Standing Committee on Finance (FINA)

Pre-budget consultations 2012

The Toronto Board of Trade

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

• Renew Building Canada Fund to Support Infrastructure Priorities of Urban Canada • Support Indexing of Gas Tax Fund to Keep Up with Rising Costs and New Growth • Create permanent funding streams for infrastructure by providing municipalities with enhanced fiscal capacity We praise the government for recent infrastructure investments - the Federal Gas Tax fund, Economic Action Plan, Building Canada Plan and making the Gas Tax Fund permanent – all of which have strengthened Canada's infrastructure and economy. We strongly support Budget 2012's commitment to develop a new long-term infrastructure plan and welcome the invitation to work alongside the government in its development. The Toronto Board of Trade is collaborating with its counterparts in the Hub-City Chambers of Commerce Caucus and FCM to develop more detailed recommendations on the future shape of federal investments in infrastructure. Undoubtedly, infrastructure challenges remain. According to CUTA, transit systems estimate they need to invest $38.9 billion on expansion between 2012 and 2016 to meet projected demand. Of this, only $27.7 billion is possible within existing funding programs, the remaining, 11.2 billion dependent on new commitments. For the Toronto Region funding of the Metrolinx "Big-Move" transportation plan will require a Federal contribution if it is to be realized. Therefore, core federal infrastructure supports, including the cost-shared Building Canada Fund should continue and be adjusted for inflation and population growth. Similarly, the gas tax fund, which although permanent and providing investments of $2 billion per year in municipal infrastructure like public transit, should be indexed, otherwise, it will lose 50% of its value during the next two decades. Infrastructure is an investment. A national, long-term infrastructure plan promotes sustainable economic recovery in Canada by creating quality jobs in multiple sectors including design, technology and construction. As a recent Conference Board of Canada study confirmed infrastructure investments have the largest impact on economic growth. Indeed, research suggests a $1 investment in public infrastructure lowers business costs by an average of 11 cents in Canada. In the Toronto Region, inadequate transport infrastructure costs up to $6 billion in lost productivity, a number projected to grow up to $15 billion by 2031. Additionally, the Federal Government should work with provincial and municipal partners in creating permanent funding streams for infrastructure by providing municipalities with enhanced fiscal capacity. Just 5 cents of each tax dollar paid by Canadians is collected by municipalities, with the other 95 cents collected by federal and provincial-territorial governments.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

• Coordinate Inward Investment Promotion Efforts Highlighting Our Regional Business Clusters • Finalize Free-Trade Agreements to Expand Markets for Our Innovative Products and Ideas • Address Urban Canada's Infrastructure Challenges by Fostering Strategic Infrastructure Development The government is to be commended for making considerable progress in addressing many of the key factors impacting our ability to create jobs and grow our economy, from competitive corporate tax rates to monetary and fiscal stability. However, the Board also believes we need to develop regionally coordinated economic strategies which include robust international investment and trade promotion efforts. Moreover, these must be coupled with productivity-enhancing investments in public infrastructure that generate more jobs and economic growth. Successful negotiations on trade and investment agreements including the European Union, India and intensifying focus on high-growth countries in the Asia-Pacific Region will directly benefit Canadian businesses and workers across Canada. Ontario's economy is quite trade-dependent. In times of economic change, it is imperative that we leverage our nation's ethno-cultural diversity and link ourselves to global trade networks.This enables us to access international markets for our innovative products and ideas. A comprehensive approach for advancing global competitiveness must include coordinated investment promotion efforts that highlight our regional business clusters. An example of functioning model can be found in Montreal region where Montreal International (MI) coordinates all investment promotion activity for the region reaching a total annual investment of $8.3 million. Part of MI's success can be credited to its partnership with the federal government. The Board would therefore welcome the opportunity to work with federal, provincial and municipal partners in developing such a successful model for the Toronto Region. Although business and private sector investment must form the core of economic growth and job creation, government investment, particularly in infrastructure, play an essential supportive role. For example, a 2011 Conference Board of Canada report documented how implementation of the Metrolinx's "Big Move" transportation investment strategy for the Toronto Region would produce direct and indirect benefits in the order of 430,000 construction jobs and would spur demand for new transit vehicles such as those currently manufactured at Bombardier's Thunder Bay plant, which employs approximately 1,200 workers.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

