

ANNUAL REPORT



JANICE MACKINNON

started my term as chair of the Board in the same month that Mel Cappe came on board as president and CEO of the IRPP, and it has been a pleasure to work with him and get to know him through this period of transition. Despite all the changes, the Institute nevertheless achieved a great deal over the past year, and there are also several very exciting new research projects on the horizon. I therefore look forward to another productive and challenging year.

Turning to Board business, John Helliwell is stepping down from the Board after two consecutive terms. Bob Rae (who was named chair in 2001, renewed his chairmanship in 2004 and stepped down to enter active politics in 2006) is stepping down after almost ten years on the Board. Jodi White of the Public Policy Forum, a member of the Institute representing a compatible organization, completes her term. On behalf of the Board, I want to thank all very much for their service to the Institute.

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS

Fred Gorbet, Guy Saint-Pierre, Bernard Shapiro and Kent Weaver are renewing for a second term. Antonia Maioni of the McGill Institute for the Study of Canada is renewing for a second term as a member of the Institute representing a compatible organization. Joining the Board as directors are the Hon. John Manley, former deputy prime minister and minister of finance, and Martha Piper, former president of the University of British Columbia. Joining us as a member of the Institute representing a compatible organization is Gordon Smith, who is director of the Centre for Global Studies and adjunct professor of political science at the University of Victoria. His expertise in the field of international security will be extremely valuable to us as we launch our new research project, Security and Democracy. I want to thank the renewing members for agreeing to continue their service to the Institute and welcome the new Board members.

I should mention a couple of other new developments last year. As permitted by the by-laws, the IRPP has formed a Fundraising Committee to assist staff in their fundraising efforts. Its work will begin officially this summer. Finally, our new auditing firm is Raymond Chabot Grant Thornton. I thank Deloitte & Touche LLP for many years of excellent service. □

It has been a great privilege for me to take over as president of The IRPP this past year. The IRPP makes an extremely valuable contribution to national public policy. Over 30 years of policy work in government, I have seen the importance of evidence-based policy development. The role of research in nourishing the public debate is crucial. And the IRPP has always played an important part in that debate. I look forward to continuing and expanding on that tradition.

The IRPP has a proud history of being a nonpartisan, independent, bilingual institution, based in Montreal but with a national perspective. I must congratulate my predecessor, Senator Hugh Segal, who, over the past seven years as president, raised the profile of the Institute and increased its involvement in international issues.

My objective is to build on the successes of my predecessors by plugging our valuable research into the public discourse and into the government decision-making process. We will use our publications to contribute to the debate. These include our flagship publication *Policy Options*, and *IRPP Choices, Policy Matters* and *Working Papers*. Our working lunches and seminars across the country will continue to enliven the policy debate on issues of importance to the future of Canada. And we will endeavour to make our research more accessible through the popular media.

The role of the IRPP from its inception has been to contribute to the public debate on current issues. But the Institute is always looking over the horizon to ensure not only that important public policy issues of the future are being analyzed and put on the agenda but that evidence and research are available to inform emerging policy debates.

The key to the IRPP brand across the panoply of think-tanks is the high quality of our research. We have a first-class, professional staff, and the scholars and researchers who contribute to the work are some of the best in the country.

MESSAGE FROM THE PRESIDENT

As the public policy process changes, so does the think-tank community. While there has been a proliferation of institutions, many have a specific point of view or perspective, which makes them advocates. The IRPP stands apart from many other think-tanks. Our objective is not to advocate a position or point of view. As our mission statement says, our goal is to improve public policy in Canada. We do so by generating research, providing insight and sparking debate. That is how we strengthen the quality of the public policy decisions of governments, citizens, institutions and organizations.

I have long felt that Canada needs more independent research on which to base policy analysis and development and to inform

the debate. A modern and mature democracy like Canada benefits from a cacophony of voices in robust debate. However, we also need the objective, analytic foundations for that debate. The IRPP is fiercely independent and we measure our success by having nourished the public debate, not by advocating a particular point of view.

The Institute's independence is preserved by a Board of Directors composed of distinguished business and community leaders, and former politicians and academics. Our independence is also assured by an endowment, which insulates us from the political fray and the more parochial sponsors of research. Nevertheless, to maintain the robust dynamism of the Institute, to expand our reach as well as our capacity to deal with increasingly complex public policy issues in the coming years, we shall be engaging in fundraising in selected circumstances, always in such a way as to protect our precious independence.

Over the past year, Bob Rae, who stepped down as chair of the Board in June 2006, was very helpful in guiding the change of presidents. And Janice MacKinnon, our new chair, has led the Board effectively and provided valuable assistance to me in the transition. I would like to take the opportunity to thank all the members of the Board, whose advice and support in maintaining quality I value tremendously.

Suzanne Ostiguy McIntyre, Vice-President, Operations, does a wonderful job in managing the myriad operations of the Institute. And France St-Hilaire, Vice-President, Research, is terrific in ensuring the integrity and strategic focus of our research. Ian MacDonald does an excellent job of editing *Policy Options*, keeping it both relevant and timely. The staff of the IRPP, I have found, is a truly dedicated and gifted group of people who work hard and collaborate closely.

MESSAGE FROM THE PRESIDENT

The IRPP has a broad research agenda. Our aim is to focus on issues of importance where we can make a difference and add value. Our work on federalism will continue, as will that on immigration and diversity. The publication of works such as *Belonging? Diversity, Recognition and Shared Citizenship*, the third in our Art of the State series, has shown how we can successfully contribute to the policy debate. The research on family policy, as well as that on governance and strengthening democracy, has enlivened the debate in Canada and will continue to do so.

We have, moreover, expanded our agenda into new areas that will profoundly affect the future of our country. These include innovation and productivity, the aging of the population, security and democracy, and the challenges of Canada's North. Each of these topics has current and future strategic significance for Canada.

I look forward to an exciting and productive future for the IRPP. □

R

RESEARCH DIRECTOR LESLIE SEIDLE

Respect for diversity is one of the foundation stones of the Canadian community and an essential dimension of public policy development for all orders of government. It is an ongoing pursuit, one that must be adjusted from time to time to reflect changing demographic, cultural and other factors. Changes in public values also have to be taken into account, along with the need to balance the ideals and concerns of particular communities with the individual rights that are so important to Canadians.

It is a healthy sign of Canadian democracy that tensions linked to certain diversity-related claims can be openly debated. This was the case, for example, following the March 2006 decision of the Supreme Court of Canada in the *Multani* case, in which the court outlined conditions under which it would be reasonable for a student to wear a *kirpan* (a Sikh ceremonial dagger) to school. In February 2007, the Quebec government appointed a consultative commission, chaired by two distinguished academics, Charles Taylor and Gérard Bouchard, to examine practices of accommodation related to minority communities.

