence of judicial interpretation. Therefore, much of the argument lies in the area of political and economic theory. The bibliography in this discussion is extremely lengthy, but, fortunately, the curx of the argument can be found in a few essential points.<sup>7</sup>

The B. N. A. Act makes no mention of universities, perhaps for reasons mentioned in the previous section. In addition, the need for cooperation between governments and universities was not present in 1867 due to the limited nature of government activities and the very generalized function of the universities.<sup>8</sup> The total absence of such a reference has given rise to two opposing arguments.

a. Since elementary education was the prevalent form of schooling in 1867, the "exclusive" powers of provincial legislatures were intended

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<sup>7</sup>The best summary found by the writer is N. A. M. Mackenzie, Federal Aid to Education, With Particular Reference to Higher Education. First draft, 1963. ("Federal Aid" file of the A. U. C. C. library). Much of the material used in this section is more fully discussed in "Memorandum One" of Mackenzie's paper.

<sup>8</sup>Mackenzie, p. 8.

for this operation only. The subsequent development of independent universities, and their integral relationship with the development of the state, leaves the federal government with full power to legislate in the area of higher education.

b. The counter argument suggests that the B. N. A. Act is a flexible document and cannot be limited to intent alone.

In Canada, both the constitution and tradition have tended to favour the latter argument. Indeed, it is unlikely that the federal government would challenge Section 93 in the foreseeable future. Yet, while most agree that education, under the B. N. A. Act, is a matter of provincial jurisdiction, there is an increasing awareness of the role that education plays in our society. Thus, the federal government, for this and other reasons to be discussed later, has found itself becoming increasingly involved in Canadian education.

In the past the federal authority had been limited by constitutional arrangements to certain exclusive areas, notably the education of Indians and Eskimos, the defence colleges and fisheries schools. In addition, the federal government has set up agencies such as the National Research Council and the Canada Council which, through their particular operations, assist the government in performing its constitutional responsibilities.<sup>9</sup> All of these federally operated organizations have made financial contributions to Canadian universities. Mackenzie suggests certain implications that arise from the very

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<sup>9</sup>See Appendix B for federal agencies and departments involved in educational expenditure.

existence and function of these institutions.

i. Can the federal government enter into agreements with universities concerning research having to do with areas of exclusive federal jurisdiction? "In a broad sense these may be regarded as ancillary to the enumerated powers of Parliament under Section 91, and thus valid exercises of federal authority"<sup>10</sup>

ii. Can Parliament spend money in Provincial areas of jurisdiction? This is perhaps constitutionally justified due to the following reasons.

The Federal Government has the absolute right to levy indirect taxes for any purpose, and the power to impose direct taxes provided they are intended for the Consolidated Revenue Fund of Canada. Out of these moneys it can then, with Parliament's approval, offer gifts or grants to individuals, institutions, Provincial governments or even to foreign governments. This is a royal prerogative which is not in any way restricted by our constitution.<sup>11</sup>

Public funds have been disbursed by both Federal and Provincial governments on educational matters not strictly within their respective spheres of jurisdiction. The fact that this situation has existed and in most cases without complaint, makes it constitutionally acceptable.<sup>12</sup>

The Report of the Economic Council of Canada entitled Education for National Growth (1965) has encouraged a further series of comments in support of federal aid. The report stressed the urgent need for educational reform so as to develop some perspective of national needs. This is a relatively new argument on the Canadian scene. The following

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<sup>10</sup>Mackenzie, p. 9.

<sup>11</sup>C. B. Sissons, Church and State in Canadian Education (Toronto: Ryerson Press, 1960), pp. 124-125.

<sup>12</sup>Mackenzie, Federal Aid. . . With Particular Reference to Higher Education, p. 11.

statement, and others like it, is an expression of opinion that will perhaps be the focal point of further debate on federal aid in the coming years.

If there are national needs and objectives that require concerted educational policy in two, several or all provinces, no provincial legislature is by itself competent in the matter, and judicial interpretation on other comparable aspects of the distribution of powers under the British North America Act makes it clear that Parliament is competent, under the 'peace, order and good government' clause.<sup>13</sup>

No matter how convincing the arguments for a federal role in education may sound, Canadians still appear to prefer the traditional framework of provincial-local responsibility. This is not to imply that there is not, on the whole, a desire to improve educational facilities and conditions in the country. The fact of the matter is that the provinces, particularly the wealthier ones, fear any major intrusion by the federal government in financing universities. Their objection, based on experience in other areas of jurisdiction in Canada and on events elsewhere, is logical within our particular structure of government. If the provinces should allow the federal authority to take over the whole, or a major part of university finance by direct grants, the bonds between provinces and universities could be irreparably damaged. The question of importance is not only one of money but also of admissions, norms, degree granting rights and research. It is the belief of the provinces that financing is inseparable from other aspects of university operations in the sense that whoever controls the former may greatly affect decisions regarding the latter.

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<sup>13</sup>Robert Stanbury, M. P. York-Scarborough, Coordination of Educational Planning: A Federal Role, An Address to the C. T. F. Education Finance Conference (Winnipeg: February 9-11, 1967), p.7.

The argument most frequently advanced against federal aid for education is that it will inevitably result in federal control of education. In some cases this position is taken in good faith but Sufrin claims it is also a convenient argument to use when one opposes federal aid for other reasons which he does not care to specify. Intelligent consideration of this issue is promoted by defining what is meant by control. Some claim that the mere distribution of aid is federal control since it might affect the amount of total university support. Others maintain the funds distributed in a manner to affect the pattern of support represent federal control. A third group claims that aid with requirements concerning the curriculum, admission standards, norms, etc., results in federal control.<sup>14</sup> Although American in origin, all of these comments are relevant in Canada.

Perhaps one of the strongest objections ever put forth against federal intrusion into education was contained in the report of The Quebec Royal Commission of Inquiry on Constitutional Problems (1956). The Tremblay Commission contended that an ancillary power did not exist since it could not be shown that such power referred to one of the enumerated jurisdictions of S. 91. Furthermore, the federal government had not shown that educational legislation was necessary to the effecting of legislation dealing with an enumerated power of S. 91. The Commission claimed it unnatural that taxes be collected for one government by another since this destroyed the entire pattern of

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<sup>14</sup>Sidney C. Sufrin, "Issues in Federal Aid to Education," Part 4 of The Economics and Politics of Public Education (Syracuse: Syracuse University Press, 1962). p. 57.

distribution of legislative powers. The claim that the federal government has the right to tax as it chooses was vehemently denied since it afforded the central authority an opportunity to tamper with the "institutional structures" and the "qualitative aspects of civilization" of a minority culture.<sup>15</sup> In other words, the Tremblay Commission saw all federal interest in education as a step towards federal control and a violation of the rights of French Canadians.

One of the major debates over S. 93 deals with the meaning of the term "education". Since the definition has not been spelled out within the limits of the B. N. A. Act, there is room for conjecture about its application to the present situation. Does it encompass the university and if so, does this exclude the federal authority from taking any part in the development of these institutions? Experience in Canada has tended to avoid this question rather than dealing with it directly.

When the National Conference of Canadian Universities was set up in 1911 most universities were autonomous and not conscious of being provincial in their loyalties.<sup>16</sup> The relations they had with government were, for the most part, with the Government of Canada. This relationship increased, particularly during World War II and by 1945 the N. C. C. U. was asserting a national role for universities and federal support. No serious objection to these arrangements had been

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<sup>15</sup>Mackenzie, Federal Aid. . . With Particular Reference to Higher Education, pp. 10 - 11.

<sup>16</sup>J. A. Corry, "Higher Education in Canada: Trends and Prospects," Higher Education in a Changing Canada, Symposium presented to the Royal Society of Canada in 1965, ed. J. E. Hodgetts, (Toronto: University of Toronto Press, 1966), p. 5. In 1911 only seven of the 22 Canadian universities were provincial and four of these had barely begun to operate - Alberta, Saskatchewan, British Columbia and N. S. Tech. College.

made by the provinces during the pre-war period. If Corry's historical statements about university-government relations are brought to bear upon the argument that federal intrusion into university finance endangers the traditional (underlining mine) provincial-university bond, then we are faced with an obvious contradiction. The fact remains that both provincial and federal governments have concerned themselves with university operation in the past differing, naturally, in the quantity and quality of such relations. It is safe to say that until recently the constitutional provisions of S. 93 and their relation to university education have been avoided.

The post war era was the period in which the education question took on major significance. With increased enrollment and forecasts of university attendance doubling within a decade<sup>17</sup> the universities found themselves facing a financial crisis. The increased in university financing during the 1950's and 1960's brought about the creation of provincial agencies charged with the responsibility of assessing the needs and distributing funds to institutions within their boundaries.<sup>18</sup> It did not take long for the provinces to realize that insufficient resources were available to them for the financing of what was now a major operation involving huge expenditure. The federal government, as a result of the recommendations of The Royal Commission of Enquiry into the Activities of National Agencies for the Development of Arts, Letters and Sciences in Canada, (hereinafter called the Massey

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<sup>17</sup> See Appendix C for Sheffield Projections.

<sup>18</sup> Corry, Higher Education in . . . Canada, p. 6.

Commission), which reported in 1951, began a per capita grants programme in 1951 - 52. This contribution was greeted with an enthusiastic response from the universities of Canada, but the measure met with mounting opposition from the government of Quebec and from critics of federal aid throughout the country.

The constitutional objections of Quebec became the basis on which that province refused to accept federal monies until the early 1960's. Nevertheless, the involvement of the federal government in university finance increased during this period so that by 1957 grants totalled \$16,049,288 as compared with \$6,991,949 in 1951.<sup>19</sup> With the acceptance of federal grants by Quebec in 1960 - 61 the argument against federal involvement in university finance lost momentum.<sup>20</sup> The "education" question had received most attention during the years 1951 - 61 because of the increased attention of the federal authority to university finance and the resistance of Quebec to any encroachment of provincial autonomy. It is doubtful whether the validity of Quebec's claims can be passed off as being irrelevant or as overstatements of the facts,

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<sup>19</sup>Government of Canada, Dominion Bureau of Statistics, Higher Education Section, Survey of Higher Education, 1952 - 54 (Ottawa: The Queen's Printer, 1956), pp. 11 - 12. In 1956 - 57 the rate of payment was increased from .50 to \$1.00 per head of population which explains the dramatic increase during this period.

<sup>20</sup>The acceptance of federal funds was made possible by a tax-sharing agreement whereby the province could obtain an increase of one percentage point in the rate of provincial corporation income tax. The federal government would make an equal reduction in corporation income tax. The increase in provincial tax could be used by the province to **pay** university grants over and above its previous support.

particularly since Ottawa committed a major faux pas by designating the institutions which were to receive federal funds. The position of Quebec was based on a legitimate concern for the maintenance of provincial jurisdiction in education and for the protection of its minority culture.<sup>21</sup>

There were perhaps two major factors involved in the decision of the other provinces to accept federal grants, thus leaving Quebec alone in its stand against federal aid. Financial need was of prime importance in determining provincial attitudes toward federal funds. This was naturally another ingredient of the tax sharing problem that had become increasingly difficult since the Depression. Secondly, outside of Quebec there was much less of a fear of federal control since a "minority culture" did not exist.

Since the objectives of the federal government's policy toward university finance has changed from 1951 to the present, much of the "education" debate has become obsolete. In the early fifties the objective was to help universities out of financial crises. Grants were made on a wide basis through the per capita programme. The intention here was to help all provinces equally through the use of programmes that would be acceptable to them. This emergency measure brought about the direct confrontation of Quebec and Ottawa and highlighted the constitutional question. The experience gained in the fifties has

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<sup>21</sup>Woodside, The University Question, 158. M. Duplessis criticized the federal government for attempting to control the professions of Quebec and for trespassing in the field of education through the Canadian Broadcasting Corporation and the National Film Board.

certainly altered the approach of the federal government. Because the per capita base came to help some provinces more equally than others, the problem of equalization arose (a federal attempt to equalize revenues as between provinces). This was by no means the intention of the original programme. The difficulty with the per capita grants was that their effectiveness was determined by the provinces. The wealthier provinces added additional revenue to the federal contribution while less endowed provinces had to be satisfied with the federal grant. The "financing gap" that resulted brought about the problem of equalization and cries of unfair treatment.<sup>22</sup>

The new proposal in federal-provincial relations attempts to defeat this dilemma. It is now the objective of the federal government to bolster the resources of the provinces and to eliminate the opting out arrangements of the fifties. The recent tax-sharing agreements attempt to avoid any direct grant from the federal government to universities in provinces that object to such a procedure. Conflict is hopefully reduced and provincial governments may use these new revenues in a manner most suitable to themselves. What is done away with is the appearance of direct federal involvement. Thus Ottawa has been able to change the character of its involvement. Perhaps this is an acceptance of developments over the past fifteen years. It would appear that the answer to the question as to whether or not the federal government has a right to participate in higher education depends upon

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<sup>22</sup>Interview with Chris Gill, Special Assistant to the Secretary of State, (Ottawa), November 11, 1966.

the character of federal involvement at the particular moment the question is asked. The present agreements tend to deny the implication of direct involvement when compared with past arrangements. Nevertheless, there is no doubt that the Government of Canada has decided that it must share in the development of higher education.

In the past governments have put a great deal of money into assistance to learning of one kind or another, and have used various euphemisms to cover the fact that it was really operating in a field that might be called "education". "Education" may be defined now, as it has been in practice as being the pre-university level. For this municipalities and provinces are entirely responsible under the B. N. A. Act . . . It is generally felt that highly educated people and research must be mobile and thus this is more than provincial responsibility. This is not the kind of education which the Fathers of Confederation intended to lay upon the intermediate level of government. After all, "education" in their context was only an enlargement of the family responsibility . . . .<sup>23</sup>

It is doubtful whether any legal interpretation will ever be made concerning S. 93 in relation to universities. Therefore the matter of federal involvement will most likely remain a question of public policy in the future.<sup>24</sup> What will determine the success of support from the national authority will be the nature of any such measures. The provinces will avoid the technicalities of constitutional provisions as long as federal aid does not appear to imply federal control. The tax sharing agreement could be the first of a series of satisfactory arrangements leading to an accepted role for both levels of government in university finance.

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<sup>23</sup>Stanbury, Coordination. . . a Federal Role, quoting The Rt. Hon. Judy LaMarsh the former Secretary of State, p. 18.

<sup>24</sup>~~Mackenzie~~, Federal Aid . . . With Particular Reference to Higher Education, p. 11.

Pre 1951 Involvement of the Federal Government  
in University Education

It would appear that some provision for central government participation in education was made as far back as 1732 when land grants were set aside for educational purposes.<sup>25</sup> However, in contrast to the significance of such measures within the United States, the Canadian experience was much less spectacular.<sup>26</sup> There is little documentation to suggest that the land grant was ever considered to be an influence upon education in Canada prior to Confederation. The B. N. A. Act eliminated the possibility of such action on the part of Ottawa, except within areas of Crown land which, at the time, suffered from a particular sparcity of population. Federal grants in aid to local authorities existed both prior to and after Confederation but these were given on the express wishes of the local authorities and without federal pressure to accept such assistance. Thus the principle of local autonomy became a major factor in Canadian federalism locking out the central government except in the case of joint agreements which were not begun until this century. Aside from reserved areas, the Federal expenditure on education from 1867 to World War I was almost insignificant.

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<sup>25</sup>Toombs, The Canadian Administrator, Vol. II, No. 6, p. 21.

<sup>26</sup>As of 1785, an ordinance gave land grants from the public domain for the benefit of public schools. Those lands, a gift of the American Federal Government to the territories, could be used as either locations for schools or could be sold to raise funds for educational expansion and maintenance. The policy went into effect with the admission of Ohio in 1802. Originally, grants were made to either township or state but after 1837, the state received the grants. In 1862 the Merrill Act provided the basis for the establishment of the state colleges of agricultural and mechanical arts.