• Implement Programs to Attract Younger Workers and Enable Flexible Working Arrangements for Older Workers • Fund in Collaboration with Private Sector Partners, Internships and Workplace Training Programs for Young Workers Across all Sectors of the Economy • Effectively Integrate Internationally-trained Professionals and Sign the new Canada-Ontario Immigration Agreement The aging of Canada's workforce is taking place just as we shift to a more knowledge-based economy. A constant renewal of skills is necessary to keep up with changes in technology, information and foreign competition. Skilled labour shortages and the challenges filling them negatively impact Canada's economic potential. Unlike countries like India, the number of seniors aged 65 and over in Canada is projected to more than double from 1.8 million, or 13.9 per cent of population, in 2010 to 4.1 million, or 23.4 per cent, by 2036. As a result, the Conference Board of Canada projects Ontario to experience shortage of 364,000 workers in 2025. Despite labour shortages, the national youth unemployment rate is at 14.5 per cent - almost double the overall rate of 7.6 per cent. In order to cope with these trends, the government should implement programs to both attract and train younger workers in Canada. This includes funding of internships and workplace training programs for young people across all sectors of the economy in collaboration with private sector partners. Entrepreneurship skills training programs can be of value to youth seeking self-employment opportunities. A model example of such a program is the Launch Pad, an interdisciplinary entrepreneurship centre at the University of Miami that offers guidance in learning business basics, developing ideas, networking with industry experts and investors, and strategizing to take ventures to the next level. Private sector participation in the design and delivery of the programs is a key component. Furthermore, working with public and private sector employers the government should promote measures which enable flexible, part-time or consulting work arrangements for older workers. Given Canada's demographic and workforce challenges, our future economic growth is highly dependent on immigration. As such, our economic prosperity will be lost without the ability to continue attracting – and effectively integrating – talent from around the world. Indeed, our immigrant communities help to drive our international trade and investment linkages, as individuals seek to create commercial ties and other connections with their countries of origin. The Board appreciates efforts of provincial and federal governments in reducing the backlog under the Federal Skilled Workers Program through the FSW Backlog Reduction Pilot (FSW Pilot) Program. However, for internationally-trained professionals, subsequent employment barriers are often related to the difficulties associated with foreign credentials recognition, costing the Toronto region's economy $1.5-$2.25 billion each year. Better coordination of service provisions will support rapid transition and integration of foreign-trained professionals in the economy.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

• Advance Toronto Region Cluster Strategies • Develop Programs/Tax Incentives that Encourage Human Capital Investments • Strengthen Canada's Urban Transit Systems Productivity challenge is not new. Many reports by prominent organizations have been presenting this issue as a key impediment to innovation and the prosperity of our country. In our opinion, the key to uncovering solutions to this macroeconomic issue lies in building strong national economies based on regional strengths. The Board has been a long-time advocate of this approach as demonstrated by our leadership on key strategic initiatives including 2012 Scorecard on Prosperity report and the 2012 Toronto Region Economic Summit. Both of these initiatives laid the foundation of understanding that cluster-based strategies are an important element in securing prosperity of the Toronto Region. As the work of the Harvard Business School (Dr. Porter) illustrates, the geographic clustering of firms in related industries is important as it increases productivity and innovation. Clustered industries typically sell to markets beyond their local region. This latter point is critical since national and international research clearly demonstrates the higher productivity levels of exporting firms. Following Dr. Porter's research on clusters and the exemplary work by the Toronto Financial Services Alliance to develop a comprehensive cluster strategy for Toronto's financial services cluster, the Board contends that robust business-led cluster strategies are the best way of fostering innovation, improving productivity and international competitiveness of our region. We therefore also invite the Federal Government to work in partnership with the Board in carrying forward an important initiative we are now undertaking to grow and strengthen key clusters: food and beverage, creative industries, advanced manufacturing, life-sciences and transportation and logistics. Other critical elements in driving productivity gains are human capital and physical investments. While Canada is a strong performer in primary and secondary academic performance and levels of post-secondary educational attainment, we fall below international comparators in management and workplace learning. Less than 30 percent of adult workers in Canada participate in job-related education and training compared to 45 percent in the U.S. Here we believe there's a role for the federal government in collaboration with provincial and academic officials to develop tax incentives that are geared towards upgrading skills of our workforce. Public infrastructure investments also contribute to improved productivity and therefore need to be a budget priority. Transportation bottlenecks in the Region are having negative ripple effects in other regions of Canada. This is due to increased delays and disruptions of major national supply chains in such critical industries as food processing, advanced manufacturing and transportation and logistics.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

• Address Commercialization & Innovation Challenges by Reconsidering Business Tax Credit and Sector Support Programs • Facilitate Greater Access to Capital and Ensure Effective Use of Allocated Venture Capital Resources Currently, Canada is not realizing its full potential in creating high-skill/high-wage jobs and globally dominant enterprises. Part of the reason for this is that while Canada has a strong base of leading-edge research, it has not been particularly successful in its commercialization efforts. As emphasized in the recent Jenkins report Innovation Canada: A Call to Action, Canadian companies are investing less in R&D than they did in decades past and falling further behind their foreign rivals in spite of one of the most generous tax and incentive regimes in the world. The Board is thus encouraged to see that the 2012 federal Budget sought to address this challenge by reconsidering business tax credit and sector support programs from the standpoint of their return on investment and the extent to which they contribute to economic and productivity growth. The approach of earmarking more R&D funding directly to firms and educational institutions is indeed one which has proven successful in other jurisdictions. Another major challengefor business, especially start-ups and those wishing to expand, is the limited ability of venture capital-backed companies to raise money. According to the Canadian Venture Capital Association, the benefits from the development of a vibrant venture capital (VC) industry would extend to the broader economy through the dissemination and commercialization of innovation and growth across a wide range of sectors, ultimately helping to elevate Canada's position globally. VC-backed companies are highly R&D-intensive, innovation-rich and export-oriented with more than two-thirds of these companies performing R&D, which has a substantial impact on innovation, productivity and incomes. The Board is therefore encouraged to see that the 2012 Budget allocated $500 million to address acute shortage of VC in Canada by confirming its previous commitment of $100 million to the BDC and $400 million for private sector VC activity. However, the Board would like to reaffirm the urgent need for this money to flow through and ensure that this amount is not reduced as part of its efforts to achieve a balanced budget by 2014/2015.