



TORONTO
REGION
BOARD OF TRADE



2015 Federal Pre-Budget Submission

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ABOUT THE BOARD

Founded in 1845, the Toronto Region Board of Trade (the Board) is the chamber of commerce for Canada's largest urban centre, connecting more than 12,000 members and 250,000 business professionals throughout the Toronto region. The Board plays a vital role in elevating the quality of life and global competitiveness of Canada's largest urban centre. To this end, the Board provides evidence-based advice each year to the Federal Government (the Government) through its budgetary process. This document is intended to serve this purpose.

The Board appreciates the opportunity to provide advice to the House of Commons Standing Committee on Finance on the direction of the 2015 Federal Budget. As well, the Board would welcome the opportunity to provide a presentation to the Committee on its recommendations this fall.

EXECUTIVE SUMMARY

The Toronto region continues to be one of the world's most prosperous city-regions. The region, which annually generates nearly 20 per cent of Canada's GDP, is expected to attract 120,000 new residents and skilled workers for years to come.¹ Yet, despite its well-earned reputation, the region cannot afford to take its prosperity for granted. Competition between city-regions has never been more intense. It is for this reason that all levels of government should make continuous improvements to the economic competitiveness and attractiveness of the Toronto region.

This submission advances four recommendations for the Government's consideration. The Board's recommendations relate to four of the Government's priority themes, and are based on consultations with its membership and key stakeholders from the Toronto region. The Board believes its recommendations strike a balance between maintaining the global competitiveness of the Toronto region, while enhancing the quality-of-life of all Canadians. Taken collectively as a package, these recommendations can assist in creating the conditions required to help Canada's largest urban centre compete with the world's best-in-class city-regions.

Recommendation #1: To increase Canadian businesses competitiveness, the Government must drive productivity growth through trade.

Recommendation #2: The Government is encouraged to enhance its labour market information to maximize job creation and incomes for Canadians.

Recommendation #3: To maximize the economic impact of the new Building Canada Plan, the Government is strongly encouraged to apportion available funding towards improving transportation infrastructure in the Toronto region.

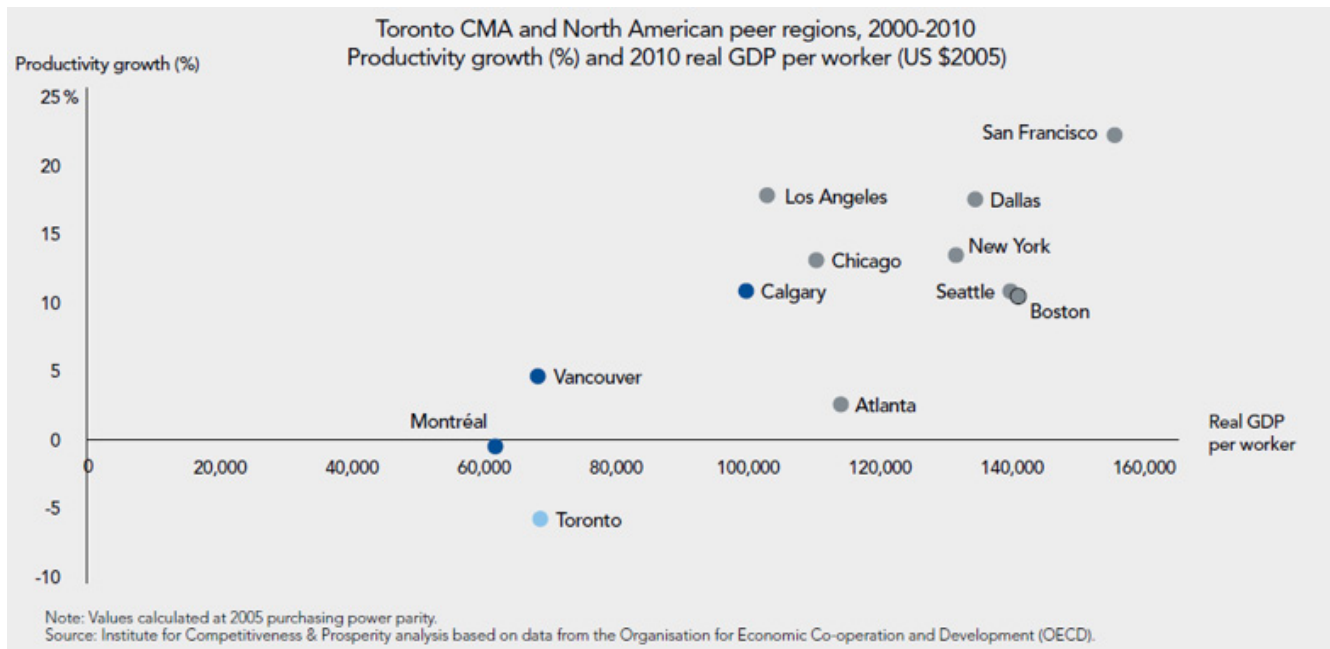
Recommendation #4: The Government is encouraged to maintain its fiscal discipline, and to reduce its GDP to debt ratio to pre-recession levels as quickly as possible.

GOVERNMENT THEMES & RECOMMENDATIONS

Theme #1: Increasing the competitiveness of Canadian businesses

Recommendation #1: To increase Canadian businesses competitiveness, the Federal Government must drive productivity growth through trade.