The absence of federal participation was dictated not only by the Constitution but by the climate of the times. Canada did not undergo a national crisis in its early years that called for federal involvement in education. Consolidation and settlement were of prime concern and higher education had to await a much later period before it was to enjoy any priority. National perspective was somewhat obscured by geographical distance and natural divisions. In such an atmosphere, regional interests were in the ascendance taking little account of problems elsewhere. Subsequently, provincial governments became the major spokesmen for the cultural and social groups within their legal boundaries. An intriguing question that presents itself is whether the Government's intervention in 1895 - 96 in the Manitoba separate school case harmed its future potential as a force in Canadian education. The incident could only have served to solidify the parochial outlook of the period.<sup>27</sup>

In the early years of this century the Canadian government took steps to ensure a higher degree of technical skill within the agricultural community at large. Through the Agricultural Aid Act of 1912 and the Agricultural Instruction Act of 1913, Ottawa made available to the provinces sums of money which increased annually to \$11,400,000 by 1924.<sup>28</sup> Although some of this money was used for agricultural education, universities were bypassed in favour of provincial

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<sup>27</sup>Fifteen years later the federal government gave 150,000 acres to the provincial university of the same province. Mackenzie, Federal Aid. . . With Particular Reference to Higher Education, p. 19. (The possibility of appeasement cannot be eliminated as a motive in this particular instance).

<sup>28</sup>Phillips, The Development of Education. . ., p. 345.

agricultural colleges. The same comment can be made for the Technical Education Act of 1918, the funds of which were used in provincial institutions of industrial and mechanical trades.

The first legislation of particular importance to Canadian universities was the Research Council Act of 1917. Due to the strain the war had placed on the economy and the need for scientific personnel, the Government set up an Honourary Advisory Committee of Scientific and Industrial Research in 1916. In the following year it received its present title and began operations by surveying the scientific resources of the country. Its findings prompted the initiation of a scholarship programme for post-graduate students and a research grants programme for individual professors within Canadian universities. The overall effect was to stimulate research at the university level. The N. R. C. was to remain the only major contributor of federal funds to university personnel until World War II. During this time it restricted its attention to the development of industrial and natural resources.

The beginnings that had been made in the period 1910 - 20 continued, but were to remain out of tune with the times. Except for N. R. C. grants, the universities received little in the way of federal contributions. It became apparent that the federal government had acted only in time of crisis and such was to be the case in the future. There was obviously a reluctance on the part of governments to plan ahead for national needs, particularly in a period of rising prosperity. The educational tragedy of the 1920's was that Canadians underestimated the necessity of skilled manpower supported by a high level of general

education among the population. The 1930's were to expose this situation.

With the onset of the Depression, the Canadian government found itself in a position of leadership unmatched since the years of the First Great War. An immediate re-evaluation of the national government's role in such a crisis brought about the abandonment of the Vocational Education Act of 1931. Instead, the designated monies of the Act were used for vocational training in unemployment relief camps from October, 1932 to July, 1936.<sup>29</sup> These emergency measures gave way to a policy of individualization in the late 1930's under a programme referred to as a Training Programme for Unemployed Young People operated by the Department of Labour in conjunction with the respective ministries of the provincial governments. In themselves, these measures had no effect upon institutions of higher education, but, they brought about an awareness on the part of the public and governments of the educational problems of the day. In 1939 the Canadian government announced an innovation in its unemployment programme that could be designated as the beginning of federal involvement in student aid at a general level. Once again a period of crisis had contributed to further participation of the federal authority in higher education.

The Youth Training Act of 1939 was intended as a shared cost programme to "rescue" potential university students from the unemployment situation. The costs were to be divided equally between federal and provincial governments, but the latter retained the right to

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<sup>29</sup>James Collins Miller, National Government and Education in Federated Democracies: Dominion of Canada (Lancaster, Pennsylvania: Science Press Printing Co., 1940), p. 375.

nominate the institutions eligible for participation. Theological colleges and seminaries were omitted from this scheme. The original programme provided for approximately three hundred students in its first year of operation. This figure was to increase to seven hundred students by 1941 - 42 when it was replaced by the Vocational Training Act (1942). In each case the universities were responsible for selecting the candidates and determining their need. However, the ceiling for such assistance was fixed at \$200 per academic year. Although temporary in nature and limited in scope the importance of this programme lay not only in its setting a precedent but also in the general support it was to achieve eventually. If crisis has been the instigator of federal participation in higher education then the programme may have died had it not been for the outbreak of World War II. Nevertheless, the need for nationwide planning brought about the Depression was perhaps a more important factor. The 1939 Act marks the beginning of federal interest which has attracted more and more attention over the past quarter century.<sup>30</sup>

The entry of Canada into the Second World War called for a centralization of planning hitherto unknown. Once again the universities were to profit from the effects of governmental decisions related to the war effort. The combined grants of the N. R. C. and the newly established Defence Research Board were to increase research funds by millions of dollars over the ensuing years.<sup>31</sup> In 1942, a new piece of enabling

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<sup>30</sup>Material in this paragraph is from Miller, p. 367.

<sup>31</sup>Woodside, The University Question, p. 155. In 1954 - 55 McGill University received one million dollars from such sources. The contributions were of particular importance since McGill could not accept federal funds during that year due to provincial objections.

legislation called the Vocational Training Co-Ordination Act came into existence. This Act continued the arrangements of the Youth Training Act of 1939 but, in addition, incorporated a section referred to as the Re-establishment Training Agreements originally promulgated in October 1941. This provided for federal assistance to veterans who desired entrance to or completion of university education. The initial grants included the payment of tuition fees, living allowances, and \$150 per academic term to the universities for each veteran. Although the Training Agreements were not signed with the provinces until 1945, discharged members of the armed forces received assistance under this Act as early as 1941.<sup>32</sup> The effect of this and related programmes was to increase the student population at universities, beyond their physical limitations.

According to one Dominion Bureau of Statistics report, university enrollment from 1931 to 1945 was between thirty to forty thousand.<sup>33</sup> During this time per student expenditure remained relatively constant (\$450 - \$550 per year). From 1945 - 1948 enrollment doubled and student expenditure remained at the prewar level. Almost 60,000 veterans received university education during and after the war years. Their presence demanded a great increase in staff and facilities, a task which the universities were only too willing to undertake. Although

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<sup>32</sup>Government of Canada, Department of Labour, Technical and Vocational Training Branch, A Review of Federal Legislation Relating to Technical and Vocational Education in Canada, prepared by Donald Glendenning (Ottawa: July, 1965), p. 19.

<sup>33</sup>Government of Canada, Dominion Bureau of Statistics, Higher Education Section, Survey of Higher Education, 1952 - 54, (Ottawa: The Queen's Printer, 1956), p. 9.

increased expenditure was huge compared with previous outlays, the federal grants helped to offset some, but not all of the financial burden. By 1948 the universities were experiencing the sobering effects of a sharp decline in veteran enrollment, an accompanying loss of federal funds, and an increase in operating costs. Although civilian enrollment began to increase in the post war years, the financial burdens of the universities remained and posed a mounting threat to their effective operation.

After 1948, as veteran enrollment lessened, expenditures increased to about \$750 per student by 1951, while enrollment appeared to be stabilizing at about double the pre war level, before beginning to climb upward. Greater expenditure for research, higher salary ranges, the need for building expansion to house the larger student body, together with generally increasing costs associated with all phases of higher education, and with the Canadian economy as a whole, all contributed to the increased costs.<sup>34</sup>

At this point some evaluation of the relationships established by the universities and the federal government during the war years may be helpful in explaining later events. At the outset, such liason was not without precedent. Previous material has illustrated that in times of crisis the role of the university always became a matter of federal interest. In addition, from the time of the establishment of the National Council of Canadian Universities the general feeling among the universities was that their position was autonomous. If any relationship did exist with government, it was with the federal and not the provincial authority.<sup>35</sup> The concern of the provinces about

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<sup>34</sup>D. B. S., Survey . . . Education, 1952 - 1954, p. 9.

<sup>35</sup>Corry, Higher Education in . . Canada, p. 5.

universities within their boundaries carrying on relations with the federal government appeared to be non-existent. This apparent lack of interest was to be an embarrassing precedent for provincial governments at a later stage. The wartime role of the universities in veteran training and defence research was to be a tremendous asset to the universities although the situation in the late 1940's did not seem to hold much hope for the future.

## CHAPTER II

### DIRECT GRANTS AND THE SHARED COST PROGRAMME

#### The Massey Commission

In the midst of this financial crisis the Canadian Government appointed the Royal Commission on National Development in the Arts, Letters and Sciences. Prior to the establishment of this body, the universities, through the National Conference of Canadian Universities, had been campaigning for federal financial assistance consistent with constitutional limitations. However, these pleas for aid seemed to have little effect. With the establishment of the Massey Commission an opportunity presented itself for familiarizing both government and public with the role of the university and its particular problems. The universities, at their own request, were included in the survey.<sup>1</sup> According to E. F. Sheffield,

Much of the credit for bringing the financial problems of the universities to the attention of the government and the people is due to the National Conference of Canadian Universities. The Conference planned and carried out an intensive publicity campaign while the Royal Commission was gathering evidence—a campaign of speeches, radio broadcasts, and newspaper stories and editorials.<sup>2</sup>

The Commission itself was made up of a university chancellor, a

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<sup>1</sup>The original Terms of Reference of the Massey Commission made no mention of the universities. The incorporation of these institutions into the study of the Commission can be attributed to the work of the N. C. C. U. and Dr. N. A. M. Mackenzie in particular.

<sup>2</sup>Edward F. Sheffield, Canadian Universities Get Federal Aid A. U. C. C. Files. p. 4.

university president, a university dean, a university professor and a civil engineer. It was to make recommendations concerning radio and television broadcasting, the National Film Board, the National Gallery, the National Museum, the National War Museum, the Public Archives, and the Library of Parliament. In addition, it was to investigate research grants and the role of the Federal Government in this area and federal relations with national voluntary agencies in any of the previously mentioned areas.<sup>3</sup> These tasks were performed over a two year period during which time the Commission received both oral and written testimony from coast to coast.

Bolstered by the strong brief from the N. C. C. U. justifying federal grants to universities on "national needs", by more enlightened public opinion, and by the precedents of previous federal-university relations, the Commission was able to avoid the Constitutional issue by making the following comments.

In the earlier stages of our inquiry we had thought that. . . universities. . . were quite outside our Terms of Reference. . . . As our work progressed, however, we naturally found it impossible to ignore the role which Canadian universities play in the subjects with which we are formally concerned. . . .

The universities are provincial institutions; but they are much more than that. It would be a . . . mistake to underestimate . . . the wider and indeed universal functions of these remarkable institutions . . . They are local centres for education at large and patrons of every movement in aid of the arts, letters and sciences. They also serve the national cause in so many ways, direct and indirect, that theirs must be regarded as the finest

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<sup>3</sup>Report of the Royal Commission on National Development in the Arts, Letters and Sciences (Ottawa: King's Printer, 1951), p. xii.

of contributions to national strength and unity.<sup>4</sup>

Thus, the national service of the universities was to make up part of the basis for the Commission's recommendations. Evaluating their past performance, the Commissioners found merit in the university contribution to inter - provincial and international cultural communications, the public service and national defence.

It was shown, however, that the financial plight of the universities could undermine many of the essential services they performed. Particular attention was paid to the deteriorating financial situation of the previous six years and the effects of the loss of federal funds. In addition, the rise in enrollment without an equivalent increase in budget was selected as a contributing factor to the dilemma. Finally, the Commission pointed out that a growing inequality in educational opportunity existed due to the inability of lower income groups to cope with increasing tuition costs. This section of the Report concludes with these comments.

. . . Universities have become essential institutions of higher education, of general culture, of specialized and professional training and of advanced scientific research. For years they have been handicapped by inadequate income; now they face a financial crisis. . . . if financial stringency prevents these great institutions from being. . . ., "nurseries of a truly Canadian civilization and culture," we are convinced that this is a matter of national concern. We shall therefore make . . . recommendations on measures to enable our universities to fulfill more completely their essential functions.<sup>5</sup>

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<sup>4</sup>Report . . . Arts, Letters and Sciences, p 132.

<sup>5</sup>Report . . . Arts, Letters and Sciences, p. 15.

The recommendations concerned the setting up of federal grants, the method of distribution, and the "amount" of such grants, without stipulating actual figures. It was proposed that the federal government make an annual grant on the basis of provincial population. Provincial and university authorities were to be consulted previously and the grant was to be distributed to each university proportionately to the student enrollment. The sum involved was to be "sufficient to ensure that the work of the universities of Canada may be carried on in accordance with the needs of the nation". Finally, it was suggested that all members of the N. C. C. U. be eligible for such grants.<sup>6</sup>

In addition to these "institutional" grants, the Commission had devoted an entire section to the question of national scholarships and it suggested the establishment of a scholarship programme. Aside from encouraging the continuation and expansion of already existing plans, the Commission proposed the establishment of a new body. This new institution, referred to as the Canada Council for the Encouragement of the Arts, Letters, Humanities and Social Sciences, was to administer, among other things, a scholarship programme for students and other persons involved in the humanities and social sciences. The Report also proposed the subdivision of these "individual" grants into fellowships, scholarships, studentships and bursaries. The administration of these funds was to be carried out, for the most part, by already existing bodies.<sup>7</sup>

On June 1, 1951, the Report was submitted to Parliament. In the two years of its operation the Massey Commission had accomplished

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<sup>6</sup>Report . . . Arts, Letters and Sciences, p. 355.

<sup>7</sup>Report . . . Arts, Letters and Sciences, pp. 356 - 363.

what no other agency was able to -- the acceptance by the federal government of a definite role in the advancement of the Canadian university. The Commission had urgently stressed the importance of the university to the "nation" and, in doing so, had meticulously avoided the constitutional problems. It pointed to the service of these bodies during periods of crisis and implied that the government had an obligation to fulfill at a time when the universities themselves faced difficulty. In effect, the Report showed the interaction of the university and the nation, recognizing that the welfare of both was mutually related.

The Report was a starting point in more ways than one. Not only did it encourage federal involvement in university finance but it also gave rise to the federal-provincial squabbling of ensuing years. It laid down a formula for federal involvement which was to set a pattern for the next decade. These two points cannot be divorced. The per capita grants suggestion of the Massey Commission was probably based on two suppositions:

- a. that the financial crisis of the universities had to be dealt with immediately and
- b. that per capita grants involved the easiest method of distribution in an urgent situation.

What was probably impossible to visualize at the time were the implications of such a formula if

- a. university expenses increased beyond prediction,
- b. large amounts of money were eventually involved,

c. the provinces began to take an active interest in university affairs and

d. no alternatives were proposed to the formula that could be accepted as policy for more than one year.

The government operated with unusual haste in adopting the first of the Commission's recommendation relating to federal grants. On June 19, 1951, it announced that \$7,100,000 would be distributed to Canadian universities for the 1951 - 52 fiscal year. This was to be the first unrestricted aid from the federal government to the universities since Confederation. In previous years federal expenditure on higher education had always been for specific needs. In 1948 - 49, for example, the sum of \$27,293,901 had been divided among nine departments or ministries. The vast majority of this money had been used in veteran training and none of it was designated for general purposes.<sup>8</sup> The new policy undertaken by the government in 1951 reflected a bold departure from traditional practice.

The federal government's reaction to the Report's first recommendation was perhaps motivated by several factors. Did the Report urge an already anxious federal authority into the area of university finance or did it push a reluctant Ottawa into a field in which it had no wish to operate? As previously noted, the universities did not appear in the original Terms of Reference of the Royal Commission. They had asked for their inclusion through the N. C. C. U. This request was forwarded by the

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<sup>8</sup>Report . . . Arts, Letters and Sciences, p. 495.

Prime Minister, the Right Honourable Louis St. Laurent, in a letter to the Commissioners.<sup>9</sup> The reasons for the original omission lead to the following speculations.

- a. There existed a genuine ignorance on the part of the government concerning the crisis that the universities faced.
- b. The government had no wish to investigate an area that could create Dominion - Provincial problems.

The Commissioners' rationale for investigating the universities avoids both these conjectures. In effect, they claim that they had had no intention of including these institutions but, as their investigation continued, they found the question inescapable.<sup>10</sup> The truth perhaps lies in a combination of some of these points. It is difficult to conclude that the government was unaware of the financial problem in the light of the information available to it and the strong pleas of the N. C. C. U. It is more plausible to assume that Ottawa was prepared to assist the universities but, at the same time, was conscious of the Constitutional questions involved in such an action. The Royal Commission offered the national service of the universities as a justification for a federal grant.