It was against the backdrop of these and other developments that the IRPP released the third volume of its Art of the State series. This book, edited by Keith Banting, Thomas Courchene and Leslie Seidle, includes studies and commentaries by leading scholars from Canada, Europe and the United States. The authors explore two broad policy agendas: the *multicultural agenda*, which focuses on recognizing cultural differences, helping minorities express their distinct identities and practices, and building more inclusive conceptions of citizenship; and the *integration agenda*, which seeks to bring minorities into the mainstream, strengthen the sense of mutual support and solidarity, and reinforce the bonds of a common community. In their concluding chapter, the editors outline a vision of shared citizenship based on the promotion of human rights, socioeconomic equality and political and civic participation.



THE ART OF THE STATE III

To encourage a wide readership for the important findings of this research project, the IRPP released five of the chapters on its Web site prior to publication of the book. Based on the number of downloads of these documents, there has clearly been a very high level of interest in this work. The [chapter by Jeffrey Reitz and Rupa Banerjee](#) was the subject of an in-depth, front-page article in *The Globe and Mail* that focused on factors that may dampen the sense of belonging to Canada among immigrants and their children. These authors also participated in a panel with Keith Banting and Stuart Soroka at a Toronto working lunch.

As part of its objective of bringing the IRPP's research to the personal attention of policy-makers, IRPP President Mel Cappe chaired a meeting between the editors and several deputy ministers and other senior officials in Ottawa in February, 2007, and a similar meeting with senior Ontario government officials in Toronto. □

PUBLICATIONS

Belonging? Diversity, Recognition and Shared Citizenship in Canada (eds. Keith Banting, Thomas Courchene and Leslie Seidle)
Monograph, January 2007

EVENTS

Consultation with Senior Federal Government Officials

Keith Banting, Thomas J. Courchene and F. Leslie Seidle
February 13, 2007, Ottawa

Consultation with Senior Ontario Government Officials

Keith Banting, Thomas J. Courchene and F. Leslie Seidle
February 14, 2007, Toronto

Book Launch: *The Art of the State, Volume III:*

Belonging? Diversity, Recognition and Shared Citizenship in Canada

Keith Banting, Thomas J. Courchene and F. Leslie Seidle
February 13, 2007, Ottawa

Working Lunch: *The Art of the State, Volume III:*

Belonging? Diversity, Recognition and Shared Citizenship in Canada

Keith Banting, Stuart Soroka, Jeffrey Reitz and Rupa Banerjee
February 14, 2007, Toronto

GOVERNANCE

RESEARCH DIRECTOR
GENEVIÈVE BOUCHARD

While the Harper government has given strong signals that it will continue to admit an increasing number of newcomers into the country, research has found that more emphasis needs to be placed on their integration into all aspects of society. One area that has been particularly under-researched is that of the political integration of immigrants. This topic was the focus of a well-attended IRPP working lunch in Toronto where we presented two new studies that deal with the subject from somewhat different perspectives.

The first, by Michael Pal and Sujit Choudhry (both at the University of Toronto), examines the political representation of visible minority immigrants. The authors look anew at the fact that representation in the House of Commons is out of step with the changing demographic reality in Canada. One manifestation of this is the under-representation in Parliament of the three fastest-growing provinces – Alberta, British Columbia and Ontario – in whose urban areas most visible-minority immigrants are settling. For this reason, the votes of these immigrants are being diluted. If Canada is to successfully integrate its visible-minority immigrants, they argue, it must assure that its political institutions are – and are perceived as being – “scrupulously fair” in how they represent the interests of the newest members of the political community. The federal government recently tabled Bill C-56, which proposes “increasing the size of the House of Commons to...accommodate population growth in British Columbia, Alberta and Ontario,” which was one of the recommendations of this study.

The second, by Bruce Hicks (Université de Montréal), examines the municipal elections in Toronto immediately before and after the merger that created the megacity. The author finds that visible minorities, people with lower incomes, and tenants are significantly less likely to vote in municipal elections than other groups. This, coupled with the fact that incumbency gives candidates a distinct electoral advantage, creates a situation whereby these groups, and particularly visible minorities, are under-represented on city councils. Given that 40 percent of Torontonians are visible minorities, the author notes, such inequities cast doubt on the legitimacy of the municipal government. >>

The importance of political parties in public participation and government legitimacy was one of the questions examined at a joint IRPP-Trudeau Foundation conference held in November 2005. In 2006-07 the IRPP published four papers from that conference. In the first of these papers, Kenneth Carty (University of British Columbia) argues that traditional brokerage parties have led to the disengagement of voters. He shows that the competition between Canada's parties has been shaped by the first-past-the-post electoral system, which has rendered large regions of the country uncompetitive for long periods and has excluded too many citizens from meaningful participation. He recommends electoral reform, which, he says, "offers a way to usher in the new party organizations that will reshape the competitive alignments necessary to allow Canadians to participate in a new democratic national public life."

William Cross (Carleton University) and Lisa Young (University of Calgary) also look at political parties, but they focus on the critical role individual party members play, and propose ways to reinvigorate membership in Canada's parties. They argue that party members want to be more involved in the shaping of policy, and propose the creation of policy foundations within the parties. These foundations would be a vehicle through which parties' grassroots supporters and experts could participate in the study and the development of policy.

Another important aspect of public participation in policy development is whether and how other sectors such as NGOs or academics influence public policy. Daniel Cohn (Simon Fraser University) argues that scholars have substantial opportunities, but that their influence is indirect and achieved by convincing those with power to advocate for and/or act on their ideas. In her paper, Susan Phillips (Carleton University) explores the changing relationships between government – particularly the federal government – and the voluntary sector and the implications of these changing relationships for governance and citizenship. She shows that governance, at least the policy development aspect, is not shared to the extent that theory and popular conceptions would suggest. □

PUBLICATIONS

Daniel Cohn, "[Jumping into the Political Fray: Academics and Policy-Making](#)"
IRPP Policy Matters, May 2006

Kenneth Carty, "[The Shifting Place of Political Parties in Canadian Public Life](#)"
IRPP Choices, June 2006

William Cross and Lisa Young, "[Are Canadian Political Parties Empty Vessels? Membership, Engagement and Policy](#)"
IRPP Choices, June 2006

Susan Phillips, "[The Intersection of Governance and Citizenship in Canada: Not Quite the Third Way](#)"
IRPP Policy Matters, August 2006

Bruce Hicks, "[Are Marginalized Communities Disenfranchised? Voter Turnout and Representation in Post-merger Toronto](#)"
IRPP Working Paper, November 2006

Michael Pal and Sujit Choudhry, "[Is Every Ballot Equal? Minority Vote Dilution in Canada](#)"
IRPP Choices, January 2007

EVENTS

Round Table: "[The Gomery Commission and Government Accountability: Mandate, Recommendations and Next Steps](#)"
co-chaired by Peter Aucoin and Ned Franks
April 27, 2006, Ottawa

Debate: "[The Reform of Democratic Institutions: What Do Political Candidates Think?](#)"
Jerome H. Black, Bruce M. Hicks, William Cross and Henry Milner
May 8, 2006, Ottawa

STRENGTHENING CANADIAN DEMOCRACY

The Harper government arrived on the federal scene in January 2006 promising to bring forth a new era of “open federalism.” Putting an end to the long-standing and acrimonious federal-provincial dispute on fiscal imbalance was a key item on their agenda. The response of the new government to the recommendations of two expert panels on fiscal federalism – the Expert Panel on Equalization and Territorial Formula Financing, established by the minister of finance, and the Council of the Federation’s Advisory Panel on Fiscal Imbalance – was therefore much anticipated. The government set out its proposed approach and initiated a process of consultation in a discussion paper tabled with the May 2006 federal budget (*Restoring Fiscal Balance*).

