TORONTO
BOARD OF TRADE

2012 Federal Pre-Budget Submission

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Founded in 1845, the Toronto Board of Trade (the Board) is Canada's largest local chamber of commerce, connecting more than 200,000 business professionals and influencers throughout the Toronto region. The Board fuels the economic, social and cultural vitality of the entire Greater Toronto region (GTR) by fostering powerful collaborations among business, government, thought leaders and community builders. The Board plays a vital role in elevating the quality of life and global competitiveness of Canada's largest urban centre.

The Board welcomes the opportunity to present our pre-budget consultation submission to the Government of Canada and the House of Commons Standing Committee on Finance. Our two recommendations are premised on our mutually shared objective, to keep Canada on track towards sustainable economic recovery, create quality sustainable jobs, ensure relatively low rates of taxation, and finally, to achieve a balanced budget.

Summary of Recommendations

RECOMMENDATION 1: Develop a National Urban Strategy
Develop a National Urban Strategy that includes a National Transportation Strategy. Establish an annual urban transit fund of $3.6 billion — a $1.6 billion top up to the annual gas tax fund (GTF). The strategy must include a clear accountability framework.

RECOMMENDATION 2: Leverage FedDev Ontario funds to focus on regional economic development in the Greater Toronto Region (GTR)
Provide support for a strong regionally coordinated economic development body (including an investment promotion agency) for the GTR. This can be accomplished through the already existing Federal Economic Development Agency of Southern Ontario (FedDev Ontario). The government should dedicate total annual amount of approximately $3.33 million.

RECOMMENDATION 1: Develop a National Urban Strategy
Develop a National Urban Strategy that includes a National Transportation Strategy. Establish an annual urban transit fund of $3.6 billion. This is a $1.6 billion top up to the annual gas tax fund (GTF). The strategy must include a clear accountability framework.

Canada's largest urban centres are called upon to provide services that are different in nature and scope from those provided in smaller jurisdictions: services such as affordable housing, public transit and other forms of infrastructure, as well as immigrant settlement and support. In many instances, the federal and the provincial governments have programs to support the provision of these services; however, the current financial frameworks are often insufficient for Canada's largest urban centres to properly provide these services, thereby hampering their ability to act as strong engines of economic growth.

In recent years, the federal government has provided unprecedented levels of funding to municipalities of all sizes across Canada through Canada's Economic Action Plan, the GST Rebate, the Building Canada Fund and the Gas Tax Fund (made permanent in 2007 and which has grown from $600-million in 2005-2006 to $2-billion annually as of 2009-2010). Despite these recent advances, it remains vital that the federal, provincial and territorial governments collaborate to establish a National Urban Strategy targeted toward Canada's largest urban centres. A National Urban Strategy should provide a higher level of clarity and predictability to municipalities that will in turn permit them to plan for the long-term health and vitality of their communities. Long-term predictable funding helps municipalities become more self-sustaining allowing for balanced budgets and greater local economic growth which in turn stimulates job creation and overall economic competitiveness.

Long-term and predictable funding for transportation infrastructure is one of the fundamental challenges faced by Canadian municipalities. Recognizing that the lifeblood of our economy flows through our roads, bridges, train-tracks and subway tunnels, a key component of any national urban strategy must therefore have at its core a national strategy that is focused specifically on transportation. This is especially true for the GTR.

Each of Canada's large urban centres has its own unique and distinct transportation needs and challenges. For the GTR, transportation infrastructure is the biggest impediment to economic success. According to the Board's annual benchmarking study of 24 global city-regions *Toronto as a Global City: Scorecard on Prosperity 2011* (*Scorecard 2011*), Toronto was ranked dead last in terms of commute times contributing over $6 billion in annual economic and commuter-related costs to the GTR's economy. Adequate and efficient public transit is, therefore, essential to maintaining the health of a metropolitan economy and its residents. For the GTR, the need for national attention is based almost entirely around our city's ability to build and sustain 21st century transit infrastructure.