On June 30, 1951, Parliament approved the bill that, in its wording, was almost a duplicate of the Massey Commission's recommendation.

To provide grants to universities and equivalent institutions of higher learning in amounts not exceeding in total for each province 50 cents per head of population of that province. . . the Minister of Finance. . . is authorized to consult a

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<sup>9</sup>Andrews (Interview), A. U. C. C. (Ottawa), Nov. 11, 1966.

<sup>10</sup>Report. . . Arts, Letters and Sciences, p. 132.

committee drawn from the national conference of Canadian universities in regard to the apportionment of such grants among institutions within each province on the general principle of making such grants proportionate to the enrollment of students at the university level and pursuing courses recognized as leading to a university degree.<sup>11</sup>

At this time the Prime Minister attempted to clarify the purpose of the bill. He stressed that the government wanted ". . . to avoid doing anything that would look like interference with educational matters in the provinces. . .". However, in the same question period he stated that the money was not going to be remitted to the provincial governments for distribution. He also expressed the hope that provincial governments would continue to assume their responsibilities in reply to a question concerning a possible reduction in provincial grants.<sup>12</sup> These statements were to have much more important meaning at a later date.

#### 1952 - 1960

In the first year of its operation the grant began to meet opposition. Quebec made a tentative acceptance but M. Duplessis made it quite clear that he had constitutional objections which could block his province's future involvement in any such scheme. He was particularly emphatic about the return of tax powers "rented" by the federal government during World War II and retained by them. He claimed that the provincial control of such taxes could be used for university finance thus eliminating the need for a federal grant. Quebec also objected to

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<sup>11</sup>Canada, House of Commons, Debates June 30, 1951, Vol. V, p. 5020. (This was taken from files in the office of the A. U. C. C.).

<sup>12</sup>Debates, June 30, 1951, pp. 5020 - 5021.

the omission of a joint federal - provincial commission for the distribution of these funds. Such a commission could have given some recognition to provincial autonomy. However, the most insulting aspect of the federal grant was the designation by Ottawa of the universities which were eligible to receive these funds. These objections were to form the nucleus of the Quebec argument in the ensuing years.

Throughout the rest of Canada the grant received a most cordial reception but eventually it was to receive much criticism. For one thing, due to the method of distribution those provinces with a high proportion of student enrollment were less favoured than those with a low proportion.

In Newfoundland. . . the proportion was 1:966. In Prince Edward Island it was 1:369; in Saskatchewan 1:358; in Alberta 1:322; in New Brunswick 1:263; in Ontario 1:233; in Quebec 1:207; in British Columbia 1:204; in Manitoba 1:197 and in Nova Scotia 1:183.<sup>13</sup>

Aside from Quebec's objections, little criticism was levelled at the principle of a federal grant. Rather, the objections that were made concerned the policy of distribution. By the end of the 1951 - 52 academic year certain flaws in the per capita policy were becoming obvious yet, for the most part, the very fact of its existence overshadowed the criticism.<sup>14</sup>

There is notable lack of bibliography concerning the federal aid

<sup>13</sup>Woodside, The University Question, p. 156

<sup>14</sup>Woodside, The University Question, p. 157. Dr. Kerr of Dalhousie held that a uniform rate per student would be more suitable. The N. C. C. U. briefs to the Massey Commission had recommended such a step with a variation in the grant depending on faculty status.

issue during the period 1952 - 1954. The exception was the refusal of Quebec to accept the federal grants in 1952 - 53 on constitutional grounds. The universities of that province were advised to reject the grant by the provincial government. The consequences of acceptance would have undoubtedly been a reduction or even the elimination of provincial support. Subsequently, the universities complied and the money designated for Quebec by Parliament reverted to the Consolidated Revenue Fund. Here it was to remain for almost a decade. Aside from this not altogether unpredictable step by Quebec, the rest of the components in the federal aid debate remained almost disturbingly placid for the next two years.

The apparent calmness of this period lends itself to some interpretation. Undoubtedly, the efforts of the previous few years had involved tremendous energy from all levels of society concerned with the question of federal assistance to university finance. The public debate could not remain at such a high peak for any extended length of time. . Both the universities and the government had treated the financial burden of the universities as an urgent matter. The idea of "crisis" had been projected upon the public and the government by supporters of federal aid and, as in all cases of "crisis" the situation could not continue indefinitely - at least, not in the public arena. A second factor may have been the willingness of both the universities and the governments to take stock of the initial effects of federal involvement. It was certainly in many ways a novel experiment and needed time for

conclusions to be formulated. The attitude of Quebec was definitely a warning to the federal government which implied a fresh look at the question and the formulation of possible solutions. The "cooling - off" period was not the aftermath to a victory but the preparation for a new struggle involving even more complicated questions.

Although the fifty cent per capita grant was to remain fixed until the 1956 - 57 fiscal year, the inequalities of the system began to show early in the 1950's.<sup>15</sup> The quantitative aspect of the grant encouraged investigation of its qualitative nature. Even prior to the Massey Commission and the emergency of the Korean War period, there had existed the problem of regional inequality among the universities. The wealthier provinces, particularly Ontario, had always been more capable of contributing to the financial difficulties of universities within their boundaries. Although this was not a unique situation, the new federal grant highlighted the problem. Earlier fears that provinces might reduce expenditure to compensate for the federal contribution were swept away in the light of ensuing events. In fact, what the grants did, was to increase university revenues in the wealthier provinces so that the gap between the "haves" and the "have - nots" began to widen.

It was in this context that the word "equalization" entered the federal aid debate. As previously mentioned, the crisis in the early fifties was serious everywhere and the original intention of the federal government was to help all the provinces. It so happened that some provinces came to be helped "more equally" than others. This was

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<sup>15</sup>See Appendix D for federal grants from 1951 - 52 to 1956 - 57.

in part due to the per capita base. However, the reasons for its choice had not taken this possibility into consideration. In 1951 it was thought that this programme would be the only one acceptable to the provinces. Per capita, then, was chosen for political reasons. It happened to have "built in" equalization; a situation that had evaded the foresight of its designers.

Thus with the gap increasing, expenses climbing and the effects of the war time babyboom being felt, the universities again began a concentrated effort to achieve an increased grant on a more equitable basis. In 1956 the N. C. C. U. planned a conference on "Canada's Crisis in Higher Education". However, one month prior to its inauguration the Prime Minister of Canada spoke out on the issue of federal aid. In an address at the University of Sherbrooke M. St. Laurent pointed to the federal government's future plans.

. . .The Department of Labour is engaged . . . in preparing a study of Canada's resources of professional skilled manpower . . . The results of this study will form the subject of a report to the Royal Commission on Canada's Economic Prospects and the recommendations . . . will be given serious consideration.<sup>16</sup>

The Prime Minister explained the position of Quebec in refusing previous grants but once again justified the federal position on the basis of national need. He expressed his personal desire to have the grant increased but added that he would not request such a move, "until we have found a way for the institutions in our provinces to accept their share without having to fear consequences prejudicial to the autonomy

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<sup>16</sup>Press Release, Office of the Prime Minister. Address by the Right Honourable Louis St. Laurent, Prime Minister of Canada on the occasion of his receiving an honorary degree from the University of Sherbrooke. Oct. 7, 1956. p. 4.

of the provinces".<sup>17</sup> Finally, he hinted that a proposal was being studied that would consist of handing over the money voted by Parliament to the N. C. C. U. It, in turn, would divide the money and distribute it. This arrangement, he hoped, would encourage Quebec's participation in the future.

In November, the Prime Minister, speaking at the N. C. C. U. conference was more specific. The government would increase the per capita programme to \$1.00 if the N. C. C. U. would assume the responsibility of distribution. Obviously, the per capita grant was to remain as an essential feature of the government policy. The N. C. C. U. had recommended a per student grant to the Gordon Commission only a short while earlier.<sup>18</sup> It was most apparent that the government was unable to devise a political alternative to the basis of distribution. However, an attempt was being made to silence the cry of federal control by suggesting an alternative to the method of distribution. This alternative was to incorporate the keeping of funds "in trust" for universities unable or unwilling to accept them. Naturally, the federal offer fell short of general expectations since it was an attempt to arrive at a compromise solution.

Perhaps the most significant proposal made at the conference was the fulfillment of a recommendation of the 1951 Massey Commission. M. St. Laurent revealed that the government had decided to set up the Canada Council and place at its disposal \$100 million. Fifty million

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<sup>17</sup>Address . . . Louis St. Laurent, p. 6.

<sup>18</sup>Submission of Canadian Universities to the Royal Commission on Canada's Economic Prospects (Ottawa, March 6, 1956).

dollars was to be used within a ten year period for construction and capital equipment projects for Canadian universities. These funds would be disbursed as matching grants to the universities. They were not to exceed fifty per cent of the cost of the specific operation. The other half of the endowment was to be used as a source of financial support for research, study and development in the arts, humanities and social sciences. Although the amount of money involved was small by comparison with the National Research Council, the proposal suggested some expansion of interest by the federal government.

The conference on "Canada's Crisis in Higher Education" had thus met with a partial solution to their most urgent problem. Nevertheless, the concessions of the federal government were not going to be anything more than temporary assistance. University enrollment over the next ten years was expected to double according to a brief presented by Dr. E. F. Sheffield to the N. C. C. U. in 1955.<sup>19</sup> This and later estimates, referred to as "Sheffield Projections" were to have a great influence on university planning. Concern over staff, building and financial resources was a matter of equal importance since, in all cases, the future appeared to offer no relaxation of stress in these areas. Therefore, among other proposals, the conference suggested that:

- a. both federal and provincial governments revise tax structures so as to insure more individual and corporate donations to universities.
- b. the government revise the regulations of the Central Mortgage and Housing Corporation to allow for more favourable terms to the

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<sup>19</sup>E. F. Sheffield, "Canadian University and College Enrollment Projected to 1965", in Proceedings. National Conference of Canadian Universities, 1955, Thirty - First Meeting (University of Toronto Press, June 9 - 10, 1955), pp. 39 - 46.

universities in their attempts to improve physical plants.<sup>20</sup>

During the ensuing year, the N. C. C. U. was incorporated and it proceeded to revise its structure for purposes of administering the federal grant. However, the optimism of the moment held no appeal to the Government of Quebec. M. Duplessis still saw federal aid as a plot to control Quebec's professions and as a violation of the spirit of the B. N. A. Act. In 1956, Quebec's arguments were even more firmly entrenched due to the work done by the 1954 Tremblay Commission. This time, however, the universities of Quebec put up much more resistance to the attitude of the provincial government. Their approach was best summarized by Mgr. Parent, then Rector of Laval University who stated that, "it would be better for a nation to have no universities, than to have them in servile submission to political powers".<sup>21</sup> Although a double edged comment, it was indicative of the Quebec universities' dissatisfaction with the total situation.

The per capita increase went into operation in time for the 1956 - 57 academic session. It represented an increase of approximately ten million dollars over the previous year and by comparison with 1950 - 1951, the year before the grants began, a sixteen per cent increase in the amount of revenue received by universities from federal funds.<sup>22</sup> Almost a year later, on March 28, 1957, Parliament approved an act to establish the Canada Council. It was to begin its operation

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<sup>20</sup>C. A. U. T. Bulletin, Vol. 5, No. 1 (Dec. 1956), p. 9.

<sup>21</sup>Sissons, Church and State in Canadian Education, p. 125.

<sup>22</sup>In 1950 - 51 federal contributions had amounted to four per cent of university income. In 1956-57 it made up twenty per cent of such revenue.

during the same year. Thus, by 1957-58, the universities were beginning to assess the value of these new additions. The first phase of federal involvement had lasted five years; the new scheme was to have a much shorter life span. This, in part, was due to the eventual inoperability of the original venture and the experience gained by all parties concerned with this issue.

During 1958 the per capita grant was increased to \$1.50 but there was still no indication that Quebec was willing to budge. The monies granted by Parliament in the preceding two years had been held in trust by the Canadian Universities Foundation, the new executive agency of the N. C. C. U. A sum of \$25,522,500 had been appropriated by Ottawa and Quebec was entitled to receive \$7,326,000 of this amount. By 1958 the trust fund held designated funds for Quebec to the sum of over seventeen million dollars. The apparent disinterest of Quebec was personified by the late M. Duplessis. Yet the changes that have evolved in that province since his death were nurtured during the period of his administration. The impasse over federal aid was a matter of concern not only to federal parliamentarians since it involved a sum of money that, in the eyes of the Government of Quebec, was properly its own. A new theory was evolving which was to have practical effect within a short time. To many members of the provincial legislature, it seemed much more sensible to be in possession of at least part of these funds rather than to allow them to remain outside the province.

A temporary yet important solution to the Quebec dilemma was

proposed in October of 1959.<sup>23</sup> M. Sauve, the new Premier of Quebec, suggested that an adjustment in federal and provincial taxes could bring about a change in his province's policy. In March of 1960, after much negotiation, the Government introduced a bill designed to enable such a change. The House was asked to consider a measure to amend the Federal - Provincial Tax Sharing Agreements Act to provide certain alternatives to the provinces. The new plan proposed that federal payments to the universities could be made through the C. U. F. or directly by a province. The latter alternative envisaged an increase in provincial corporation income tax and an equal reduction of the federal tax in this field.

The value of such a scheme was that it involved no additional cost to the respective governments. It would allow Quebec to take advantage of the funds accumulated in trust since 1956-57 and held by the C. U. F. which was incorporated on January 18, 1960. This arrangement did not entitle Quebec to the monies accumulated in the Consolidated Revenue Fund from 1952 - 53 to 1955 - 56 since the terms of these grants had lapsed when the N. C. C. U. was incorporated for purposes of distribution of funds. So as not to give the impression of preferential treatment, the government offered the alternatives to all the provinces on December 9, 1959. The legislation applied to all provinces, whether or not they had rented the corporation tax field to the federal government. These provinces that had "rented" had to revise their tax rental agreement and resume the collection of corporation

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<sup>23</sup>These proposals were made at the Dominion-Provincial Conference of Ministers of Finance and Provincial Treasurers.

tax. In provinces where collection of corporation tax was carried out by the provincial government and where the choice was to grant additional funds to the universities on a scale equivalent to \$1.50 per capita of its population, an additional abatement of one per cent was to be imposed on corporate tax payers. This option was to be made available for the taxation years 1960 and 1961 provided the province concerned amended its tax agreements prior to April 30, 1960, (for 1960), or, December 31, 1960, (for 1961).<sup>24</sup>

In the debate which preceded the passing of the bill, Mr. Fleming, then Minister of Finance, pointed out that the additional one per cent abatement had a different value in each province. In some provinces the value of the abatement would be much greater than the \$1.50 per capita paid by C. U. F. while in others it would be an insufficient amount for purposes of university finance. The value of abatements in these provinces would fall short of the \$1.50 per capita based on the total population.<sup>25</sup> Because of this fluctuation in value the federal government offered to provide revenues in provinces where the abatement value was less than \$1.50 and to deduct revenues where the value was higher than \$1.50. In all cases these amounts would be added to or subtracted from other payments made to the provinces under existing tax-sharing agreements. Thus the loss of revenue to the provinces or the federal government was eliminated as an obstacle to the agreement.<sup>26</sup>

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<sup>24</sup>House of Commons, Debates, (March 18, 1960), p. 2228. (This was taken from the files of the A. U. C. C.)

<sup>25</sup>See Appendix E for a comparison of grants for the fiscal year 1959 - 1960.

<sup>26</sup>Debates, March 18, 1960, p. 2229.

The alternative, which was acceptable to Quebec, came into effect for the 1960 - 61 fiscal year. The government continued per capita payments through the C. U. F. As in the past, these funds were determined by simply multiplying the per capita rate by the population of the particular province. The C. U. F., in turn, distributed the funds to eligible institutions according to their entitlement. In "prescribed" provinces, the alternative arrangement was used. Prescribed provinces were those wherein,

- a. satisfactory arrangements exist for the payment by the province directly to institutions of higher learning in the province of an amount equal to or greater than the rate of the per capita grant multiplied by the province's population; and
- b. the payment is made on terms and conditions not inconsistent with those contained in the agreement between the federal government and the C. U. F.<sup>27</sup>

The Quebec Legislature passed an act providing for the acceptance of "prescribed" status but added another fifty cents to the per capita rate bringing it to \$2.00. This act went into effect prior to the federal parliament's approval of a change in the tax-sharing agreements. Quebec, then, had taken the initiative in both proposing the solution and setting up the machinery for its operation. It was to be the only province to accept the alternative in 1960 - 61. However, the option and the agreement of which it was only a part were to expire at the end of the 1961 - 62 fiscal year. By that time the methods devised in 1960 - 61 were to become obsolete.