Given its extensive work and expertise in this area, the Institute was able to contribute in a number of ways to this process. *Policy Options*’ primer on fiscal imbalance in [September 2006](#) provided in-depth analyses by leading experts on fiscal federalism such as Tom Courchene, Robin Boadway, Don Drummond, France St-Hilaire and others on the issues at stake and the potential impact of the various proposed reforms. The Institute also organized and hosted public events and panel discussions in Ottawa and Toronto. In addition, IRPP Senior Scholar Tom Courchene produced a special report examining some of the more controversial issues related to the treatment of energy and natural resource revenues in the Equalization program.



CANADIAN FEDERALISM

While the 2007 federal budget contained significant measures on all those fronts, the reaction of some of the provinces and the ongoing discussions about potential changes to the federal spending power suggest that this dossier remains very much open. □

PUBLICATIONS

Thomas J. Courchene,
“Energy Prices, Equalization and Canadian Federalism: Comparing Canada’s Energy Price Shocks”
 Special Report, August 2006

Thomas J. Courchene
“Accountability and Federalism in the Era of Federal Surpluses: The Paul Martin Legacy, Part II”
 Working papers,
 February 2006

THE FISCAL IMBALANCE
Policy Options, September 2006

France St-Hilaire
“The Fiscal Imbalance: Cutting to the Chase”

Paul Boothe
“The Federal Discussion Paper: Road Map to a First Ministers’ Conference”

Robin Boadway
“Two Panels on Two Balances”

Thomas J. Courchene
“Variations on the Federalism Theme”

Ruth Hubbard et Gilles Paquet
“Réinventer notre architecture institutionnelle”

Harvey Lazar
“Reforming the Framework for Intergovernmental Fiscal Relations”

Alain Noël
“Quand le déséquilibre fiscal devient un problème fédéral”

Don Drummond
“What a Tangled Web we Weave”

EVENTS

Working Breakfast on the Fiscal Imbalance
 France St-Hilaire, Thomas J. Courchene and Gilles Paquet
 September 12, 2006, Ottawa

Working Lunch: “The Future of Equalization”
 Thomas J. Courchene, Don Drummond and Michael Smart
 June 27, 2006, Toronto

RESEARCH DIRECTORS FRANCES ABELE, MEL CAPP

THOMAS COURCHENE, LESLIE SEIDLE AND FRANCE ST-HILAIRE

The IRPP's fourth Art of the State conference, to be held in October 2007, will explore the grand sweep of issues related to the Canadian North. This region is full of promise and is an increasingly important element of Canada's domestic and international identity. While in some senses the North is still a frontier, it is also maturing as it develops economically and as new forms of governance take root. At the same time, the lands and peoples of the North face challenges, both in the Canadian and circumpolar contexts, as a result of geopolitical, environmental, economic and social trends. Specific themes to be addressed include

- Canada in the circumpolar world – scientific, foreign policy and governance dimensions
- Public, First Nations and Inuit governance in the three territories
- Northern enterprise – sustainable development, economies and communities
- Sustaining people – new avenues to address critical challenges
- Northern policy for the future

As with previous Art of the State conferences, the IRPP will publish the papers and commentaries in a collected volume. □

THE ART OF THE STATE IV



THE CPA POLICY CHALLENGES AND ANALYSTS

Human capital:
W. Craig Riddell (University of British Columbia)

Climate change:
Mark Jaccard and Nic Rivers (Simon Fraser University)

Natural capital:
Nancy Olewiler (Simon Fraser University)

Population aging:
David K. Foot (University of Toronto)

Economic security:
Jean-Yves Ducloux (Laval University)

Health outcomes:
Robert Evans, Clyde Hertzman and Steve Morgan (University of British Columbia)

Productivity:
Andrew Sharpe (Centre for the Study of Living Standards)

Trade and globalization:
Michael Hart (Carleton University)

THE CPA JUDGES

Wendy Dobson (director of the Institute for International Business, Rotman School of Management, University of Toronto)

Alain Dubuc (author and columnist for *La Presse*)

John F. Helliwell (Professor Emeritus, University of British Columbia)

Richard G. Lipsey (Professor Emeritus, Simon Fraser University)

Carolyn Tuohy (Professor Emeritus, University of Toronto)

William Watson (chair, Department of Economics, McGill University and columnist for the *National Post* and the *Gazette*)

PUBLICATION CANADIAN PRIORITIES AGENDA

Policy Options
April-May 2006

RESEARCH DIRECTORS JEREMY LEONARD, CHRISTOPHER RAGAN AND FRANCE ST-HILAIRE

The Canadian Priorities Agenda (CPA) is an ambitious and innovative project designed to initiate a broad-based and informed public debate on policy choices and priorities for Canada over the medium term. The central theme of the project is scarcity and the need for choice: governments have limited resources and therefore must choose carefully which policies to pursue and which to leave behind. In so doing, they must weigh not only political considerations, but also the overall costs, benefits and distributional effects of alternative policies. One of the main objectives of the CPA is to produce research on key economic and social policy challenges based on this common analytical framework.

In the past year, the Institute commissioned leading experts in their fields to write research papers on the top eight public policy challenges facing Canada, as identified by the CPA agenda setters in the first phase of the project.

In addition to describing the nature of the challenge at hand, each analyst was asked to propose three specific policies designed to address the challenge and to make the case for each.

The CPA project is now in its final phase. The analysts and invited commentators were convened in Toronto in March 2007 to present their proposals and critiques to a panel of six judges. Based on the evidence gathered and conference discussions, each judge was then asked to write a paper identifying the policy package that in his or her view would provide the greatest net benefits with regard to the economic and social well-being of Canadians.

The CPA papers and commentaries, as well as the judges' essays, will be published in the fall of 2007. □



CANADIAN PRIORITIES AGENDA

EGGONOMICS & SOCIAL PROGRESS

PUBLICATIONS

Daniel Salée, with the assistance of David Newhouse and Carole Lévesque, "[Aboriginal Quality of Life in Canada: An Analysis of Current Research](#)"
IRPP Choices, November 2006

Despite long-standing efforts, the persistence of major gaps in the socio-economic conditions of many Aboriginal people relative to other Canadians remains one of the most intractable problems governments face. These disparities raise serious questions about the degree to which equality of opportunity applies in Canada, and could even undermine social cohesion.