The Board recognizes the strong commitment by the current federal government, led by Prime Minister Stephen Harper, to funding public transit projects. Since 2007, the GTR has received over $2 billion dedicated to various transit projects, including funding for Toronto's Union Station renovation. The Board is also pleased that in the federal government's 2007 budget a permanent infrastructure fund, the federal Gas Tax Fund (GTF), was announced. Through the GTF, Canadian municipalities now receive $2 billion annually for infrastructure projects, including transit, with funds allocated based on population. The GTF is the first permanent source of revenues directed to municipalities in support of infrastructure funding. The efforts to date of this federal government are laudable.

By comparison to other leading jurisdictions, however, Canada remains the only OECD and G8 nation without a long-term federal transit plan. A recent issue paper by the Canadian Urban Transit Association (CUTA) highlighted that the Canadian government is doing far less, when it comes to national transit planning and policy development, compared to G8 countries, as well as New Zealand and South Korea. France, for example, has set key policies for sustainable development with transit playing a key role and Germany transfers stable, recurring and flexible transit funding to local authorities.[1]

To a large extent, a National Transportation Strategy, with a specific focus on public transit for the GTR, would formalize what the federal government is currently providing through one-off funding announcements, while underscoring to all Canadians that the federal government is a committed partner in the strengthening of Canada's public transit systems.

It is estimated that Canadian transit systems will face an annual deficit of $10.7 billion over the next four years for infrastructure expansion, replacement and renewal.[2] Based on a calculation that has the federal government contributing one-third of this amount, in addition to already committed $2

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[1] Canadian Urban Transit Association. *National Transit Policy Frameworks: What Will Canada Learn from Other Countries.* Issue Paper 40. May 2011.

[2] Canadian Urban Transit Association. *Transit Infrastructure Needs for the Period 2010-2014.* 2010.

billion from the GTF, an additional top-up fund totalling $1.6 billion should be created. This will bring the total federal government investment in urban transit to $3.6 billion (see table 1).

Table 1: Calculation of Public Transit Top-Up Funding Required (Incremental to Funding Already Available From GTF) for Canada

		In $ Bil.
Line 1	Canadian Public Transit Deficit over 5 year period: 2010-14	53.5
Line 2	Annual Canadian Public Transit Deficit *(Line 1 divided by 5)*	10.7
Line 3	Annual Federal Gov't Funding at 1/3 of Total Commitment *(Line 2 divided by 3)*	3.6

Essential to this strategy must be an accountability framework which establishes a clear way of flowing funds to municipalities. Monies available through this fund should first flow to provinces based on their respective population share and then to municipalities based on their ridership share (out of national total). This will ensure predictable and stable funding and allow municipalities to better plan and execute their transit priorities.

Finally, in our submission last year, we highlighted the need for the government to ensure a rapid and successful negotiation of a successor to the 5-year Canada-Ontario Immigration Agreement (COIA) in 2011-12. The COIA expired on March 31, 2011. We understand that the call of the federal general election halted negotiations between the two governments. The Board is concerned that this agreement has expired and that negotiations have not yet resumed. A successor agreement will be a key element of an urban strategy — we urge conclusion of this successor agreement by the end of 2011.

RECOMMENDATION 2: Leverage FedDev Ontario funds to focus on regional economic development in the GTR

Provide support for a strong regionally coordinated economic development body (including an investment promotion agency) for the GTR. This can be accomplished through the already existing Federal Economic Development Agency of Southern Ontario (FedDev Ontario). The government should dedicate total annual amount of approximately $3.33 million.