In addition to the funds received by Quebec universities through the tax sharing arrangement, were the monies held in trust by the C. U. F.

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<sup>27</sup>Terrance J. Wylie, "Government Support of Universities and Colleges", Number 5 in the series Financing Higher Education in Canada (Ottawa: Canadian Universities Foundation, 1964), pp. 31 - 32.

The provincial government took on the task of guaranteeing loans made by universities for construction purposes and assumed the interest charges and part or all of the provincial repayments. A sinking fund was inaugurated to finance this plan and in the spring of 1960 the universities claimed their funds held in trust and turned them over to the Quebec fund. No agreement was reached in 1960 concerning the capital funds held by the Canada Council for Quebec universities.<sup>28</sup> Thus in 1960 - 61 Quebec universities received over \$25 million from the C. U. F. trust fund and an additional \$7,700,000 in operating revenues through the tax abatement.<sup>29</sup>

A second significant accomplishment in 1960 was the change made in the regulations of the Central Mortgage and Housing Corporation with regard to loans for university expansion. In December of that year it was authorized to make loans of up to 90 per cent of the capital costs of university dormitories. In September of 1961 the earlier \$50 million ceiling on these loans was raised to \$100 million. The N. C. C. U. had been pressing for such a measure ever since the "crisis" conference of 1956. At that time a resolution was passed requesting just such a revision in C.M.H.C. regulations and repeated at the 1957 meeting.<sup>30</sup> In July 1958 the N. C. C. U. presented a brief to the Standing Committee on

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<sup>28</sup>Sheffield, Edward F., "Canadian Government Aid to Universities", Vestes. Vol. III, No. 2, (Sydney: June, 1960), p. 24.

<sup>29</sup>Wyllie, Financing Higher Education in Canada, p. 36.

<sup>30</sup>C. T. Bissell, ed., Canada's Crisis in Higher Education, Proceedings of the Conference held by the N. C. C. U. at Ottawa, Nov. 12 - 14, 1956, (University of Toronto Press, 1956), p. 245.

Finance of the Senate outlining the reasons for a relaxation in rules concerning capital loans.<sup>31</sup> The 1960 legislation was a satisfactory conclusion to this concerted effort.

#### 1961 - 1965

In spite of the breakthrough made in 1960 - 61, there was a growing realization that the arrangements of the federal grant were becoming more and more inflexible. In view of the mounting costs of university finance the tax abatement arrangement with Quebec could only be a temporary expedient. The Canada Council's capital fund was almost near exhaustion at a time when construction costs were mounting. Demands for research funds and student loans and scholarships were another factor that had to be considered by both governments and universities. Finally, the growing autonomy of the provinces in the field of higher education added political complications to an already sensitive situation.

Above all else was the growing inequality between regions in their ability to support local universities. Although not unique in its nature, this mounting differentiation was reaching crisis proportions. In November of 1960 the C. U. F. in a brief to the Prime Minister made particular reference to the provinces of Nova Scotia and New Brunswick. A year later it proposed that special grants be made to these areas if the provincial governments were willing to accept them and use them to

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<sup>31</sup>Brief to the Standing Committee on Finance of the Senate of Canada Submitted by the N. C. C. U. (Ottawa: July 24, 1958).

increase their own grants to the universities. The suggested increases were equivalent to 40 per cent of the federal grant in Nova Scotia and 20 per cent in New Brunswick for the sessions 1960 - 61 and 1961 - 62.<sup>32</sup> This is, naturally, only one example of the proposed solutions and the Maritimes were not the only region involved; at least not from the point of view of the other provinces.

The increasing complications of university finance and regional disparity encouraged a new look at federal aid by all interested parties. For many years, the universities and affiliated organizations had been agitating for a per student grant to replace the traditional federal formula. Although the grant was raised to \$2.00 per capita for 1962 - 63, the universities still noted a significant lack of funds needed to keep pace with rising costs. By comparison with the previous years, the actual per student grant was declining throughout the country.<sup>33</sup> "It is clear that the use of a per capita of population basis for the grants has an effect on grants per student which is not consistent with any relevant principle."<sup>34</sup> The C. A. U. T. Report also noted a 15 per cent reduction in per student support from 1958 - 59 to 1961 - 62 and a serious shortage in capital funds and research grants. This report was more or less representative of most of the briefs and editorials presented during the early 1960's. On the whole, the universities were campaigning for a different approach toward operating grants and a

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<sup>32</sup>Submission concerning Federal Grants to the Province of Nova Scotia and New Brunswick for the benefit of the universities of these Provinces submitted to the Prime Minister of Canada (C. U. F. May, 1961), p. 1.

<sup>33</sup>See Appendix F for grants per student.

<sup>34</sup>"University Financing" C. A. U. T. Bulletin (Ottawa: Vol. XI, No. 1, September, 1962), p. 25.

replenishment of capital grants in institutions supporting university expansion.

The concern of the universities was shared by the federal government, but in some cases for quite different reasons. For one thing, the traditional approach did not meet the new demands of the universities and the provincial governments. There was a growing realization that only an appearance of involvement existed if provincial governments could opt out of a per capita grants scheme. If the federal government wished to have a role in higher education, it would have to formulate a policy that was uniform and consistent. A second factor in the need to re-appraise the entire field of federal aid to universities was the nature of the federal involvement. By the early 1960's it was octopus-like with over eighteen departments and agencies channelling funds in various directions. The bulk of money went towards operating grants but almost all the federal bodies concerned were contributing to capital development, research projects and student assistance in one way or another. There existed a seeming lack of co-ordination in this project and a certain degree of overlap.

The federal-provincial relationship was an additional stimulus encouraging the re-appraisal of existing operations. The complicated arrangements of fiscal relations and the growing demands of the provinces dictated new policies in which the financing of higher education was only one factor, albeit an important one. The relatively new concern of the provinces with their relationship to the universities under their jurisdiction demanded a re-adjustment of the balance in federal-provincial participation. Finally, the huge amounts of revenue involved

in the financing of the universities brought about a re-alignment of positions on the part of interested governments.

The period 1963 - 65 saw a concerted effort from the universities for the realization of a new policy by the federal government. In May of 1963 a C. U. F. brief to the Prime Minister indicated that a comprehensive study of the financing of higher education was being undertaken. It justified this study on the basis that it was the only national body capable of initiating an investigation dealing with the finances of the universities. It indicated that the major interests of the study were the problems of support increasing proportionately to need, the place of government in university finance and the role of the student and the individual in contributing to higher education. It set the completion date as the autumn of 1965 and hoped for the fullest cooperation of the interested parties.<sup>35</sup>

Although the universities continued to press for immediate action by the federal authority to relieve their financial burden, they may have inadvertently dulled their effect by giving Ottawa too much of an advanced warning about their intended actions. The proposals made by the universities and affiliated bodies over the next two years seem interim in nature and lack the impact of previous submissions. It is almost as if they were awaiting a "tour de force" by the investigating commission and held back their "big guns" until the report was released. It could be that the federal government viewed the situation in the same light and decided to await the findings of the C. U. F. study before

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<sup>35</sup>Brief to the Prime Minister of Canada presented by the C. U. F. (Ottawa: May 27, 1963), pp. 3 - 4.

taking any new action. On the other hand, it is likely that the government was busy preparing its own study in an effort to meet the future demands of both the universities and the provinces. This is perhaps a partial explanation for the fact that the federal per capita grants did not increase from 1962 - 63 to 1966 - 67.

Two documents that offer a good summary of university demands in the mid 1960's are the C. U. F. submission to the Minister of Finance of December, 1963 and the C. A. U. T. brief to the Minister in the spring of 1964. The C. U. F. brief requested the initiation of a \$300 million fund for matching capital grants to universities and colleges to offset the estimated \$800 million needed from 1963 - 64 to 1965 - 66. It reiterated the need for increased operating revenues and suggested, once again, a per student grant. However, if the per capita were to continue, an increase of 30 cents per annum was considered "relatively realistic under present conditions". The position of Nova Scotia and New Brunswick was again used to illustrate the need for additional federal assistance in the Maritimes. In order to alleviate the expenses of research, the C. U. F. proposed that part of the \$300 million capital fund and an additional \$2 million per annum grant to the Canada Council be used as a temporary stop gap. Finally, the C. U. F. requested changes in tax laws so that private and corporate donations could increase without penalty to the donors. In the same area, a request was made to exempt universities from federal sales tax and to increase income tax exemptions for full and part time students.<sup>36</sup>

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<sup>36</sup> A Submission to the Honourable Walter L. Gordon, Minister of Finance of the Government of Canada by the Canadian Universities Foundation (Ottawa: Dec., 1963), pp. 2 - 9.

The C. A. U. T. submission was in many respects similar to that of the C. U. F. but there were some significant departures. There was a somewhat idealistic plea for a long range programme dedicated to planning and financing university development for the period 1964 - 65 to 1970 - 71. In this respect the C. U. F. was perhaps more attuned to the university question and its operation within a political-economic context that was constantly changing. Canadian experience had dictated short term arrangements because of a constantly shifting situation. Nevertheless, the C. A. U. T. request was a significant departure from previous thinking. There was general agreement that operating revenues had to be increased, but the teacher's association called for a much larger increase than the C. U. F. Whereas the Foundation had recommended a grant of over \$49 million for 1964 - 65, the C. A. U. T. saw \$100 million as a more appropriate figure. In addition, they saw the necessity for the federal government to commit itself to bearing at least one third of the universities' operating costs.<sup>37</sup>

As previously mentioned, the submissions of these bodies brought about no significant change in government policy. However, they did illustrate the direction of university thinking on the question of federal aid. Equalization was considered a major problem and was to become the key issue of future years. Long range planning entered the debate and it, too, became a prominent feature of later negotiations. Yet, at the basis of the entire situation lay the more traditional concern; extent of support and methods of distribution. These issues

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<sup>37</sup>"Brief to the Minister of Finance on the Financing of Universities," C. A. U. T. Bulletin. Vol 12, No. 4, (April, 1964), pp. 25 - 35.

were to take up much of the C. U. F. report scheduled for 1965.

Another development of the 1960's that was of vast importance to future negotiations had to do with provincial administration. Prior to this period provincial grants to universities were so low that the mode of distribution was not considered of great importance. But with increased expenditure on education, provincial bodies were inaugurated whose major functions were to apportion funds. Implicit in this task was the achievement of some level of coordination. Therefore a new relationship was created whereby the universities were brought much closer to the provincial governments than in any time in the past. It was felt by the provinces that they had to interfere to avoid duplication and strains on their resources. To have neglected these responsibilities would have implied negligence or the assumption that the universities were self disciplining.<sup>38</sup> This gave further impetus to the argument for some type of national coordination and was an additional complication in future federal-provincial financial arrangements.

In 1957, the Royal Commission on Canada's Economic Prospects had drawn attention to the relationship between education and the economy. At the time, this was a relatively new argument for increased government support but it drew increasing attention over the following years. It became a most prominent feature of the Economic Council of Canada's Report, Towards Sustained and Balanced Economic Growth, of March, 1965. In a commentary, Dr. John J. Deutsch, chairman of the Council said;

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<sup>38</sup>Corry in Higher Education in a Changing Canada, p. 6

a rapid and sustained expansion of university education, including education at the postgraduate level, must be given a high priority if Canada is to realize her economic and social goals in the years ahead. This means a high priority in making available the necessary resources in comparison with other forms of public expenditure. . . . In the 1950's, expenditure at these advanced levels represented. . . ten per cent of government spending on education; by 1970 they will account for more than a third. . . . Education is now and will increasingly become the largest and most important preoccupation of our society.<sup>39</sup>

This, then, was a further development in recent years that took its place alongside the others as a vital matter of concern for governments and universities.

### The Bladen Report

In October, 1965, the Report of the Commission appointed in 1964 by the C. U. F. was made public. By this time the N. C. C. U. C. and its executive agency, the C. U. F., had been re-organized into the Association of Universities and Colleges of Canada. Subsequently, the Report, Financing Higher Education in Canada, was presented to and published by the new Association, (hereinafter called the Bladen Report after its Chairman, Vincent W. Bladen). The commission had been appointed "to make an estimate of the financial needs of the Canadian universities and to recommend means of supplying them".<sup>40</sup> It was the most comprehensive analysis of university financial requirements ever presented in Canada.<sup>41</sup>

A review of the recommendations and interpretations of the Bladen Report is beyond the scope of this paper. An attempt will be made to

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<sup>39</sup>John J. Deutsch, "Education for National Growth," The Atlantic Advocate, 55, May 13, 1965. pp. 16 - 17.

<sup>40</sup>Financing Higher Education in Canada being the Report of a Commission to the Association of Universities and Colleges of Canada (University of Toronto Press, 1965).

<sup>41</sup>See Appendix G for the Terms of Reference.

limit commentary to those areas relating directly to the topic at hand. In this case sections III, (The Problem of Finance), IV, (Review of Submissions), and VI, (Recommendations) will serve as the basis for our analysis. Each section can be further subdivided into areas of particular interest. It should be understood at the outset that the Report made projections up to 1975 basing most of its commentary on present and future enrollment of the universities. These estimates were devised by Dr. Sheffield and in the words of the Report, should be treated as a "minimum estimate."

The Report made specific recommendations to the Federal Government covering all areas of university operation. Essentially, it asked for a much larger involvement in contributions to university revenues. To this end, an immediate increase in the operating grant from \$2.00 to \$5.00 per person was requested. It was suggested that this grant increase automatically at the rate of \$1.00 per person. In the field of capital costs the suggestion envisioned an annual grant of \$5.00 per head and other grants covering libraries, health, education, and research. The commissioners asked that the type of distribution be retained, that is, on the basis of population, not enrollment. In the same context, they requested that Quebec receive larger tax abatements, so that she could better finance her universities. The justification for the increased federal aid was the fear that the provinces would have insufficient revenues to finance the universities at a level necessary to their satisfactory operation.

Thus, the Report's recommendations had the Federal Government

providing one third of operating funds, half of capital funds, and a high proportion of research funds. Within each province, Federal grants were to be distributed in accordance with formulas which the provincial governments might devise. The Report favoured a weighted system which gave smaller grants for freshmen and sophomores, higher grants for more advanced students, and still higher grants for graduate students. This appeared as a compromise solution to the problem of the basis of the federal grant. It comprised both the per population formula and a system for adjusting these grants according to the level of studies.<sup>42</sup>

Response to the Bladen Report was manifested by all the interested parties but with a great degree of variation. It was accepted as a great step forward in the area of university finance and received much praise in this aspect. Numerous recommendations were made that the government begin immediately to implement the suggestions of the study in order to deal effectively with the urgent situation of the universities. Yet, each recommendation met with an almost equal amount of criticism, which was a particularly disturbing fact, since great optimism had been shown while the study was in progress. Considering that the universities and affiliated associations had awaited its findings with much confidence, the reception given was something of a letdown. There was either an element of weakness in the Report or an undue scepticism on the part of the critics.

The Report's suggestion that federal aid be increased in the area of operational grants suffered in its approach. The very fact that the

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<sup>42</sup>See Appendix H for specific Recommendations.

federal authority had revenues available for this purpose was unimportant to many critics since, the same money could have been collected and distributed by the provinces. The tax-sharing arrangement with Quebec was proof enough of this fact. Perhaps the commissioners felt that Ottawa could be "trusted" more than the provincial legislatures. If so, they gave no justification for this sentiment.<sup>43</sup> They avoided the question of a division of responsibility among governments and, therefore, did not convince the provinces that the federal government had a proper place in university finance.

The fact that the Report made no mention of the breakdown of its financial estimates between federal and provincial governments was also seen as a weakness.<sup>44</sup> There may have been some wisdom in this neglect, however, since precedent had indicated that this was a matter of federal-provincial concern. The tentative nature of financial agreements between both levels of government may have discouraged the commissioners from making suggestions in a very sensitive field. They were perhaps implying the knowledge of their omission by suggesting that federal-provincial meetings take care of "revision" in the amount of grants. There appears to be some recognition by the commissioners of the facts of Canadian federalism.