There are nevertheless signs of progress. Since the mid-1990s, there has been an increase in the proportion of Aboriginal people who have completed or are pursuing post-secondary education. In some western provinces, collaboration among the federal, provincial and certain city governments has led to new community-based initiatives involving Aboriginal people in urban areas (who account for about half of the country's total Aboriginal population). A range of innovative Aboriginal businesses is providing employment and training, and these initiatives will no doubt serve as models for others.

In 2006, the IRPP launched a new research program, Aboriginal Quality of Life, to which Joyce Green (University of Regina), Carole Lévesque (Institut national de la recherche scientifique), David Newhouse (Trent University) and Daniel Salée (Concordia University) serve in an advisory capacity. In November 2006, to inaugurate the program, we published an in-depth analysis of the literature by Daniel Salée. In it he underlines the need to go beyond the old debates about whether Aboriginal people are best served by being autonomous, self-governing actors, on the one hand, or fully integrated into non-Aboriginal society, on the other. Salée concludes that "significant improvements to Aboriginal quality of life hinge on a fundamental, genuine and widespread political commitment to social change and social justice for Aboriginal people."



ABORIGINAL QUALITY OF LIFE

This background paper will serve as the conceptual framework for a series of research studies that are in progress. The series will document and analyze innovative approaches in selected policy fields – including community economic development, child welfare, youth mental health and urban housing – their impact to date and lessons learned. In so doing, they will take account of the broader context of the quality of life of Aboriginal people (in particular, historical and constitutional factors) and how Aboriginal people have been involved in developing relevant initiatives. This IRPP research should contribute to a greater understanding of both past realities and the evolving place of Aboriginal people and their communities within Canadian society. □

FOOD SECURITY & SOCIAL PROGRESS

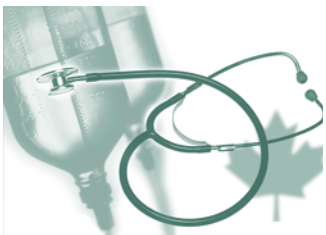
RESEARCH DIRECTOR FRANCE ST-HILAIRE

Health care reform remains an area of active concern for the IRPP. Over the past few years, our focus has been on exploring the use of evidence and empirical analysis to understand the impact of specific policy innovations on the delivery of health care services. In November 2005, the Institute teamed up with the Centre for Health Services and Policy Research, the John Deutsch Institute for the Study of Economic Policy and the School of Policy Studies at Queen's University to organize a major multidisciplinary conference on evidence-based policy-making in various segments of the health care system. The papers presented at this conference were published jointly with the John Deutsch Institute in December 2006. They examine a wide range of critical issues including the ethical and funding considerations surrounding "orphan drugs" for rare diseases, the potential impact of private insurance on the public system, regionalization, service delisting, drug-pricing, and health human resource management in the context of an aging population. □

HEALTH AND PUBLIC POLICY

PUBLICATIONS

Health Services Restructuring in Canada: New Evidence and New Directions (eds. Charles Beach, France St-Hilaire, Sam Shortt et al.)
Monograph (with John Deutsch Institute), December 2006



EGGONOMICS & SOCIAL PROGRESS

overnments pass and policy priorities change. Or so the story goes in Canada in 2006. While child development and family policy remained key issues across the country over the year, the election of a minority Conservative government at the federal level introduced a new dynamic to the debate.

As it promised during the electoral campaign, the government introduced the Universal Child Care Plan to provide “choice in child care” in its first budget. Parents of children under age six began receiving \$100 per month in July 2006. Thus the focus shifted away from helping working parents toward supporting all families, irrespective of their labour market status.

In Quebec, the electoral campaign of March 2007 echoed this new approach to family policy, with the leader of Action Démocratique du Québec, Mario Dumont, promising to lend “all families a helping hand” and promoting parents’ “freedom of choice” in child care. This debate takes on particular importance in Quebec, where an extensive network of programs has been put in place to help working parents with young children. Developed over the past decade, these programs include child care services and generous parental leave benefits. Meanwhile, in other provinces, governments struggled in the wake of Ottawa’s decision to terminate the bilateral early learning and child care agreements brokered by the former government. Some, for example, British Columbia, announced funding reductions, while others, like Manitoba, tried to make up for federal funding cuts by providing additional provincial money.

The study by Paul Kershaw (University of British Columbia), released in March 2007, presents a very timely analysis of federal and provincial family policies focusing on the family benefits packages in Alberta and BC compared with those available in other jurisdictions. Looking at cash transfers and public expenditures on services, the research sheds much-needed light on the ongoing debate between proponents of universal transfers for all families with children and those who support investing instead in nonparental child care services for working parents. Attesting to its relevance, this paper has become the most requested *IRPP Choices* study in terms of first-month downloads from the Institute’s Web site.

The paper by Marni Brownell (University of Manitoba) and her colleagues moved the IRPP’s research agenda on family and children in a new direction by re-examining the important link between school outcomes and the socio-economic circumstances using population-based data. One of the authors’ key findings is that the socio-economic disparities in educational outcomes are far greater than had been previously believed, based on traditional school-based testing. The methodology and the findings of this study have enormous implications for evidence-based policy in health, education and early childhood development, and have generated much attention in the media and among researchers and policy-makers. □

PUBLICATIONS

Marni Brownell, Noralou Roos, Randy Fransoo et al., “[Is the Class Half-Empty? A Population-Based Perspective on Socioeconomic Status and Educational Outcomes](#)” *IRPP Choices*, October 2006

Paul Kershaw, “[Measuring Up: Family Benefits in British Columbia and Alberta in International Perspective](#)” *IRPP Choices*, March 2007

EVENTS

Reception: [Québec Longitudinal Study of Child Development 10th Anniversary](#)
Journées annuelle de santé publique (JASP)
October 2007

Policy Panel on [Educational Outcomes in Manitoba](#)
Marni Brownell, John Wiens and John VanWallegghem
December 6, 2006, Winnipeg

Lecture: “[Is the Class Half Empty? Using Administrative Data to Gain a Population-Based Perspective on Socioeconomic Status and Educational Outcomes](#)”
In collaboration with the Léa-Roback centre de recherche sur les inégalités sociales de santé de Montréal
Marni Brownell (University of Manitoba)
April 3, 2007, Montreal

Working Lunch: “[Measuring Up: BC Family Policy Present and Future](#)”
Paul Kershaw and Kevin Milligan (University of British Columbia)
June 14, 2007, Vancouver

Working Lunch: “[Measuring Up: Alberta Family Policy Present and Future](#)”
Paul Kershaw (University of British Columbia), Joseph P. Hornick (Canadian Research Institute for Law and the Family) and Lois Harder (University of Alberta)
June 13, 2007, Edmonton



INVESTING IN OUR CHILDREN

PUBLICATIONS

Shelley Phipps, "[Working for Working Parents: The Evolution of Maternity and Parental Benefits in Canada](#)"
IRPP Choices, May 2006

Richard Chaykowski, "[Toward Squaring the Circle: Work-Life Balance and the Implications for Individuals, Firms and Public Policy](#)"
IRPP Choices, June 2006

Ana Ferrer and Lynda Gagné, "[The Use of Family Friendly Workplace Practices in Canada](#)"
Working Paper, September 2006

Gilles Pronovost, "[Le temps dans tous ses états: temps de travail, temps de loisir et temps pour la famille à l'aube du XXI^e siècle](#)"
Enjeux publics IRPP, February 2007



his year also saw the publication of several papers on work-life balance. The series was launched with [Shelley Phipps'](#) (Dalhousie University) study of parental benefits in Canada. Phipps outlines the case of eight fictitious new parents to illustrate how their eligibility for parental leave and compensation varies according to their situation. She also looks at the evolution of the program from its introduction in the early 1970s to the most recent reform in 2001. Her analysis includes the new Quebec parental benefits program, which came into effect in January 2006. While the aim of Quebec's new program is first and foremost to facilitate labour market attachment and retention, its first year of operation coincided with a record number of births in the province – something policy-makers will no doubt keep an eye on.