The 21st century is the world's first urban century, with almost all of the world's population growth occurring in major urban centres. In fact, these large urban city-centres have become the most important actors in the world marketplace as spheres of economic activity and hubs of capital. The competition for talent and investment in today's marketplace is no longer between Canada, the U.S., the E.U. and China, but rather between city-centres like Toronto, Boston, London, and Shanghai. As the government-appointed Competition Policy Review Panel noted, "large, dynamic urban centres have a national importance that transcends their significance to a region or a province, in the same way that national railways were recognized in the 1800s as having a national significance."[3]

Our current *VoteOntario2011* campaign highlights the tools that must be used and investments that should be made to achieve greater growth in jobs and infrastructure development in the Toronto region by the next provincial government. Our recommendations draw upon the findings of the Board's *Scorecard 2011* and is grounded in our member's concerns that the Toronto region has not been able to translate its excellent economic foundations into world-leading economic

[3] Competition Policy Review Panel. *Compete to Win: Final Report.* June 2008, pg. 73.

performance. The report found that while Toronto has excellent economic foundations, such as unmatched diversity, highest share of workforce in professional occupations, top market potential in North America, and overall competitive taxes, the Toronto region's economic performance is not producing world-leading results, particularly on critical indicators of future economic growth. The GTR's sluggish performance on GDP and productivity growth is a strong indication that our national economic development strategies need to be reconfigured.

The Board applauds the government for creating FedDev Ontario and for recognizing the importance of the Southern Ontario economy as an important driver of national economic performance. FedDev Ontario has helped jump start various depressed industries that were hard hit by the most recent economic downturn. Federal investments have assisted many local and large-scale businesses to get back on their feet — to continue to contribute to the national economy. Despite the success of the organization to date, and the emphasis placed on the Southern Ontario region, the GTR's economic performance continues to lag. It is more apparent than ever that a strong federal partner is needed. The Board believes it is now time to realign FedDev Ontario's focus towards the GTR. In partnership with municipal and provincial governments the federal government should support the establishment of a regionally coordinated economic development body which includes a regional investment promotion agency, dedicated specifically for the GTR — for a total annual investment of approximately $3.33 million[4]. FedDev Ontario can benefit from coordinating regional economic development activities. Regional economic development efforts are a way to ensure that the region — the relevant, single economic unit — operates as a cohesive and seamless business environment. Politicians see municipal boundaries, but businesses do not. In today's global economy, it is city-regions — more so than provinces or countries — that are competing for talent and investment on a global stage. Other jurisdictions, such as Seattle, Chicago and Stuttgart are pursuing regional coordination in a variety of ways and are often achieving stronger results than the Toronto region.

As the Board underscored in *VoteOntario2011*, an important component of a regionally coordinated economic development body is investment promotion. Currently, there is limited regional economic development in Toronto. The example of current investment promotion efforts in the Toronto region reflect how the current uncoordinated efforts are resulting in inefficient use of government resources and less economic growth than could otherwise be achieved. Research by the Boston Consulting Group (BCG) finds that between the GTR municipalities, we spend close to $25 million annually and employ 160 full-time employees across more than 20 organizations, including municipal economic development offices. These organizations have done good work to promote Toronto and to help bring investors here — but we need to do a better job of promoting the Toronto region through a more thoughtful and coordinated approach that sees us speaking to the world with one voice.

An example of a successful model can be found in Quebec. Montreal International (MI) coordinates all investment promotion activity for the region. Indeed, it is the one agency that all three levels of government (federal, provincial and municipal) invest in, and it is able to achieve significant dividends for the Montreal region on a total annual investment of $8.3 million.[5] Part of MI's success can be credited to its partnership with the federal government. A strong national partner provides strategic leadership and ongoing guidance; it helps ensure more efficient use of resources and value

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[4] Assuming the total investment in the amount of $10 million and the Federal Government covering one third of this amount.

[5] http://www.montrealinternational.com

for money; and it gives foreign investors more confidence. A similar model, if adopted by FedDev Ontario for the GTR, will yield equally beneficial and cost-effective results. The current FedDev Ontario model has the right composite factors to establish a GTR-focused economic development body. FedDev Ontario already has, to a certain extent, brand recognition and an established reputation among private sector partners and stakeholder organizations. Most importantly, the agency has a dedicated Minister which speaks to the political will to help drive economic growth in the Southern Ontario region.