The recommendation concerning capital grants received little criticism but this was not because it was seen as a forte of the Report. One of the major tasks facing the federal government was the establishment

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<sup>43</sup>Ian M. Drummond, "Financing University Growth: The Bladen Report," The Canadian Forum (Toronto: Vol. XLV, No. 540, January, 1966), p. 222.

<sup>44</sup>Gideon Rosenbluth, "Reflections on the Bladen Commission Report," C. A. U. T. Bulletin, Vol. 14, No. 2, December, 1965, p. 96.

of priorities in its program of aid. By 1965 it was generally accepted that the first objective of any federal provincial discussion would be to straighten out the imbalance of the then existing situation. Since operating grants made up the largest part of the federal contribution, these, it was expected, would receive top priority. This did not imply that capital grants would be forgotten but that they would be relegated to a definitely inferior second place. The Bladen Report saw need to make its suggestions, but the critics were unwilling to spend much time discussing an area that would apparently be of secondary importance.

The research proposals envisaged a much greater increase to the scientific and technological than to the arts and social sciences. Grant R. Davy criticised this proposal on the grounds that the Commission was "mesmerized by its own arguments about economic yield."<sup>45</sup> His protest was over the fact that the recommendations for research failed to bring the humanities and social sciences "to a minimum level of research competence."<sup>46</sup> On the other hand, the federal government, as later events were to show, saw this as perhaps the most valid area of the entire Report. It offered the government a feasible alternative to the prevalent situation and justified the role of the federal government in research.

Other recommendations of the Bladen Report will be referred to in this paper at a point when their significance can be illustrated. Thus,

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<sup>45</sup>Grant R. Davy, "Financing Higher Education in Canada - Some Critical Comments," C. A. U. T. Bulletin, Vol 14, No. 2 Dec. 1965, p. 105.

<sup>46</sup>Davy, 105.

the present study has been limited to operating, capital and research grants. On the basis of these areas there was an apparently mixed reaction to the Commission's proposal. Yet, because the Report was presented at a time when political activity was intense and public interest was present, its effects cannot be underestimated. The federal government had to take into consideration certain of the Report's proposals and act upon them in a manner suitable to an expression of interest in higher education.

## CHAPTER III

### THE TAX TRANSFER

1966

On January 20, 1966, the Prime Minister announced that for 1966 - 67, the federal government would increase the "per capita" grant from \$2.00 per capita in each province to an average of \$5.00 per capita in all provinces. This indicated an increase of roughly \$60 million of federal expenditure over the previous year. The amount to be made available to each province, excluding Quebec, would be greater or less than \$5.00 per capita depending on the enrollment of full-time students whose residence was outside the province. Quebec would receive its grant, \$5.00 per capita of the population, through the offices of the provincial government rather than through the A. U. C. C.

The amount payable by A. U. C. C. to a university in a province other than Quebec will be determined by the number of "federal grant units" for which it can qualify (the number of its full-time and part-time students, weighted according to the formula recommended by A. U. C. C. in October, 1965) as a proportion of the total number of "federal grant units" for which the universities of its province qualify.

Federal action on the capital assistance proposed by A. U. C. C. on the basis of Bladen Commission recommendations, and decisions on the scale of "per capita" grants in years after 1966-67, will not be taken until after joint federal-provincial discussions. These are to be held in the near future.<sup>1</sup>

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<sup>1</sup>Edward F. Sheffield, "Federal 'per capita' grants to universities 1966 - 67," A. U. C. C. Release, Feb. 1, 1966.

It was understood at the time that this was to be an interim action on the part of the federal government. Further arrangements were to be made at a June Conference, (later postponed to October), of the federal and provincial governments. This was to be the first conference at a government level primarily concerned with the problems of higher education. It had been one of the general recommendations of the Bladen Report that such a meeting take place annually.

A third recommendation of the Report acted upon in 1966 had to do with the task of coordination. Permanent machinery for dealing with government assistance to universities was non-existent in Canada since the problems of jurisdiction and long range policy had never been clarified. A federal office of education had been proposed as far back as 1922. At that time the National Council on Education had envisaged a National Bureau of Education supported by annual donations of \$20,000 from each province and matching grants from the federal government. A conference was held in Toronto to establish what provincial opinion was on the matter. At that time Quebec had taken the lead in opposing the proposal, a blow which signalled the downfall of the National Council.<sup>2</sup> It was not until 1936 that the Dominion Bureau of Statistics was even able to gather financial statistics on education.

Yet, the fact that federal involvement did exist in 1965 prompted the Bladen Report to make a proposal for the more efficient operation of government machinery. It suggested that a Minister of the Crown be placed in charge of coordination of assistance to universities. He in turn was

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<sup>2</sup>Phillips, The Development of Education . . . p. 49.

to establish an advisory committee consisting of a senior civil servant and senior professors. In February, 1966 the C. A. U. T. gave their full support to this suggestion and proposed that the non-governmental members of this committee be selected from a list agreed on jointly by the C. A. U. T. and the A. U. C. C. They further proposed the establishment of a full time secretariat and the employment of a trained statistician.<sup>3</sup>

The Department of the Secretary of State was given responsibility for policies affecting federal support on higher education in June, 1966. Another of its functions is to receive reports from all the cultural agencies of the government and to channel aid to higher education. In an address to the Canadian Teacher's Federation Education Finance Conference, Robert Stanbury, M. P., outlined the objectives of this department and its potential in co-ordinating educational planning. He emphasized that when the bill creating the department passed, no objection was made either in the House or from the provincial governments. There was an obvious concern on the part of the federal authority not to publicize the matter. In fact, the department's function was defined as an "encouragement of . . . learning. . ." and not education.<sup>4</sup>

The Hon. Judy La Marsh elaborated on the role of her department when she appeared as a witness before the Standing Committee on Broadcasting, Films and Assistance to the Arts. Essentially her comments dealt with the co-ordinative functions of this new agency but she also

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<sup>3</sup>Brief presented to the Government and the Provinces by the Canadian Association of University Teachers, (Vol. 14, Special issue, Feb. 1966), p. 20.

<sup>4</sup>Robert Stanbury M. P. "Coordination of Educational Planning: A Federal Role," Address to the Canadian Teacher's Federation Education Finance Conference (Winnipeg: February 9-11, 1967), pp. 11-12.

spoke about its constitutional implications. Miss La Marsh hinted that education in the Canadian context was an extension of the 1867 definition; that is pre-university level. She implied that the federal government had a responsibility for the mobility of highly educated personnel and that at the time of Confederation, such a situation did not exist. "This is not the kind of education which the Fathers of Confederation intended to lay upon the intermediate level of government." To show that there was a general acceptance of this fact, she revealed that the Under-Secretary had consulted with provincial authorities to assess their views.<sup>5</sup>

The initial task of this branch is to bring together within the federal government the views of the departments and agencies which are concerned with financial aid for higher education. It is possible that in due course the concern of this branch may extend to all those areas of education to which the federal government gives financial support. I would also hope that the establishment of such a branch may be of general assistance to the federal government as a means of providing . . . comprehensive knowledge about educational developments throughout Canada, and become an instrument by which that government will ensure that it can play the full role permitted to it by our constitution in contributing to the strength of Canadian education.<sup>6</sup>

The establishment of this department was certainly a bold step, yet there was a certain amount of justification in its procedure. From an administrative point of view, the machinery of federal involvement in higher education needed some degree of unity. In fact, it was only one aspect of the government's reorganization plans in 1966 and in that sense fitted in with the general guidelines of re-structuring of government agencies. The waste of duplication and time was a matter of concern to

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<sup>5</sup>Stanbury, p. 18.

<sup>6</sup>"The Prime Minister's reply to Mr. C. V. Madder, President of the Canadian Home and School and Parent-Teacher Federation concerning the question of a federal office of education", Nov. 1966, as quoted in Stanbury, p. 20.

all levels of society. Secondly, if the government was to implement the recommendations of the Bladen Report and if it was to cope with the increasing demands of both university and provincial governments, it needed a planning directorate to absorb these pressures and propose solutions. The amorphous arrangement prior to 1966 was an inefficient one for coping with long range demands and policy making. This new department was the first response to the call for a permanent and long range planning body that had been made by the C. A. U. T. in 1964. The political nature of the State Department's new responsibilities made the step an even more bold one. Although there had been no fanfare at the time of its inauguration, the department's existence was not only a precedent but in many ways, a challenge to provincial leadership. The federal government may have interpreted its own action as a counter-measure to the setting up of provincial agencies. In 1965 a Council on Higher Learning was established in Manitoba, a Universities Commission in Alberta, a joint university-government committee in Saskatchewan, and New Brunswick re-appointed the membership of its Royal Commission on Higher Education to a committee charged with receiving the university grant structure. Thus in 1965, there were seven government appointed agencies exercising some continuing control or supervision over institutions of higher education.<sup>7</sup>

The fact that the provinces did not object to the federal government's actions suggest the following speculations. They may have seen the

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<sup>7</sup>  
 "Review of the University Year 1965-1966," University Affairs  
 (Ottawa: Vol. 8, No. 1, Oct. 1966), p. 3.

move as a genuine desire to improve the administrative structure of the federal government, rather than as a political threat to their authority. On the other hand, the provinces could have interpreted the measure as a necessary condition for federal involvement in higher education. If so, their lack of protest implied an acceptance of Ottawa's role in the future. Finally, a possible explanation would be that the provinces had other plans in mind which, in June, 1966, were not ready for presentation. Their silence may have been an attempt to cover up the formulation of their ideas. By September of 1966 there was some indication of provincial intentions concerning the future of the federal role in higher education. The First Inter-provincial Conference on Education and the Development of Human Resources was held in Montreal under the co-sponsorship of the governments of Ontario and Quebec. Although many Ministers of Education were unable to attend due to political activities in their respective provinces, the Conference did reveal provincial thinking about higher education in Canada. The opening session witnessed a repetition of the case for provincial autonomy in education. However, two statements of some importance found their way into these arguments. Both Jean Jacques Bertrand and William G. Davis, Ministers of Education for Quebec and Ontario, respectively, agreed that many educational problems were common to all provinces and Mr. Davis recognized "a new approach to the solution of many of the education problems which transcend our provincial boundaries."<sup>8</sup>

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<sup>8</sup>Stanley Cohen, "Urge Provinces Retain Rights" The Montreal Star, Friday, Sept. 9, 1966.

He also claimed that an expanded role for the federal government, particularly in finance, was not out of the question provided that each province had the final say in any such matter. Aside from the hints made at a new approach to inter-provincial problems and some favourable comments for the federal role, the Conference heard the classic arguments for provincial autonomy. However, these comments were indicative of future events.

In one of the later sessions, these proposals took on a more tangible form. The establishment of a permanent inter-provincial office of education received endorsement, in principle, from Mr. Bertrand. This was a relatively new proposal in Canada, one that had been conceptualized in 1965 at the Standing Committee of Ministers of Education in Fredericton. At that time, Paul Gerin-Lajoie, the then Minister of Education for Quebec, and Mr. Davis had encouraged such a proposal. In 1966 it received far more attention. It was understood that, if it were formed, the office would "represent the provinces collective substitute for a Federal office of education in this country."<sup>9</sup> This was to be the provincial answer to the federal government's measures of June, 1966, if agreement could be reached about its structure. It would appear that Mr. Stanbury's optimism about a federal office of education in the Secretary of State's Department, was not matched by the provincial authorities. The re-assertion of provincial autonomy demanded an altogether different approach to the question. Yet, it did not seem to lock out the federal government from playing a part in higher education. The workshop set up to consider the matter proposed

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<sup>9</sup>The Montreal Star, Sept. 10, 1966, p. 2.

that an inter-provincial office could help achieve the attainment of economic and social goals. It urged the establishment of just such a body and, while no formal vote was taken, there was general agreement that this was exactly what the Ministers had wanted. A consensus had been formed that originated with organizations not directly related to the making of educational policy. Thus the provinces could point to public demand as the reason for their consideration of a jointly-operated office. In commenting on the proposal, M. Bertrand said:

In principle, I personally approve of this idea. It will all depend, however, on the structure and powers that are given to such an interprovincial organization. It could work well. After all, we, the provinces, are the ones responsible for education in this country.<sup>10</sup>

The proposal underwent further consideration at a conference of provincial Ministers of Education held in Vancouver in late September, 1966. However, the views expressed by M. Bertrand were apparently shared by his colleagues since no central education agency was established in 1966. Yet, some progress was made on the issue. A sub-committee of ministers and their deputies was appointed to study the question and to make proposals concerning the agency's structure and authority. It appeared that all the ministers attending the conference agreed in principle on the need for co-ordination and co-operation and they were quite willing to express their views. However, on the question of the office's structure and the possibility of utilizing already present bodies, such as the C. E. A., the ministers were vague. Once again, reference was made to the role of the federal government.

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<sup>10</sup>The Montreal Star, Sept. 10, 1966, p. 2.

They must have representation but not control . . . .  
 . . . they must know and understand why we ask what we  
 do in terms of financial assistance for provincial education  
 programs.<sup>11</sup>

Another aspect of the conference dealt with the plans of the provinces vis a vis the federal government in the forthcoming meeting in Ottawa. The opening shots, of what was to be a major battle, were fired by M. Bertrand of Quebec. He pointed out that money was the key to the whole question of higher education and that the only way of attaining new revenue was through a better redistribution of fiscal powers. He indicated that the Ministers were fully agreed on this point. The resolution finally passed by the conference took into consideration the varying needs of the provinces. The gist of its message was a very general demand for increased financial assistance.<sup>12</sup> The Ministers were not willing to reveal the specific demands they were to make since these were drawn up at the 1965 meeting which was held behind closed doors. The October federal-provincial conference was to witness a head-on clash over these particular demands.

By the fall of 1965 the federal government was faced with three variables that would have a great influence upon its future role in university finance. The Bladen Report's recommendations and the methods the government would choose to cope with them was the first factor. The second had to do with the unanimous resolve of the provinces to achieve more of the finances involved in higher education. This was to be of

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<sup>11</sup>"Central Education Agency Delayed" The Montreal Star, quoting George J. Trapp, Minister of Education of Saskatchewan, Sept. 21, 1966, p. 27.

<sup>12</sup>"Provinces Ponder Education Office," The Montreal Star, Sept. 23, 1966, p. 18.

prime importance since there appeared to exist a degree of planning by the provinces which would place a new perspective on federal-provincial negotiations. Finally, the apparent wish of the provincial ministers to establish a national agency involved with the problems of higher education came as a new variable which the federal authorities would have to face in future years. It could be that 1966 was the most important year in higher education since the establishment of federal grants in 1951.

#### The Federal - Provincial Conference of 1966

During the month of August, the federal government had made some preliminary announcements concerning its future in higher education. These had come during the course of a federal-provincial tax conference and showed that the government intended to be an even more potent force than it had been in the past. Finance Minister Sharp indicated that the increased aid would most likely apply in three areas of higher education, grants to universities and colleges being one of them. No information was given about the particulars of the federal increases so that, by the time of the November meeting, neither side had revealed its particular strategy. Mutual planning still remains a goal for future years to achieve since the realities of Canadian federalism prevent any such activity in the present.

Just prior to the opening of the federal-provincial conference, the Prime Minister vowed that he would take a hard-line stand against the provinces over the question of excessive fiscal demands. Although

his comments dealt with the entire field of federal-provincial financial relations, aid for higher education was indicated as being a prime area of concern. Since the intention of the conference was to reach a five-year tax sharing agreement, the government made it quite clear that it was not willing to sacrifice its position for the sake of provincial satisfaction. Nevertheless, the government reiterated its claim that a substantial increase of federal funds would be offered to the provinces for purposes of higher education. This offer would involve the setting up of a new formula that would take into consideration the particular problems of all the provinces. There was some indication that the formula would involve cash grants or fiscal equivalents, an arrangement that Quebec had favoured for years.