The paper by [Richard Chaykowski](#) (Queen's University) provides an excellent backgrounder on work-life balance issues in the Canadian context. His review of evidence and his analysis of the policy stakes are particularly useful in parsing out the role of firms, individuals and governments. Chaykowski finds that the incidence of work-life conflict varies greatly among individual Canadians depending on their age, gender and employment status. This suggests the need for more targeted policy solutions based on a careful evaluation of potential costs and benefits. This conclusion is also supported by [Ana Ferrer](#) (University of Calgary) and [Lynda Gagné](#) (University of Victoria), whose research on the factors that influence the use of work-family benefits in firms indicates that there is often a mismatch between the need for benefits and their availability.

WORK-LIFE BALANCE

Of course, the whole discourse on work-life conflict revolves around the controversial notion of time crunch and the ever-increasing difficulty experienced by many in attempting to reconcile the demands and needs related to work, family and leisure. In his study, [Gilles Pronovost](#) (Université du Québec à Trois-Rivières) helps make the distinction between perception and reality by examining time-use surveys in Canada and abroad and analyzing the extent of the problem of the lack of time and the paradoxes it reveals. □

The first phase of the Work-Life Balance research program has primarily focused on the needs of working families with young children. Yet the policy imperatives associated with an aging population are also a significant aspect of work-life balance. In the context of a shrinking workforce combined with the need to retain highly skilled workers, balancing work-life responsibilities may become a more pressing issue for labour policy to ensure that all workers are as active as possible and remain attached to the labour market. Governments will have to consider ways to facilitate transitions into and out of the labour market over the course of a lifetime and to encourage the participation of both younger workers with family responsibilities and older workers about to retire. In the coming years, the Institute will focus on four key issues as they relate to an aging population: the factors affecting the labour force participation of older workers, including work-life balance; the privatization of risk and the role of the private sector in delivering social and health care services; the implications of an aging workforce for the public sector's core mandate and the governance of the federation; and the moral and ethical challenges. □

RESEARCH DIRECTOR SARAH FORTIN

AGING



UPCOMING RESEARCH
ECONOMIC GROWTH
& SOCIAL PROGRESS

P

RESEARCH DIRECTORS JEREMY LEONARD AND FRANCE ST-HILAIRE

Productivity is the most important determinant of the level and growth of material living standards in Canada. There is fairly broad consensus among economists regarding the macro-level drivers of productivity, which have been usefully summarized by the OECD into four broad (and often interrelated) categories: innovation, education, investment and deregulation. Over the coming year, the IRPP will examine selected aspects of each of them in order to fill research gaps and improve the effectiveness and design of policies. □



INNOVATION AND PRODUCTIVITY IN A CHANGING WORLD ECONOMY

RESEARCH DIRECTOR GENEVIEVE BOUCHARD

ince the Institute introduced this research program in 2001, the program has covered much ground, with the publication of papers and the organization of events that have attracted experts, practitioners as well as the general public. The work so far has focused on the control of irregular migration and the reconciliation of security and human rights concerns, the deteriorating labour market outcomes of recent immigrants and the problem of skills and credential recognition. Research underway covers a wide range of issues, such as assessing the Canadian dual citizenship regime, the strengths and weaknesses of Canada's refugee claim process and the impact of post-9/11 security measures on migration and the protection of



Politique de l'immigration
Immigration and Refugee Policy

IMMIGRATION AND REFUGEE POLICY

human rights. In coming years, the IRPP will continue to devote significant resources to better understanding the important and complex process of immigrant integration – socially, politically and economically – into Canadian society. The problems faced by second- and third-generation immigrants, the varying integration experiences of newcomers into Canada's three major cities and the challenge of competing for skilled workers in an increasingly integrated world economy are some of the topics on the Institute's agenda. □

EVENTS

Working Lunch: "The Underrepresentation of Visible Minorities in the Electoral Process"

Sujit Choudhry, Michael Pal and Bruce Hicks
January 23, 2007, Toronto

Working Lunches
"Controlling Irregular Migration: Reconciling Security Concerns with Human Rights Protection"

François Crépeau, Delphine Nakache, Susan Davis and Stéphane Roussel
April 10, 2006, Montreal
François Crépeau, Delphine Nakache, Susan Davis and Wesley Wark
April 4, 2006, Toronto

Working Lunch: "Canada's Diversity: The Urban Dimension"

Katherine Graham, Susan Phillips and Nan Weiner
November 9, 2006, Toronto

UPCOMING RESEARCH

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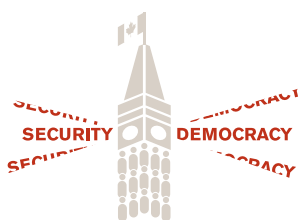
THE

WORD

RE

RESEARCH DIRECTORS MEL CAPPE AND WESLEY MARK

his new IRPP research program will explore the complex challenges confronting Canada with regard to the post-9/11 security environment and its impact on domestic and international policies. The research will address issues that are in many ways new to the country and to the formulation of Canadian national security policy, above all the threat posed by global, transnational terrorism. Over the next few years, the Institute will examine the interrelationship between new security demands and democratic norms, focusing in particular on the building blocks of a sound democratic model for national security, namely, effective intelligence; capable law enforcement; appropriate, stable laws; good governance; accountability; citizen engagement and public knowledge; emergency response capability; wise economic policy; and public-private sector partnerships. □



SECURITY AND DEMOCRACY

OUTREACH DIRECTOR JEREMY LEONARD

The IRPP's Web site celebrated its 10th anniversary in 2006-07 with nearly 300,000 unique visitors (consisting primarily of government officials and policy-makers, researchers, journalists, professors and students) downloading documents and publications over 1.2 million times. Year-over-year growth in both visitors and document downloads was 15 percent, equalling that of the previous two fiscal years.

This year the IRPP began routinely making audio recordings of working lunches and other events available on IRPP.org, starting with the June 2006 working lunch on Equalization in Toronto. Since then, recordings of six other events have been posted, and they have been listened to nearly 2,000 times. Given the demand, we plan to expand accessibility by making audio recordings available as podcasts via RSS feeds for easy access from not only computers, but also iPods and MP3 players.