As underscored by the Board's 2014 report *Toward a Regional Economic Strategy*, negative productivity growth is holding back our regional economy and keeping it from fulfilling its enormous potential. As illustrated by the following graph, productivity within the Toronto region diminished by 6 per cent between 2000 and 2010.² Surprisingly, this was the weakest performance among our region's 12 North American peer urban centres.³ This should be of great concern to the Government because weaker productivity suppresses wages, employment growth and general prosperity.⁴



The Board believes that tackling this challenge requires a greater emphasis on trade. It is widely recognized that low productivity is caused, in part, by a lack of growth in traded business clusters.⁵ Put simply, trade motivates companies to innovate and grow in order to remain competitive. As such, the Board sees significant opportunity for increasing productivity growth through reducing trade barriers and by globally promoting Canada's traded business clusters.⁶ In this regard, the Board is delighted by the Canada-EU Comprehensive Economic & Trade Agreement (CETA), which will tear down trade barriers and encourage regulatory coordination. The enormous economic benefit of such agreements is clear. For instance, once implemented, CETA stands to boost Canada's economic activity by \$12 billion per annum.⁷ Moreover, the Board's 2014 *Scorecard on Prosperity* emphasizes that boosting productivity by a mere 10 per cent over a 15-year period would substantially increase Canadians' wages and new employment opportunities.⁸ For these reasons, the Board believes it's imperative that the Government conclude similar deals, such as the Trans-Pacific Partnership, which would provide Canadian businesses with access to a market of nearly 792 million people.⁹ Yet, the Government must think locally as well. Shockingly, interprovincial trade barriers presently cost the Canadian economy an estimated \$50 billion annually. This must change, and should be a focus of the Government throughout 2015.¹⁰

Finally, the Board also encourages the Government to return to China next year to promote traded businesses from the Toronto region. Canadian businesses, both large and small, must do a better job at diversifying their exposure to markets outside of the United States. They must look toward emerging markets in Asia and South America for commercial opportunities and investment. Improving the coordination and frequency of trade missions was a pillar recommendation from the Board's 2014 *Toward a Toronto Region Economic Strategy*.

Theme #2: Maximizing the number & types of jobs for Canadians

Recommendation #2: Canada's economic prosperity and high-quality of life is also contingent on fostering a world-leading labour force. One way of achieving this is through access to superior labour market information, which allows employees and employers to make smarter decisions, notes the Canadian Council on Chief Executives (CCCE).¹¹

Like the CCCE, the Board has been a steadfast advocate for human capital development. For instance, the Board's 2013 *Scorecard on Prosperity* closely examined the state of human capital across major Canadian metropolitan centres. The Board's research suggests that a labour shortage potentially looms over Canada's largest cities as baby boomers retire.¹² This coming year, the Board will turn its focus on fostering a regional discussion around closing the region's prosperity gap – by this we mean improving the distribution of labour market opportunities for the region's youth and newcomers. One common denominator in this equation will be improving labour market information for these demographics.

Yet, the need for better labour market information, which aligns with all government levels, is national.

The Board is encouraging the Government to enhance its labour market information to maximize job creation and incomes for Canadians. This is critical because properly matching skills to work increases wages and productivity.¹³ Additionally, the Government would see a significant return on its minimal investment through additional tax revenue from higher wages.

Continuing on the theme of human capital development, the Board wishes to take this opportunity to commend the Government on the Canada Job Grant, which is expected to help 130,000 Canadians each year access training for an available job.¹⁴ The greatest benefit of the new program is having a guaranteed job attached to the state sponsored training. The Board is pleased the Government and the Province of Ontario signed an agreement in March 2014 to deliver the program, starting this year, through the Employment Ontario Network.¹⁵

Theme #3: Ensuring prosperous communities through robust infrastructure

Recommendation #3: The Board is delighted the Government renewed the Building Canada Plan (BCP) for another decade, and acknowledges this decision continues the Government's track record of providing unprecedented levels of funding to Canadian municipalities. For the Province of Ontario, this represents nearly \$11 billion in funding for infrastructure.¹⁶ Ontario municipalities also have the opportunity to access up to \$15.6 billion for their capital projects.¹⁷ This is good news considering the significant challenges Ontario municipalities face in tackling traffic gridlock.

The Board strongly encourages the Government to apportion the funding it has made available through the BCP with a preference towards improving transportation infrastructure in the Toronto region. This would ensure the program's economic impact is maximized, and would leverage the program to tackle our region's traffic congestion.

Traffic gridlock is taking an enormous toll on our economy and commuters' quality of life. Toronto region drivers currently spend the equivalent of 40 days a year behind the wheel.¹⁸ While reduced congestion would directly benefit the region's 670,000 daily commuters (drivers and transit users), the greatest benefit would be to our region's economy.¹⁹ Studies by the Board and the C.D. Howe Institute illustrate how inadequate transportation infrastructure is costing our region up to \$11 billion a year in lost economic activity. Moreover, the Conference Board of Canada has specified that every dollar invested in transportation infrastructure increases real GDP by \$1.19.

Theme #4: Balancing the federal budget to ensure fiscal sustainability and economic growth

Recommendation #4: The Board's Members overwhelmingly agree that government deficits harm our economic attractiveness and global competitiveness. As such, we applaud the Government for the work it has done to reduce the federal deficit. After several years of admirable and disciplined restraint, the Government is on track to having a balanced budget by 2015. According to the 2014 Budget, the Government anticipates a surplus of \$6.4 billion next year. Returning to surplus will allow the Government to redirect revenues towards programs that encourage economic growth and jobs, such as civic infrastructure. In the coming weeks, the Board will be surveying its 12,000 Members to understand their views on how the Government should invest its new surplus to enhance Canada's global competitiveness. These results will be shared with the Standing Committee on Finance in the fall. Broadly speaking though, **the Government is encouraged to maintain its fiscal discipline, and to reduce its GDP to debt ratio to pre-recession levels as quickly as possible.**

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