As it turned out the formula was a compromise between alternatives. The federal government could have made a straight-forward tax transfer to the provinces hoping that some of this money would be used for education. On the other hand, Ottawa could have re-established the shared-cost programme and given the provinces a fixed percentage of capital expenditures on education facilities. Quebec was traditionally in favour of the first alternative but would not have accepted the latter. Instead the government sought to make a tax transfer, unconditionally, so that there could be no constitutional objection. However, the total of such transfers to each province was to be based on the costs and needs existing in these areas. In order to eliminate the possibility of some provinces reducing funds to higher education when federal funds increased, an equalization formula was also added to the basic formula.

This ingenious solution seems to get around constitutional objections, while still channelling the extra federal money into the broad field of education. The objection which several provinces besides Quebec have voiced in the past about shared cost programs - namely that they allow the federal government to set provincial priorities - is hardly applicable here, since education is already on top of every province's spending priorities list.<sup>13</sup>

Mr. Newman predicted that Quebec's critical financial situation would possibly pressure it to accept the federal plan.

On October 23, Mr. Pearson revealed the exact details of the federal plan. It involved a \$360 million sum in tax rights and equalization payments. The tax transfers and payments were calculated on the basis of half of the operating costs of all universities and other post-secondary institutions. An alternative was offered, however, which enabled provinces to choose a \$14 per capita grant instead. This alternative would include capital funds, university operating costs and other expenditures on higher education. The tax transfer would involve an addition to the provincial personal income tax of four percentage points and one point of corporation income tax. If necessary, two equalization payments would be made to provinces accepting the tax transfer if the revenue involved came to less than a \$14 per capita grant. The formula handily avoided a constitutional conflict.

In presenting the federal formula, the Prime Minister referred to the work of the Bladen Commission and suggested that the federal plan went beyond its recommendations. At the same time, the government's plan disentangled itself from the old system of grants and separate agreements with Quebec. However, these two positive moves were somewhat

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<sup>13</sup>Peter C. Newman, "Education Formula Prepared," The Montreal Star, Saturday, October 22, 1966, p. 8.

obscured by the actual amount of money involved. Due to conflicting information concerning the actual operating costs of universities, the conference deteriorated into a chaotic state over the next few days. Nevertheless, the sensibility of the federal formula was accepted by all. The conflict that ensued dealt with the amount of revenue involved and not with the principles of the new proposal.

The nature of the federal government's offer caught the provincial premiers by surprise. Their response was one of aimless criticism during the early stages of the conference. However, two points did emerge - dismay over the phasing out of technical and vocational assistance plans and unanimous condemnation of the federal government's inability to provide concrete figures. Premier Robarts of Ontario expressed the feelings of his colleagues when he accused Ottawa of giving with one hand while taking away with the other. The premiers felt that university aid should have been granted in addition to, and not in place of, existing programmes.<sup>14</sup> As far as the question of increased revenue was concerned, the premiers claimed that they envisaged no such increases and, in fact, saw a general decline in operating funds.

In an editorial entitled "What is Pearson Giving Quebec," Gordon Pape summarized the objections of Mr. Johnson. The cancellation of technical and vocational agreements was one factor. The second dealt with the relationship between the new proposal and old programmes in the sense that they were tied so closely together that separating them seemed almost an impossibility.

The other factor is that while Ottawa seems to be offering

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<sup>14</sup>Gordon Pape, "Federal Education Plan Rejected by All Provinces," The Gazette (Montreal: Tuesday, October 25), p. 1.

four points of income tax and one of corporation tax, in fact Quebec won't get anything like that. The point of corporation tax, for instance represents the existing university grants from Ottawa. Quebec received them in the form of tax concessions under the Diefenbaker - Sauve formula. But since this old programme is now being cancelled, Quebec loses the one old point while gaining one new one - a net change of zero.<sup>15</sup>

In the same way Quebec would lose two additional income tax points through the elimination of the federal health programme in 1967 and the phasing out of the technical school programme. Thus Quebec would receive only two additional income tax points instead of four. Mr. Johnson was the only Premier to object to the principle of the new programme since he felt that the formula would enable the federal government to investigate the spending of post-secondary institutions. This would be necessary if Ottawa were to pay half the costs of this form of higher education and, to Quebec, this was a violation of autonomy.

However, in a sudden about face, Quebec accepted the federal government's offer. On October 27, Mr. Johnson announced that his province and the federal government had reached agreement in principle on the financing of post-secondary education. He noted that Ottawa had a double purpose in making its proposals. The first was to replace the old grants in aid programme with fiscal compensation so that it could "avoid all danger of undue federal influence in the education policy of each province." The second aid, he said, "is to enable the provinces by a net increase in their revenues to meet their increasing needs."<sup>16</sup> He accepted the principle of the new programme but rejected the \$14 per capita equivalence since post-secondary education in Quebec was structured

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<sup>15</sup>Gordon Pape, "What is Pearson Giving Quebec," The Gazette (Montreal: Tuesday, October 25, 1966), p. 7.

<sup>16</sup>Brian Upton, "Ottawa Offer Acceptable Quebec Says," The Montreal Star, Tuesday, October 27, 1966, p. 4.

quite differently from the way it was in other provinces.

The final word on higher education came on October 28 when Mr. Pearson announced that the Federal Government would raise the per capita grant from \$14 to \$15 per head of population. The rest of the new program remained as offered except that equalization payments would now be adjusted to the \$14 per capita ceiling. Although the provinces had demanded a much larger sum of money, at least the principle of the new system was accepted by all. The long range programme proposed by Mr. Sharp had not materialized since other aspects of federal-provincial fiscal relations remained unresolved. The new programme foresaw a two-year waiting period. At the same time the definition of post-secondary education for financial purposes remained vague. Nevertheless, the Federal Government had managed to free itself from the encumbering ties of previous negotiations and to establish a new role for itself in higher education.

The October conference set a new pattern for federal involvement the post-secondary education in that it did away with the direct contact between Ottawa and the universities in the area of operating grants. This had been part of the Federal government's plans as far back as 1961 when the problems involved in the per capita grants programme became a matter of deep concern. However, it took the government some time to formulate a new policy and to gather opinions. It was necessary to choose a prime moment to reveal the new formula and this did not present itself until the federal-provincial tax conference of 1966. Due to the complex demands of the Bladen Commission and the provincial

governments, Ottawa had to choose between a more intricate and costly involvement in already existing programs or a newly devised scheme of support. The federal government chose the second alternative and decided to bolster the resources of the provinces so that they, themselves, could deal with future decision-making concerning university support and development.

The main factors in the federal government's decisions involved the traditions, history and objectives of a policy dealing with federal aid.<sup>17</sup> From Ottawa's point of view there was a need to get rid of the opting-out arrangements of previous years so that all provinces could be put on the same basis. Implicit in the opting-out formulas was the granting of special status to one or more provinces which, in the long run, could have meant separate and detailed negotiations between both levels of government. If the federal government had a genuine desire to alleviate the financial pressures of Canadian universities, it had to direct its efforts in such a way as to dispel any accusation of favouritism. Concurrent with these efforts was the need to distribute aid on a fairly equal basis so as not to create a dangerous imbalance in educational opportunity and economic return. The need for equalization was, therefore, another factor in determining a new policy. However, the constitutional difficulties that sometimes brought federal-provincial relations to a boiling point stood in the way of any modification of the traditional federal policy. This policy had attempted to avoid the constitutional question and had been fairly successful in doing so, except in the case of Quebec during

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<sup>17</sup>Material in this section has been taken from interview with C. Gill.

the 1950's. However, since the federal government felt that the old per capita programme was no longer feasible, it had to devise a scheme to deal with the new economic situation which retaining the constitutional "avoidance" elements of the past. The new plan attempts to do both, but it does raise the question as to whether Ottawa does have a genuine interest in university finance since the federal government chose to make a no-strings attached tax transfer to the provinces. A fourth factor in developing the present programme dealt with the need to relate Federal contributions to rising expenditures. Undoubtedly, this situation is not unique to universities in that the entire field of fiscal relations is directly concerned. Nevertheless, Ottawa attempted to construct a policy of aid quite distinct from, yet related to, other areas of fiscal relations which were discussed at the conference. The formulation of the new policy involved all of these factors, thus making it a most complicated task.

In presenting the proposal Mr. Pearson spoke of the danger that federal cost-sharing programmes in the technical-vocational areas could present to universities. "Under the present system, a province has a stronger incentive to establish and operate an institution that can qualify under the training agreements than it would have to provide urgently required university facilities, where there is no shared cost."<sup>18</sup> Ironically, the Department of Finance had been insisting that the per capita grants prior to 1966 had been a type of shared-cost programme.

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<sup>18</sup>"Mixed Reactions to New Deal," C. T. F. Newsletter (Ottawa: Nov. 1966, Vol. 22, No. 7), p. 1.

(This was incorrect since no matching basis had ever been established). In effect, the federal government was contradicting itself while trying to justify its actions. As the conference continued, the federal authorities conveniently forgot about both arguments.

In the final analysis, did the government present an alternative method of collecting revenues? It is quite likely that Quebec would not have accepted an expenditure related formula due to the implication of federal tampering in a field of provincial jurisdiction. This would have meant a return to the opting-out arrangements of the past; something which the federal authority desired to eliminate. The second alternative would have been to propose a percentage based grant. This grant may have alienated some provinces whose revenues would have suffered in terms of previous grants. Thus the previous methods of distribution were considered unfeasible in the light of Ottawa's intentions. The new system provides for an out where provinces have constitutional objections or, in the case where these are not present, a choice between methods of revenue collection.

One of the major areas of study of the Bladen Report dealt with capital grants. In the subsequent action of the federal government, the intricate recommendations of the Report were ignored altogether. In its decision, the government had obvious reasons for side-stepping this area and concentrating its attention on operational revenues. It was felt that the system of calculating and distributing operating grants had to be straightened out before any other action was initiated. Since

this had been the area wherein the vast majority of federal aid was concentrated and most problems arose, it necessarily took priority. This was a fact recognized by the provinces, although the universities questioned the wisdom of avoiding the capital grants recommendations in later briefs to the governments. What the federal government wished to avoid were the problems arising from a new capital programme. These would have most likely occurred in the area of federal-provincial relations, administration and initial costs. Rather than adopt the suggestions of the Bladen Report, the government made capital expenditures a part of the new formula.

In effect, the government had to make a choice between a selective or non-selective role in aid to higher education. As far as operating and capital grants are concerned, it chose the latter. However, in the fields of research and student aid, it claimed the right to be directly involved. It justified its connection with student aid on the grounds that the university population would undergo a rapid expansion within a seven year period creating tremendous financial needs to both these institutions and to the student. It also claimed that students attended universities outside their home provinces and, as graduates, moved throughout the country. In this way student welfare was directly linked to national needs and prosperity. The government felt that equality of educational opportunity was a matter of its concern since it affected the national welfare of Canada. It promised to develop a system of bursaries and scholarships in consultation with the provinces, but to this date no action has been taken. In a way, aid to students can be seen as nonspecific if the federal government were to continue the Canada

Students Loan plan set up in 1964. Under this plan students in any field of study can request assistance. However, it is most likely that if a new student aid program is developed, it will involve scholarships and fellowships of a selective nature.

Research has traditionally been an area of federal involvement and it too can be justified on the basis of national needs. However, in the past few years there has been a marked increase of provincial interest in this field. At the beginning of the October conference, the Prime Minister mentioned that Ottawa's involvement would continue and increase in the future. Nevertheless, the government was not prepared to see this as an issue of conflict and this attitude partially explains why research did not receive too much attention at the conference. In addition, an increase in federal research grants meant a corresponding rise in provincial operational costs. The nature of federal participation in this area is extremely complicated involving various objectives and forms of grants. A prolonged discussion of these characteristics could have had disastrous effects on the federal-provincial meeting.

In an attempt to judge the A. U. C. C. reaction to the federal government's programme, an interview was held with Dr. G. C. Andrew, Executive Director of the A. U. C. C. in November, 1966. Dr. Andrew claimed that the N. C. C. U. C. had been requesting a new formula for at least four years. Their suggestion had been quite similar to the eventual policy taken by the government. This policy allowed for both provincial and federal involvement in higher education with the clear understanding that Ottawa had a concern but that the provinces retained responsibility.

In Dr. Andrew's opinion the federal government had gone as far as to delegate most of its concern to the provinces by granting them fifty per cent of all operating costs through tax transfers and equalization payments. In addition, the government had ignored the Bladen Report's recommendation that it bear thirty per cent of overhead costs. He speculated as to how genuine the federal concern was in the light of the cessation of direct grants to universities.

The struggle between federal and provincial governments was singled out as being the essential factor in determining the future of federal aid. Ottawa had attempted to make a distinction between culture and education and between research and education which may not have been valid. The distinction, in practice, is extremely vague leaving the door open for strong constitutional objections. The alternate question is whether the federal government can operate in one area while disregarding the other. This appears unlikely since they are all so closely related that any assistance to one will bring on pressure for the re-establishment of a financial balance. For example, while the conference was in session, the A. U. C. C. requested the continuation of the capital grants program and an increase in research grants.

Dean Maxwell Cohen of McGill claimed the "new Pearson formula" of not policing federal grants to the provinces for education should raise serious concern among educators.

Universities must concern themselves with the question of what priority provincial governments give to education, with means to ensure the fairness of distribution of grants and with the price in terms of government control that will be exacted for the grants. . . .<sup>19</sup>

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<sup>19</sup>"Universities Ask Research Aid Hike," The Montreal Star, Saturday, October 29, 1966, p. 29.

Finally, it was suggested that the ambiguity of the federal policy in higher education could create a situation wherein the provinces would be on firm constitutional grounds in demanding a tax transfer sufficient to handle all areas of higher education. In this case the federal authority would have no alternative but to bow out of the area of higher education altogether and this, in the view of the A. U. C. C., could be a tremendous threat to the work of the universities. Obviously, the A. U. C. C. feels that a federal concern is necessary but there is the possibility that the provinces can handle both national and provincial needs. The increasing amount of inter-provincial co-operation could bring about such an eventuality.

What relationship existed, if any, between the Bladen Report and the subsequent actions of the federal government? Considering that certain limitations had prevented a more concentrated study, Dr. Andrew felt that the Bladen Report had brought about an awareness of the university predicament. The urgent necessity of bringing the universities' problems to the government had reduced the time period originally planned for its research. Originally, a three-year study was envisaged with a budget of \$500,000. The Report itself had taken fifteen months with a budget of \$200,000. It was felt that the Commission had done an extremely competent job within this framework.

The fact that the capital grants recommendations were overlooked was attributed to a reluctance on the part of the federal government to become involved in a new area of finance. Another obstacle in this field was the attitude of Ontario. There was the possibility of establishing a program of matching grants through the A. U. C. C., but Ontario

objected since it wished to administer any such programme on its own. In addition, it wished to leave out church institutions which used to receive grants from the C. U. F. A political difficulty already exists in the fact that Ontario bases its needs on both the public and religious sectors, but gives no grants to the religious post secondary institutions. In conclusion, Dr. Andrew felt that the question of federal aid would never be solved to the satisfaction of all parties. He stipulated three factors that would always be of prime importance in keeping a place for the federal government in university finance, none of which is mutually exclusive. The fact that certain "trends and swings" were evident in the past had dictated that the federal authority participate in balancing the economics of higher education. This involvement had brought about a conflict between levels of government, focusing on the question of which level of government was most capable of assessing need. While the provinces claim to know most about the points of growth in their particular economies, Ottawa maintains that they lose sight of development in the whole. According to Dr. Andrew, this complex situation of federal involvement, provincial need, and national need is not likely to disappear with the present structure of government.

#### Recent Developments

The present formula for federal involvement made in October of 1966, has already come under attack. The fact that Ottawa made the claim that it had a national responsibility to serve the country through involvement in Canadian culture has added another dimension to the

constitutional debate. In May of 1967, Jean Noel Tremblay, Minister of Cultural Affairs of Quebec stressed his province's position in an address to delegates of a conference of French-speaking universities. He told them that Quebec was responsible for education and culture under the constitution. "We would like to do much more than we are now but this is impossible until Ottawa gives us back our fair share of taxation." <sup>20</sup> This simple statement is most indicative of Quebec's reaction to federal participation in higher education.