The Institute has largely succeeded in its goal of making its Web site the focal point of its research dissemination, and is now exploring options for using it to reach out to audiences in more interactive ways. In addition to the podcasting noted earlier, we intend to explore the possibilities offered by blogs, Web-based seminars, virtual round tables, and other innovative tools to broaden dissemination and discussion of our research.

WWW.IRPP.ORG

In February 2007, IRPP.org added a monthly cyber-column, "Global Canada? A View from Abroad," by renowned journalist David Crane. In addition to being read directly at IRPP.org, David Crane's column, as well as that by Jim Ferrabee, are frequently reprinted in newspapers across the country. □

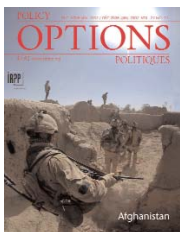


In 2006-07, *Policy Options* moved to a full-colour format, which has transformed the appearance of the IRPP's flagship publication. The magazine also stepped up its editorial positioning of cover packages so they are more closely aligned to the news cycle.

The results, in both appearance and content, were apparent in the record number of article downloads from IRPP.org, as well as reprints of articles as op-eds and news stories about several SES Research in-depth polls conducted exclusively for *Policy Options*.

In the fully bilingual April-May 2006 issue, we unveiled the Canadian Priorities Agenda, which is the path-breaking IRPP project led by France St-Hilaire. Always at the leading edge of public policy, the magazine tackled the fiscal imbalance in the September 2006 issue. A panel debated the subject at a well-attended Ottawa working breakfast. *Policy Options'* October issue was devoted to climate change, the November issue to the Liberal leadership convention, and the December issue to the Canadian mission in Afghanistan. At a sold-out working lunch in Montreal, Omar Samad, Ambassador of Afghanistan to Canada, was the guest speaker. He was introduced by IRPP board member Pierre Marc Johnson, who is also counsel at Heenan Blaikie, the event's sponsor.

The February 2007 *Policy Options* was a special issue to commemorate the 25th anniversary of the Canadian Charter of Rights and Freedoms. It was timed to coincide with a major conference on the topic organized by the McGill Institute for the Study of Canada. In April 2007, we published a timely package on the results of the Quebec election. This was followed up by a working lunch on the implications of the election with *Policy Options* Editor Ian MacDonald, Éric Montpetit (Université de Montréal) and *Policy Options* Contributing Writer Robin Sears of Navigator Ltd.



POLICY OPTIONS

In the magazine's occasional Q&A interview feature, *Policy Options* interviewed the leaders of the three major parties – Stephen Harper, Stéphane Dion and Jack Layton – as well as Finance Minister Jim Flaherty and former Alberta premier Peter Lougheed. The conversation with the Prime Minister was excerpted in the *National Post*, as was the special *Policy Options* issue on the Charter in a series of articles.

Putting out a monthly magazine that is so closely tied to the news cycle sometimes involves intense deadline pressure. Editor Ian MacDonald particularly thanks Associate Editor Sarah Fortin, Production Coordinators Anne Tremblay and Chantal Letourneau, Editorial Coordinator Francesca Worrall, as well as the proofreaders and translators, for their dedication. □

EVENTS

Working Breakfast: *Policy Options'* Analyses of the Federal Election Results and the New Government
March 30, 2006, Ottawa

Working Lunch:
"Afghanistan: A Global Project in Security and Development"
H.E. Omar Samad,
Ambassador of Afghanistan to Canada
December 11, 2006,
Montreal

Working Lunch: "The Implications of the 2007 Quebec Election"
L. Ian MacDonald (IRPP),
Éric Montpetit (Université de Montréal) and Robin Sears (Navigator Ltd.)
May 2, 2007, Toronto

It has been another successful year for the IRPP in terms of media coverage. The communications team placed 131 op-eds in newspapers across the country – averaging about one placement every three days. Notably, most of the Institute’s studies now generate op-ed pieces in both French and English.

Most importantly, perhaps, on the road to generating more high-quality media attention, the communications team has built on an already extensive number of media contacts. Combined with the quality of the research the Institute produces, this base of solid relationships has been fruitful and hopefully will continue to be in the future.

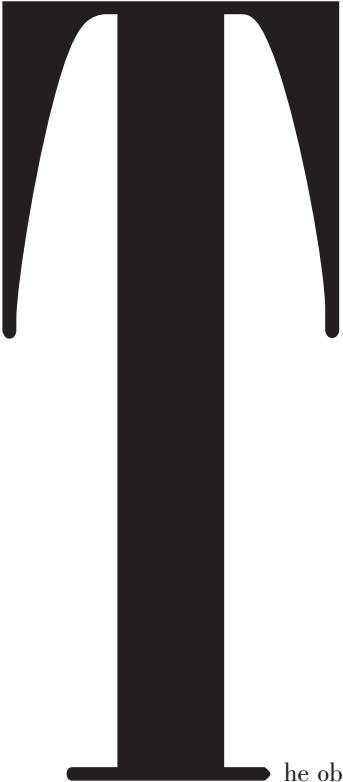
Media Highlights

■ Jeffrey Reitz and Rupa Banerjee’s study on social cohesion received front-page coverage (above the fold) in the *Globe and Mail* on January 11, 2007. Several months after its release, it continues to garner considerable media attention, and a front-page piece in *Le Devoir* quoted extensively from the study.

IRPP IN THE NEWS

- IRPP’s work appeared on the front pages of both the *Globe and Mail* and the *National Post* on February 6. The *Globe* story focused on the volume *Belonging? Diversity, Recognition and Shared Citizenship in Canada*, while the *Post* fronted a *Policy Options* story on Canadians’ attitudes toward the Charter of Rights and Freedoms. This marks the first time the Institute’s work has been on the front pages of both national newspapers on the same day.
- There was considerable media interest in *Policy Options*. Notable were the 17 separate op-ed placements – an IRPP record for a single issue of the magazine – stemming from the July 2006 issue on border security. Also, in the context of the commemoration of the 25th anniversary of the Charter of Rights and Freedoms, the *National Post* ran a series of op-ed adaptations of six *Policy Options* pieces over six days, focusing on various aspects of the Charter. *Le Devoir* ran a similar series of three pieces over three days. □





The objective of the Endowment Fund is to support the work of the Institute. The Investment Committee seeks to maintain the real value of the Fund after inflation, so that it can continue to provide significant financial support to the Institute in future years. Therefore, rather than using the actual income generated by the Fund in any one year, the Board of Directors decided to withdraw an amount equal to 6 percent of the average of the last three years' capital value of the Fund measured at the fiscal year-end. A three-year average is used to smooth the impact of changes in the market and increase predictability. Under this formula the money available from the Endowment Fund for fiscal year 2006-2007 amounted to **\$2,411,820** an increase of approximately **\$131,520** from the transfer generated the previous year. Realized capital gains of **\$152,297** and dividend and interest income of **\$1,942,720** during the last fiscal year together amounted to **\$2,095,017**.

Several years ago, the Investment Committee established a series of benchmarks to provide a basis for evaluating the performance of the Fund managers. In an effort to ensure that this benchmark is achieved, the Investment Committee reviews the performance of the fund managers on a quarterly basis.

IRPP INVESTMENT COMMITTEE REPORT

In 1999, the Investment Committee decided to divide the Fund into two equal portions. Knight, Bain, Seath and Holbrook Capital Management, which managed the Fund since 1989, was joined by Beutel, Goodman and Company Ltd. In 2004, the Committee decided to replace KBSH with McLean Budden Investment Managers.

In 2006, the Committee undertook to explore different options to increase the value of the Fund so that higher returns can be generated for the operations of the Institute without compromising the Fund's ability to provide for the IRPP in the years to come. The Committee is still working through the process and plans to make a recommendation to the Board in 2007.

The following table reports the performance of our managers relative to the benchmark over the previous year and over the past four years, where applicable.

PERIODS ENDED	31/3/07	31/3/06	31/3/05	31/3/04
ANNUAL RETURN				
BEUTEL GOODMAN	8.6%	11.1%	6.9%	22.5%
BENCHMARK	9.4%	13.0%	6.3%	21.2%
MCLEAN BUDDEN	9.6%	10.7%	N/A	N/A
4 YEAR RETURN (ANNUALIZED)				
BEUTEL GOODMAN	8.6%	7.2%	6.1%	7.4%
BENCHMARK	9.3%	6.0%	5.0%	2.3%
MCLEAN BUDDEN	N/A	N/A	N/A	N/A

IRPP INVESTMENT COMMITTEE REPORT

The combined market value of the Fund, including other net assets amounted to **\$42,158,829** as of March 31, 2007.

The following table reports the asset mix at fiscal year-end 2007 and 2006.

	MCLEAN 31/3/07	BUDDEN 31/3/06	BEUTEL 31/3/07	GOODMAN 31/3/06
MARKET VALUE	\$19,450,041	\$18,923,466	\$22,708,788	\$22,197,534
ASSET MIX				
CASH AND EQUIVALENT	4.1%	2.5%	1.6%	0.7%
FIXED INCOME	47.2%	45.7%	37.2%	38.5%
CANADIAN EQUITIES	21.2%	23.0%	30.6%	31.6%
U.S. EQUITIES	13.2%	13.7%	19.5%	21.0%
NON-N.A. EQUITIES	14.3%	15.1%	11.1%	8.2%
TOTAL EQUITIES	48.7%	51.8%	61.2%	60.8%

GOODMAN INVESTMENT

We have audited the balance sheet of Institute for Research on Public Policy as at March 31, 2007, and the statements of earnings, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by Part II of the *Canada Corporations Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

The accounts for the year ended March 31, 2006, shown for comparative purposes, were reported on by other auditors.

Raymond Chabot Grant Thornton S.E. N.C. R. L.

Chartered Accountants
Montreal
May 18, 2007

AUDITORS' REPORT

	<u>2007</u>	<u>2006</u>
	\$	\$
REVENUES		
INVESTMENTS (NOTE 4)	2,095	2,241
<i>POLICY OPTIONS</i> MAGAZINE	25	34
OTHER PUBLICATIONS	26	45
ADVERTISING	133	55
OTHER (INCLUDING CONTRIBUTIONS OF \$35 IN 2006)	48	189
	<u>2,327</u>	<u>2,564</u>
	-----	-----
EXPENSES		
GENERAL RESEARCH AND SUPPORT SERVICES	1,976	2,275
<i>POLICY OPTIONS</i> MAGAZINE	344	296
PUBLICATIONS	115	104
INVESTMENT MANAGEMENT AND CUSTODIAL FEES	212	201
INTEREST	5	6
AMORTIZATION OF CAPITAL ASSETS	45	35
	<u>2,697</u>	<u>2,917</u>
	<u>(370)</u>	<u>(353)</u>
DEFICIENCY OF REVENUES OVER EXPENSES		

The accompanying notes are an integral part of the financial statements.

EARNINGS

YEAR ENDED MARCH 31, 2007
(IN THOUSANDS OF DOLLARS)



				2007	2006
	Restricted for financing of operating activities (note 3)	Invested in capital assets	Unrestricted	Total	Total
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	35,491	59	83	35,633	35,986
DEFICIENCY OF REVENUES OVER EXPENSES		(45)	(325)	(370)	(353)
INVESTED IN CAPITAL ASSETS TRANSFER (NOTE 4)	(528)	22	(22)		
			528		
BALANCE, END OF YEAR	34,963	36	264	35,263	35,633

The accompanying notes are an integral part of the financial statements.

CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2007
(IN THOUSANDS OF DOLLARS)

	<u>2007</u>	<u>2006</u>
	\$	\$
OPERATING ACTIVITIES		
DEFICIENCY OF REVENUES OVER EXPENSES	(370)	(353)
NON-CASH ITEMS		
GAIN ON DISPOSAL OF TREASURY BILLS	(3)	
GAIN ON DISPOSAL OF INVESTMENTS	(298)	(520)
REINVESTED INVESTMENT INCOME	(183)	
AMORTIZATION OF CAPITAL ASSETS	45	35
CHANGES IN WORKING CAPITAL ITEMS (NOTE 5)	(222)	168
	<u>(1,031)</u>	<u>(670)</u>
NET CASH USED	-----	-----
FINANCING AND INVESTING ACTIVITIES		
BANK LOAN	23	
TREASURY BILLS	(409)	(69)
DISPOSAL OF TREASURY BILLS	258	
INVESTMENTS	(12,825)	(17,909)
DISPOSAL OF INVESTMENTS	13,902	18,575
CAPITAL ASSETS	(22)	(1)
	<u>927</u>	<u>596</u>
NET CASH GENERATED	-----	-----
NET DECREASE IN CASH	(104)	(74)
CASH (BANK OVERDRAFT), BEGINNING OF YEAR	(4)	70
	<u>(108)</u>	<u>(4)</u>
	-----	-----

The accompanying notes are an integral part of the financial statements.