At the same time the government was being castigated for its seeming unconcern with student aid. Although Ottawa had left itself room to operate in this area during the 1966 conference, there is still no visible sign of its taking any steps to alleviate the financial burden of individual students. The legislative proposals put to Parliament in May of 1967 made no mention of student aid, although the government had promised such an undertaking in early 1966. Federal authorities claim that student aid suffered the consequences of cutbacks in government expenditure, an anti-inflationary measure. Yet, the absence of legislation in this field does raise the question of how genuine a concern Ottawa has for higher education. It could be that student aid will be used as a political pawn. Since it is the area of least federal-provincial controversy, a federal government may use it for political gains.

Certainly the most important event of the current year was the announcement that a permanent interprovincial office of education had

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<sup>20</sup>"University Parley Hears Quebec's Claim," The Montreal Star, May 9, 1967, p. 6.

been agreed to by the provinces. This came as the logical conclusion to the plan inaugurated at the Fredericton Conference in 1965. The new body is to be known as the Council of Ministers of Education of Canada and it will meet twice a year. Among other things, the Council will be responsible for suggesting certain areas of priority in education to the provincial ministers. This will undoubtedly include agreements with the Federal Government which will deal with assistance for post-secondary institutions.

The Council can be viewed as the product of a number of forces in Canadian education. The desire for inter-provincial co-operation on matters of common concern would appear as the most obvious of these forces. But in a practical sense, the Council could be used as a "united front"; a body representing the provinces in asserting a common viewpoint and in continuing to pressure the Federal Government. Whereas previous years have seen sporadic outbursts by individual provinces, the future situation may involve a relentless and constant presentation of provincial arguments by the Council. For example an element of pre-planning was noticeable prior to the 1966 tax conference; the Council may guarantee that such planning be continuous rather than spontaneous.

Provincial response to the centralizing tendencies of the Federal Government is another force of some importance. The Council manifests a desire of the provinces to meet Ottawa on common ground and to offset the federal co-ordinating agency in the Department of the Secretary of State. If used correctly, the Council could prevent any effort of the

Federal Government to play off one province against another. This becomes even more feasible at present since almost all of the "strings attached" agreements of the past have been eliminated within the past year. Provincial effort is now directed at achieving fifty per cent of the operational costs of post-secondary education, including salaries. The provincial office of education would seem to be the appropriate agency to emphasize this objective.

## CHAPTER IV

### SUMMARY AND CONCLUSIONS

The debate that arose in the 1950's over the relationship between the universities and "education" as discussed in Section 93 of the British North America Act was the product of several factors accumulated during a century of nationhood. It has been suggested that "higher education" was not an item of concern in 1867 because of the sparsity of institutions of higher learning, their private and denominational nature, their unimportance to national development and the general welfare, and their evasiveness as "educational" institutions in the same manner as public schools. The writers of the constitution were interested in education insofar as it was concerned with basic needs. They obviously did not include institutions that trained one for a gentlemanly life. Thus any mention of the university was omitted from the founding document.

The sudden awareness that universities were of vast permanent importance came in the post World War II era, but by this time a number of processes had changed the overall context in which the university operated. By this time they were serving a significant proportion of young Canadians in a society that was beginning to view the university as a necessary step to occupational advancement. The denominational

control of the 19th century had given way to public operation within an industrialized society. The increasing economic burden of the universities could not be carried by private or corporate donors, thus necessitating an appeal to government finances. The financial crisis manifested itself at the same time as governments were realizing the function of the universities in fulfilling national and provincial needs. However, it would appear that the "crisis" was not met by a corresponding interest in university welfare, which is a partial reason as to why the federal government was able to take the initiative without too much objection from the provinces. A parallel development which was to complicate the federal aid issue at a later date was the increasing centralization at all levels of government operation.

The apparent lack of concern for university welfare in the pre war period stems from the unawareness of, or failure to recognize, the value of the university on a continuing basis. In this vacuum there developed a contractual relationship between the universities and the federal government. This took the form of specific research assignments given and financed by the federal government or research grants to individuals occupied in areas of particular concern to Ottawa. Since no criticism was directed at this arrangement, it would appear that it was viewed as a perfectly legitimate operation for the national government to sponsor research for its own benefit in private or public institutions of higher learning. It appeared that this liaison enhanced the prestige of neither the researcher nor the federal government. It was only when the latter attempted to establish a broader base of

necessity to maintain the federal grant over a long period. Had it not been for the recommendations of the Massey Commission and the tremendous efforts of the N. C. C. U., the federal government may have opted out of its position of financier. If a permanent relationship had been envisaged by the federal government in 1951, it is doubtful whether it would have gone about distributing federal grants in the way it did. As it was, the system itself helped to entangle the federal government in the problems of the constitution and equalization. Nevertheless, once it had become involved the Government of Canada had to operate in such a manner as not to make the decision appear haphazard. It is only after the initial grants that an element of planning enters the picture. By this time all parties recognized that the crisis was permanent and that the relationship would have to be maintained in one way or another.

The constitutional debate that emerged after 1951 has become an open-ended issue. The B. N. A. Act was interpreted and re-interpreted by both champions and critics of federal aid but the absence of legal precedent in this regard left much room for doubt. Relative jurisdiction in higher education was left to the public arena. Tradition had made a place for both federal and provincial governments in the financing of higher education but even this was not totally accepted. One of the most difficult problems in labelling federal involvement as traditional is that whatever measures taken by Ottawa in the past to assist Canadian universities have been sporadic and as a response to crises which were in many cases not educational in nature, such as the World War and the Great Depression. To argue the point that federal participation has

become an entrenched right due to tradition denies the fact that this involvement has been non-continuous. If the period 1951 to the present is selected as one of continuous federal-university relations, then we are faced with the situation of a financial assistance programme that has never been placed on a firm footing. Depending on one's point of view the changing nature of federal aid in these years can be seen either as an attempt by the federal government to withdraw from university finance or as an effort to maintain its interest. What has become apparent is that the federal authority becomes involved when it feels it has the right and/or need to do so.

The present situation has its roots in the 1966 Tax-Sharing Conference. At that time the government, through the Prime Minister, expressed both the need and the right of the federal government to continue in the field of university finance. Yet the tax transfer devised at that time indicated that Ottawa had no wish to create a financial power struggle over an area it may not have viewed as essential to its interests. This prompted Dr. Andrew to question the concern of the federal government for the universities. The question as to whether university finance is crucial to federal interests depends very much on how the federal government sees its place in Canadian society. At present the government justifies its involvement on the basis of the need for equalization, its responsibilities for cultural life, and the necessity for research.

The equalization programme that began in 1966 will continue through various economic arrangements such as the tax transfer and special grants.

Yet, it would appear, that such grants or transfers, as the case may be, will not be labelled as "educational". As in the case of the 1966 arrangements, the ceilings for such grants may be determined by the estimated cost of higher education in a particular province, but this would appear to be the only criterion to be applied in the future. The provinces, then, will have a free hand to determine the future progress of universities within their boundaries. What is perhaps the major criticism of this arrangement is that a "no strings attached" transfer of federal funds could very easily bring about a disparity in higher education, not so much at an inter-provincial level, but within the provinces themselves. There is always the possibility that a province may choose to spend funds achieved through the tax transfer on projects other than higher education. Some may choose to support church-operated colleges and universities while others may neglect them. Finally, there is the argument that provinces are apt to tamper with the academic freedom of the universities. These are some of the dangers of an economic programme which on the one hand tries to equalize, while on the other opts out of direct financing.

If all these criticisms are valid, how can Ottawa justify its involvement in Canadian higher education by formulating a programme that leaves them far less directly involved than in any year since 1951? The most important justification for federal participation in higher education is a relatively recent one. The "education of the economy" seems to hold much weight in Federal circles. Because of Ottawa's responsibilities for the latter, it feels it must contribute to the former. What is important

is that the argument that education can lead to a more productive society is influential at all levels of government, thus adding credibility to the federal position. Thus the old argument that education serves national needs has been further solidified.

Beyond this, however, there has been little solid argument to support the federal position. The early 1960's saw an involved Ottawa presenting other reasons for its position which, although still maintained, have lost significant meaning. One of these "rationales" was that because university graduates were mobile, they served national needs and so, indirectly, the federal government had some responsibility for this mobility. However, there has been no proof that increased federal grants to universities and/or individuals have significantly increased the movement of graduates from province to province. Even if this were the case, the Government of Canada would be hardpressed to prove the measurable value of such mobility. The universities still claim that direct federal aid is less of a threat to their autonomy than provincially controlled funds. However, the argument is totally one-sided since the federal government could never seriously make this an argument within the present structure of Canadian education. It is also doubtful whether the argument that Ottawa must contribute because the provinces are unwilling to do so is valid at present. It would appear that just the reverse is true. The provinces are only too willing to contribute as the assault on federal monies in 1966 seemed to prove.

The formula in use at present can be justified by the federal government's economic responsibilities. It even retains elements of

previous justifications, for example, mobility. Although it may go a long way with inter-provincial equalization, the intra-provincial problem cannot be alleviated by federal funds under the tax transfer arrangement. This is perhaps the most important consequence of the decline in direct federal-university relations. Yet the experience of the past sixteen years has presented a method by which a balance can be maintained - the growing use of the "buffer" committees between universities and provincial governments.

The responsibilities of the federal government for "culture" is another basis for the present formula that seldom comes under attack, the exception being in Quebec. It was the original argument of the Massey Commission and it has managed to survive through the years. It can be a very strong justification depending on the concern of the public and, at the moment, it appears to be just that. Yet, it is a fact that it avoids institutional grants and concentrates on the individual. Nevertheless, it retains a certain mystique, a left-over from the 1950's, that seems to justify almost any form of federal involvement in higher education depending on when that involvement takes place.

What remains of the federal-university relationship is the traditional and quiet bond of research. There are certain features of this partnership both past and present that make it a tenable arrangement. Prior to 1951 it was unquestioned because of a general feeling that any government could carry on relations with a private institution. To the public at large the nature of the work appeared esoteric yet, in time of crisis, it was obviously essential. It continued and expanded

throughout the ensuing years while the larger question of federal aid was being debated. The apparently small sum of money involved, and the difficulty of classifying research as an educational endeavour, kept it out of the constitutional debate. Most important, however, is the unwillingness of the federal government to see this activity, so vital to its own interests, as a topic of debate. Of all the areas of federal involvement in higher education, research is the easiest to justify as ancillary to S. 91 of the B. N. A. Act.

With the introduction of the tax transfer, the federal government opted to surrender a financial power in the face of provincial opposition. The period of direct grants had proved inoperable because of Quebec's attitude and the regional imbalance that developed during this period. Nevertheless, the years 1951 - 1967 saw the development of a commitment to culture, research and inter-provincial equalization. University operating grants were workable options only when sums of money were small and provinces were prepared to allow their operation. From 1961 to 1965 the pressures of equalization, demands for emergency grants and long range policy, provincial centralization and recessionary tendencies forced both the government and the universities to re-assess their relationship and propose a more workable arrangement in the future. As it was, the federal proposal in 1966 went beyond the general expectations of the Bladen Report. Whereas the universities looked to the future in the light of their past relationship with Ottawa, the federal authority was much less orthodox. The present arrangement stresses federal concern but provincial jurisdiction. It places the university in the difficult

position of developing an altogether new approach to its financing and the provincial governments. Because the federal government has chosen to re-structure its participation in higher education, the universities have found themselves in a position in which they may have to compete with other sectors of the economy for financial recognition. The machinery to do this exists in provincial and university grants committees but, presently, the initiative lies with the provincial authorities. Within the past two years a new stage in university financing has begun with the universities facing the problem of adjusting to the situation. The federal-provincial conflict is by no means over, but it will most likely proceed along the lines established in 1966 until the intra-provincial problems achieve some level of stability.

APPENDICES

APPENDIX A

## UNIVERSITIES FOUNDED PRIOR TO 1867\*

<u>University</u>	<u>Founded</u>	<u>Denomination</u>	<u>Present</u>
King's College Windsor, N. S.	1789	Anglican	Anglican
University of New Brunswick	1800	Anglican	Provincial Non-Denominational
Dalhousie Halifax, N. S.	1818	Presbyterian	Independent Non-Denominational
McGill Montreal, Quebec	1821	Non-Denominational	Independent Non-Denominational
University of Toronto Toronto, Ontario	1827	Anglican	Provincial Non-Denominational
Acadia Wolfville, N. S.	1838	Baptist	Baptist
Queen's Kingston, Ontario	1841	Presbyterian	Independent Non-Denominational
Victoria Toronto, Ontario	1841	Methodist	United Church
Bishop's Lennoxville, Que.	1843	Anglican	Anglican
Trinity Toronto, Ontario	1851	Anglican	Anglican
Laval Quebec, Quebec	1852	Roman Catholic	Roman Catholic
Mount Allison Sackville, N. B.	1858	Methodist	United Church
Regiopolis	1866	Roman Catholic	Non-existent
Albert College Belleville, Ont.	1866	Methodist	Now with University of Toronto
Ottawa Ottawa, Ontario	1866	Roman Catholic	Roman Catholic

## UNIVERSITIES FOUNDED PRIOR TO 1867 (continued)

<u>University</u>	<u>Founded</u>	<u>Denomination</u>	<u>Present</u>
St. Francis Xavier	1866	Roman Catholic	Roman Catholic (Scot.)

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\*Woodside, The University Question, "The Universities in Order of Founding," p. 13 and "Universities by Religious Origin," p. 15.

APPENDIX B

## EXPENDITURES FROM FEDERAL SOURCES ON HIGHER EDUCATION\*

1962-63 to 1965-66 (\$,000's)

<u>Department/Agency</u>	<u>Type of Support</u>	<u>1962-63</u>	<u>1963-64</u>	<u>1964-65</u>	<u>1965-66</u>
Agriculture	Research - grants and contracts	147	124	144	145
	Capital - Univ. of Sask. Veterinary College				80
AECEB	Research - Capital for installations related to research in nuclear physics	770	900	1,250	1,600
Atomic Energy	Research - contracts	82	99	133	173
CMHC	Research - grants and fellowships	65	45	141	200
Citizenship & Immigration	Research - contracts, grants from Indian Affairs Br. and Sc. & Economic Research Br.	8	27	111	106
Canada Council	Research - grants, scholarships, and fellowships in humanities and soc. sciences	1,230	1,159	1,250	856
	Capital - Capital Grants Fund	6,905	15,826	2,085	1,329
External Aid	Operating- capitation grants under Commonwealth and Sch. and Fellowship Plan	91	105	111	109
Finance	Operating - per capita grants	37,062	37,714	38,388	39,062
Fisheries	Research - Fisheries Research Board's research grants	58	61	91	105
Forestry	Research - contracts	25	24	58	66
Industry	Research - HARP Project at McGill University received operating support			400	2,000
Labor	Research - fellowships and research grants	9	14	23	28

EXPENDITURES FROM FEDERAL SOURCES ON HIGHER EDUCATION (continued)

1962-63 to 1965-66 (\$,000's)

<u>Department/Agency</u>	<u>Type of Support</u>	<u>1962-63</u>	<u>1963-64</u>	<u>1964-65</u>	<u>1965-66</u>
Mines & Technical Surveys	Research - contracts and grants	100	133	190	310
National Defence	Operating - Canadian Service Colleges	5,689	6,493	6,992	7,434
	Capital - Canadian Service Colleges	72	89	1,008	300
National Health and Welfare	Research - Public Health Research	2,325	2,323	2,589	2,518
	Operating - Professional Training Programme (bursaries, grants to universities)	1,500	1,500	1,500	1,500
	Research - National Welfare Grants -- grants	29	57	81	112
	Operating - National Welfare Grants -- grants to Schools of Social Work for training programmes	40	46	92	111
Northern Affairs and National Resources	Research - grants and contracts	62	82	135	220
National Research Council	Research - grants, scholarships and fellowships	10,676	12,830	17,361	20,141
MRC	Research - grants, scholarships, fellowships, etc.	6,295	4,525	5,933	12,883
Transport	Research - grants and contracts	86	86	87	159

\*Gill, C. L. Canadian University, Nov. - Dec. 1966, p. 29.