CASH FLOWS

YEAR ENDED MARCH 31, 2007
(IN THOUSANDS OF DOLLARS)



	<u>2007</u>	<u>2006</u>
	\$	\$
ASSETS		
CURRENT ASSETS		
TREASURY BILLS, 3.96% AND 4.11% (3.07% IN 2006), MATURING IN APRIL AND AUGUST 2007	223	69
ACCOUNTS RECEIVABLE (NOTE 6)	216	338
PREPAID EXPENSES	26	51
	<hr/>	<hr/>
	465	458
INVESTMENTS, AT COST (NOTE 7)	35,095	35,691
CAPITAL ASSETS (NOTE 8)	36	59
	<hr/>	<hr/>
	35,596	36,208
	<hr/>	<hr/>
LIABILITIES		
CURRENT LIABILITIES		
BANK LOAN (NOTE 9)	23	
BANK OVERDRAFT	108	4
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	95	114
SUBSCRIPTION AND ADVERTISING REVENUE COLLECTED IN ADVANCE	21	17
DEFERRED CONTRIBUTIONS (NOTE 10)	86	61
RETIREMENT ALLOWANCE AND SABBATICAL LIABILITY		379
	<hr/>	<hr/>
	333	575
	<hr/>	<hr/>
NET ASSETS		
RESTRICTED FOR FINANCING OF OPERATING ACTIVITIES	34,963	35,491
INVESTED IN CAPITAL ASSETS	36	59
UNRESTRICTED	264	83
	<hr/>	<hr/>
	35,263	35,633
	<hr/>	<hr/>
	35,596	36,208
	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

Director

Director

BALANCE SHEET

YEAR ENDED MARCH 31, 2007
(IN THOUSANDS OF DOLLARS)

1 GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION The Institute for Research on Public Policy is incorporated under Part II of the *Canada Corporations Act*. Its mission is to improve public policy in Canada by generating research, providing insight and sparking debate that will contribute to the public policy decision-making process and strengthen the quality of the public policy decisions made by Canadian governments, citizens, institutions and organizations. It is a registered charity under the *Income Tax Act*.

2 ACCOUNTING POLICIES

Accounting estimates The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Revenue recognition

Contributions The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are reported as direct increases in net assets.

Investment income Investment transactions are recorded at the settlement date and resulting income is recognized using the accrual method of accounting. Interest income is recognized based on the number of days the investment was held during the year. Dividends are recognized as of the ex-dividend date. Gains or losses on the disposal of investments are determined using the average cost method. Transaction costs related to the acquisition or disposal of investments are included in the cost of investments or treated as a reduction of the proceeds on the disposal of investments.

Advertising and publications revenue Revenue is recognized once there is an agreement between the parties, the price is fixed or determinable and there is reasonable assurance of collection. In addition to the general principles described above, the Company applies the following specific principles:

- Advertising revenue is recognized on a straight-line basis over the duration of the contract, once advertising is edited;
- Revenue from publications is recognized on a straight-line basis over the duration of subscriptions;
- Other revenue is recognized when it is earned.

Investments

Bonds are recorded at cost, net of the discount or premium amortization. Amortization of the discount or premium is calculated based on the effective interest method.

Other investments are recorded at cost.

When a portfolio investment sustains a loss in value that is other than a temporary decline, the investment's carrying amount is reduced to take the loss in value into account.

Amortization Capital assets are recorded at cost less accumulated amortization and are amortized over their estimated useful lives according to the straight-line method and the following annual rates:

Computer equipment	33%
Office equipment	20%

Foreign currency translation Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of expenses relating to nonmonetary assets and liabilities, which are translated at the historical rate. Gains and losses are included in the earnings for the year.

3 RESTRICTIONS ON NET ASSETS The net assets restricted for the financing of operating activities, and subject to internally imposed restrictions by the Board of Directors, must be maintained to finance the Organization's operating activities. These amounts cannot be used towards other purposes without the consent of the Board of Directors. Interest income is unrestricted.

4 TRANSFER The Board of Directors authorizes an annual transfer of resources from net assets restricted for financing of operating activities to unrestricted net assets. This transfer of resources was established at 6%, for the years ended March 31, 2007 and 2006, of the average fair value of assets held for the financing of operating activities at the end of the three preceding years less net investment income earned on these same resources.

	<u>2007</u>	<u>2006</u>
	\$	\$
Amount obtained from the average fair values of the three preceding years multiplied by 6%	2,411	2,280
Investment income	2,095	2,241
Investment management and custodial fees	(212)	(201)
Net investment income	<u>1,883</u>	<u>2,040</u>
Transfer	<u>528</u>	<u>240</u>

5 INFORMATION INCLUDED IN CASH FLOWS

The changes in working capital items are detailed as follows:

	<u>2007</u>	<u>2006</u>
	\$	\$
Accounts receivable	122	(18)
Prepaid expenses	25	6
Accounts payable and accrued liabilities	(19)	(6)
Subscription and advertising revenue collected in advance	4	
Deferred contribution	25	16
Retirement allowance and sabbatical liability	(379)	170
	<u>(222)</u>	<u>168</u>

6 ACCOUNTS RECEIVABLE

	<u>2007</u>	<u>2006</u>
	\$	\$
Trade accounts receivable	20	27
Goods and services tax and Quebec sales tax	66	75
Interest and dividends receivable	130	134
Other		102
	<u>216</u>	<u>338</u>

7 INVESTMENTS

	<u>2007</u>		<u>2006</u>	
	Fair Value	Book Value	Fair Value	Book Value
	\$	\$	\$	\$
Fund units				
Money market	900	900	530	530
Bonds	9,274	9,260	8,710	8,732
Shares	9,479	8,130	11,647	10,804
Bonds, 2.75% to 12.2% (3% to 12.2% in 2006), maturing on different dates from December 2007 to April 2036 (a)	8,461	8,233	8,545	8,326
Shares	<u>13,889</u>	<u>8,572</u>	<u>11,690</u>	<u>7,299</u>
	<u>42,003</u>	<u>35,095</u>	<u>41,122</u>	<u>35,691</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007
(IN THOUSANDS OF DOLLARS)

8 CAPITAL ASSETS

	2007		Net
	Cost	Accumulated amortization	
	\$	\$	\$
Computer equipment	340	331	9
Office equipment	125	98	27
	465	429	36

	2006		Net
	Cost	Accumulated amortization	
	\$	\$	\$
Computer equipment	333	293	40
Office equipment	111	92	14
	444	385	59

9 BANK LOAN The bank loan for an authorized amount of \$500 is unsecured. The loan bears interest at prime plus 0.5% (6.5%; 6% in 2006) and is renegotiable in September 2007. The balance of the bank loan is \$23 as at March 31, 2007.

10 DEFERRED CONTRIBUTIONS

	2007	2006
	\$	\$
Fourth Decade Fund		
Balance, beginning of year	61	46
Recognized as revenue		(35)
Received relating to the following year	25	50
Balance, end of year	86	61

The Fourth Decade Fund represents amounts received and restricted for purposes specified by the donors.

11 FINANCIAL INSTRUMENTS

Foreign exchange risk The Organization is exposed to foreign exchange risk due to Treasury bills and investments denominated in US dollars. As at March 31, 2007, assets denominated in US dollars consisting of Treasury bills and investments totalled US\$2,906 (US\$3,197 as at March 31, 2006). The Organization does not enter into arrangements to hedge its foreign exchange risk.

Fair value The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments:

- Short-term financial instruments: The fair value of short-term financial assets and liabilities approximates the carrying amount given that they will mature shortly;
- Investments: The fair value of fund units, bonds and shares is based on the current bid price.

12 COMMITMENTS The Organization has entered into long-term lease agreements expiring in 2012 which call for lease payments of \$336 for the rental of equipment and office space. Minimum lease payments for the next five years are \$85 in 2008, \$77 in 2009, \$72 in 2010 and 2011, and \$30 in 2012.

13 COMPARATIVE FIGURES Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.