APPENDIX C

# FULL-TIME ENROLLMENT IN CANADIAN UNIVERSITIES AND COLLEGES, BY SEX

AND AS A PERCENTAGE OF THE POPULATION 18 TO 24 YEARS OF AGE

PROJECTED TO 1975-76\*

Academic Year	Population 18 to 24 years of age (thousands)			Full-time enrolment as% of population 18 to 24			Full-time enrolment (thousands)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
1951-52	749.3	762.5	1,511.8	6.7	1.7	4.2	50.2	13.3	63.5
1952-53	761.6	765.4	1,527.0	6.5	1.7	4.1	49.8	13.2	63.0
1953-54	770.0	768.2	1,538.2	6.6	1.8	4.2	50.6	13.5	64.1
1954-55	779.7	772.8	1,552.5	6.9	1.9	4.4	53.9	14.4	68.3
1955-56	786.2	778.3	1,564.5	7.3	2.0	4.7	57.5	15.2	72.7
1956-57	792.8	784.8	1,577.6	7.8	2.1	5.0	61.7	16.8	78.5
1957-58	815.5	804.2	1,619.7	8.3	2.4	5.4	67.8	18.9	86.7
1958-59	830.4	820.6	1,651.0	8.9	7.6	5.8	73.8	21.2	95.0
1959-60	837.6	829.7	1,667.3	9.4	2.8	6.1	78.4	23.5	101.9
1960-61	846.5	842.6	1,689.1	10.2	3.3	6.7	86.2	27.7	113.9
1961-62	854.6	858.0	1,712.6	11.2	3.9	7.5	95.8	33.1	128.9
1962-63	884.0	885.5	1,769.5	11.7	4.3	8.0	103.2	28.2	141.4
1963-64	923.1	916.2	1,839.3	12.5	4.7	8.6	115.4	43.0	158.4
1964-65	965.0	955.0	1,920.0	13.4	5.2	9.3	129.3	49.7	179.0
1965-66	1,020.0	1,000.0	2,020.0	14.2	5.6	9.9	144.9	56.0	200.0
1966-67	1,091.4	1,053.4	2,144.8	15.1	6.1	10.7	164.8	64.3	229.1
1967-68	1,145.0	1,110.0	2,255.0	15.8	6.6	11.3	180.9	73.3	254.2
1969-69	1,210.0	1,165.0	2,375.0	16.5	7.2	11.9	199.7	83.9	283.6
1969-70	1,265	1,215.0	2,480.0	17.2	7.8	12.6	217.6	94.8	312.4
1970-71	1,315.0	1,265.0	2,580.0	17.8	8.4	13.2	234.1	106.3	340.4

FULL-TIME ENROLLMENT IN CANADIAN UNIVERSITIES AND COLLEGES, BY SEX,

AND AS A PERCENTAGE OF THE POPULATION 18 TO 24 YEARS OF AGE

PROJECTED TO 1975-76

(continued)

Academic Year	Male	Female	Total	Male	Female	Total	Male	Female	Total
1971-72	1,365.0	1,314.3	2,682.3	18.5	9.0	13.8	253.1	118.3	371.4
1972-73	1,405.0	1,345.0	2,750.0	18.9	9.7	14.4	265.5	130.5	396.0
1973-74	1,435.0	1,380.0	2,815.0	19.2	10.3	14.8	275.5	142.1	417.6
1974-75	1,470.0	1,415.0	2,885.0	19.5	10.8	15.2	286.7	152.8	439.5
1975-76	1,495.0	1,435.0	2,930.0	19.8	11.5	15.7	296.0	165.0	461.0

NOTE: Statistics above the line are actual, those below are projected.

Source: Canadian Universities Foundation, Enrollment to 1976/77 by E. F. Sheffield.

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\*Financing Higher Education in Canada, A. U. C. C. (University of Toronto Press, 1965), Appendix B, Table 4, p. 95.

APPENDIX D

# CANADIAN GOVERNMENT GRANTS TO UNIVERSITIES \*

1951-52 to 1956-57

Province	Population	Eligible Enrolment	Number of Institutions	Total grants paid	Grant per student
1951-1952:					
Newfoundland . . . . .	361,400	374	1	180,700.00	483.15
Prince Edward Island . .	98,400	267	2	49,200.00	184.27
Nova Scotia . . . . .	642,500	3,475	13	321,249.75	92.45
New Brunswick . . . . .	515,600	1,893	6	257,800.00	136.19
Quebec . . . . .	4,055,600	19,273	5	2,027,800.00	105.21
Ontario . . . . .	4,597,500	18,203	27	2,298,750.00	126.28
Manitoba . . . . .	776,500	3,932	7	388,250.00	98.74
Saskatchewan . . . . .	831,700	2,301	14	415,850.00	180.73
Alberta . . . . .	939,500	2,844	4	469,750.00	165.17
British Columbia . . .	1,165,200	5,664	4	582,600.00	102.86
Total . . . . .	13,983,900	58,226	83	6,991,949.75	120.08
1952-1953:					
Newfoundland . . . . .	374,000	407	1	187,000.00	459.46
Prince Edward Island .	103,000	251	2	51,500.00	205.18
Nova Scotia . . . . .	653,000	3,430	13	326,500.00	95.19
New Brunswick . . . . .	526,000	1,815	6	263,000.00	144.90
Quebec . . . . .	--	--	--	--	--
Ontario . . . . .	4,766,000	17,593	27	2,383,000.00	135.45
Manitoba . . . . .	798,000	3,953	7	399,000.00	100.94
Saskatchewan . . . . .	843,000	2,314	14	421,500.00	182.15

CANADIAN GOVERNMENT GRANTS TO UNIVERSITIES, (Continued)

Province	Population	Eligible Enrolment	Number of Institutions	Total grants paid	Grant per student
1952-53 continued:					
Alberta . . . . .	970,000	2,937	5	485,000.00	165.13
British Columbia . .	1,198,000	5,457	4	599,000.00	109.77
Total . . . . .	10,231,000	38,157	79	5,115,500.00	134.06
1953-1954:					
Newfoundland . . . .	383,000	401	1	191,500.00	477.56
Prince Edward Island.	106,000	253	2	53,000.00	209.49
Nova Scotia . . . . .	663,000	3,696	13	331,500.00	89.69
New Brunswick . . . .	536,000	2,014	6	268,000.00	133.07
Quebec . . . . .	--	--	-	--	--
Ontario . . . . .	4,897,000	16,939	27	2,448,500.00	144.55
Manitoba. . . . .	809,000	4,051	7	404,500.00	99.85
Saskatchewan . . . . .	861,000	2,424	14	430,500.00	177.60
Alberta . . . . .	1,002,000	3,171	4	501,000.00	157.99
British Columbia. . .	1,230,000	5,616	5	615,000.00	109.31
Total . . . . .	10,487,000	38,565	79	5,243,500.00	135.97
1954-55:					
Newfoundland . . . . .	398,000	505	1	199,000.00	394.06
Prince Edward Island.	105,000	245	2	52,500.00	214.29
Nova Scotia . . . . .	673,000	3,948	12	326,500.00	85.23
New Brunswick . . . . .	547,000	2,231	6	273,500.00	122.59
Quebec . . . . .	--	--	-	--	--
Ontario . . . . .	5,046,000	17,896	27	2,523,000.00	140.98
Manitoba . . . . .	828,000	4,171	7	414,000.00	99.26

CANADIAN GOVERNMENT GRANTS TO UNIVERSITIES, (Continued)

Provinces	Population	Eligible Enrolment	Number of Institutions	Total grants paid	Grant per student
1954-55 continued:					
Saskatchewan . . . . .	879,000	2,684	14	439,000.00	163.56
Alberta . . . . .	1,039,000	3,297	4	519,500.00	157.57
British Columbia . . . .	1,266,000	6,005	5	633,000.00	105.41
Total . . . . .	10,780,000	40,982	78	5,390,000.00	131.52
1955-56:					
Newfoundland . . . . .	412,000	576	1	206,000.00	357.64
Prince Edward Island . .	108,000	260	2	54,000.00	207.69
Nova Scotia . . . . .	683,000	4,224	12	341,500.00	80.85
New Brunswick . . . . .	558,000	2,483	6	279,000.00	112.36
Quebec . . . . .	--	--	-	--	--
Ontario . . . . .	5,183,000	18,801	27	2,591,500.00	137.84
Manitoba . . . . .	849,000	4,180	7	424,500.00	101.56
Saskatchewan . . . . .	839,000	2,925	14	444,500.00	151.97
Alberta . . . . .	1,066,000	3,558	4	533,000.00	149.80
British Columbia . . . .	1,305,000	6,563	5	652,500.00	99.42
Total . . . . .	11,053,000	43,570	78	526,500.00	126.84
1956-57:					
Newfoundland . . . . .	415,074	740	1	415,074.00	560.91
Prince Edward Island . .	99,258	310	2	99,285.00	320.27
Nova Scotia . . . . .	694,717	4,470	12	694,717.00	155.42

CANADIAN GOVERNMENT GRANTS TO UNIVERSITIES, (Continued)

Provinces	Population	Eligible Enrolment	Number of Institutions	Total grants paid	Grant per student
1956-57 continued:					
New Brunswick. . . . .	554,616	2,775	6	554,616	199.86
Quebec . . . . .	4,628,378	23,898	6	4,628,378	193.67
Ontario . . . . .	5,404,933	20,723	29	5,404,932	260.82
Manitoba . . . . .	850,040	4,430	8	350,040	191.88
Saskatchewan . . . . .	880,665	3,327	14	880,665	264.70
Alberta . . . . .	1,123,116	3,873	4	1,123,116	296.89
British Columbia . . . .	1,398,464	7,930	5	1,398,464	176.35
Total . . . . .	16,049,288	72,476	87	16,049,288	221.44

\*Canada, D. B. S., Survey of Higher Education, Table A, pp. 11-12.

APPENDIX E

# GRANTS TO UNIVERSITIES

COMPARISON OF GRANTS OF \$1.50 PER CAPITA WITH YIELD OF A 1% CORPORATION INCOME TAX

FOR FISCAL YEAR 1959-60\*

	Nfld.	P. E. I.	N. S.	N. B.	Que.	Ont.	Man.	Sask.	Alta.	B. C.	Total
1. Population 1959 D. B. S. estimate.	\$449,000	102,000	716,000	590,000	4,999,000	5,952,000	885,000	902,000	1,243,000	1,570,000	17,408,000
2. Amount available to institutions of higher learning in each province (provincial population X \$1.50)	\$673,000	153,000	1,074,000	885,000	7,498,500	8,928,000	1,327,500	1,353,000	1,834,000	2,355,000	26,112,000
3. One-ninth of standard corporation income tax based on the fourth estimate of standard taxes, equalization and stabilization for fiscal year 1959-60 d. Jan. 8, 1960	\$34,000	55,000	729,000	517,000	9,849,000	15,706,000	1,380,000	1,020,000	2,554,000	3,416,000	35,580,000

GRANTS TO UNIVERSITIES (Continued)

	Nfld.	P.E.I.	N. S.	N. B.	Que.	Ont.	Man.	Sask.	Alta.	B. C.	Total
4. One-ninth of standard corporation income tax (=1% corp- oration taxable income) equiv- alent per capita to. . . . .	\$ .79	.54	1.02	.88	1.97	2.64	1.56	1.13	2.05	2.18	
5. Amount by which the federal government would have to augment the 1% corporation income tax abatement	\$319,500	98,000	345,000	368,000	_____	_____	_____	33,000	_____	_____	1,463,500
6. Amount of the 1% income tax abatement which the federal gov- ernment would have to cover. . . \$	_____	_____	_____	_____	2,350,500	6,778,000	52,500	_____	689,500	1,061,000	10,931,500

\*Canada, Debates (House of Commons), March 18, 1960, p. 2230 (Taken from A. U. C. C. files).

APPENDIX F

GENERAL FEDERAL GRANTS PER STUDENT IN RECENT YEARS,  
BY PROVINCE\*

	<u>1958 - 59</u>	<u>1960 - 61</u>
B. C. . . . .	\$223 . . . .	\$187
Alta. . . . .	354 . . . .	283
Sask. . . . .	301 . . . .	249
Man. . . . .	247 . . . .	216
Ont. . . . .	363 . . . .	319
N. B. . . . .	259 . . . .	222
N. S. . . . .	215 . . . .	187
P. E. I. . . . .	363 . . . .	274
Nfld. . . . .	608 . . . .	556
Canada . . . . .	309 . . . .	265

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\*"University Financing: A C. A. U. T. Committee Report,"  
C. A. U. T. Bulletin, Vol. 11, No. 1, Sept. 1962, p. 25.

APPENDIX G

## TERMS OF REFERENCE OF THE COMMISSION \*

To study, and report and make recommendations on the financing of universities and colleges of Canada with particular reference to the decade ending in 1975, including:

1. prospective financial requirements of universities and colleges, for operation, research, physical facilities and student aid;
2. the proportion of the financial support of higher education which should be provided by tuition fees, contributions from governments, corporations, foundations and individual and other sources;
3. policies regarding the allocation of funds for higher education and criteria by which institutions and students should be deemed eligible to receive such aid;
4. organization for the financing of higher education, including the roles of appropriate agencies for the distribution of funds;
5. any other matter related to the financing of universities and colleges and university students.

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\*Financing Higher Education in Canada, p. vi.

APPENDIX H

## SPECIFIC RECOMMENDATIONS\*

### A. To the Federal Government

1. That the present per capita grants be raised to \$5.00 for the year 1965 - 66, and be increased by \$1.00 each year thereafter until such time as the discussions with the provinces . . . lead to an appropriate revision of the amount of these grants.

That they continue to be paid to the universities that are at present eligible for such grants and to such others as may become recognized as eligible by the Association of Universities and Colleges of Canada, subject always to the special arrangements at present existing with the Province of Quebec.

That they be distributed according to a formula of weighted enrolment, the weights to be determined by each province for the universities within its boundaries.

2. That a Capital Grants Fund be established into which be paid each year \$5.00 per head of the Canadian population.

That the total amount available to the universities in any province be the same proportion of the total Fund as the population of that province is of the Canadian population.

That universities eligible to receive capital grants be those eligible to receive the per capita grants referred to in 1.

That grants from this Fund be made to the universities proportionate to such of their capital expenditures as are approved by their provincial governments.

That the proportion of the capital expenditures of each university met from the Fund be the same as the proportion that the province's share of the Fund is of the aggregate approved capital expenditure of the eligible universities of that province.

3. That the federal responsibility for financing research be recognized by a great increase in the grants for research to the universities, to their staff members and to their research students, specifically.

That the amounts available from the National Research Council for the support of research in universities, including the supplement referred to below, be increased to \$40 million for the year 1966 - 67 and be escalated by 20 per cent each year thereafter.

That the amounts available from the Medical Research Council for the support of research in the universities, including the supplement referred to below, be increased to \$20 million for the year 1966 - 67 and be escalated by 20 per cent each year thereafter.

That the amounts available for research in the social sciences and humanities from the Canada Council, including the supplement referred to below, be increased to \$15 million for the year 1966 - 67 and be escalated by 20 per cent each year thereafter, and that \$2 million of this be distributed as grants to university libraries for the development of their research collections.

That all Federal Government research grants to universities (from the National Research Council, the Medical Research Council, the Canada the Canada Council, the Defence Research Board, External Aid, Atomic

Energy Control Board, the Departments of Fisheries, Labour, etc.) for operating expenses and all fellowships tenable in a university (granted by these government bodies) should carry with them a 30 per cent supplement as an unconditional grant to the university.

That a general sustaining grant for research be paid to every university eligible for the per capita grants referred to above; that this grant be 10 per cent of the aggregate salaries of the fulltime academic staff.

4. That the following proposals of the Hall Commission on education in the health field be implemented: (1) The establishment of a Capital Fund for the expansion of existing facilities and the development of new facilities for medicine, dentistry, and nursing; (2) The establishment of a Capital Fund to finance the construction of teaching hospitals with proper facilities for clinical research. The amounts necessary for these purposes and the distribution of those amounts over the years can be determined only in relation to the total plans for the development of the health services of the country.'

5. That the Canada Student Loans Plan be continued and increased as becomes necessary.

6. That the present income tax relief to parents of students attending universities be revised to provide more adequate relief for the lower income groups.

7. That the present limits on gifts to universities that may be deducted from income for income and corporation taxes be revised upward.

8. That the Dominion Bureau of Statistics be supported in its efforts to improve the statistical information on university and student finance available to policy makers.

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\*Financing Higher Education in Canada, "Recommendations"  
pp. 68 - 69.

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