



TORONTO
REGION
BOARD OF TRADE



**THINK TWICE
VOTE ONCE**

Decision 2014



DISCUSSION PAPER

Think Twice, Vote Once – Decision 2014

MESSAGE FROM THE PRESIDENT & CEO

The year ahead will be a critical one for the City of Toronto, the municipalities and regions of Halton, York, Peel and Durham and all of Ontario. A provincial election is likely; municipal elections are a certainty. As a result, 2014 may well mark a turning point in the history of this province and the prosperity of its citizens. The purpose of this discussion paper is to lay out the issues upon which the Toronto Region Board of Trade (the Board) believes our prosperity will hinge, and to spark discussion on the solutions that will ensure it.

With the successful *VoteToronto 2010* and *VoteOntario 2011* campaigns, the Board demonstrated how it can play an important role in shaping public debate in advance of both municipal and provincial election campaigns. This discussion paper is unique: it looks at both the municipal and provincial campaigns through a single, regional lens. The logic behind our approach is simple: at this moment in Ontario's history, municipal and provincial issues have converged in a way they rarely have before.

It's commonly agreed that gridlock is a regional issue whose solutions will require a new level of cooperation and coordination among all of the region's municipalities as well as Queen's Park. Similarly, our municipalities' need for increased fiscal capacity, a common refrain from city halls in Toronto, Mississauga, and elsewhere, will be impossible to resolve without political will at the provincial level. And the growing gap between our most and least affluent neighbourhoods will be impossible to close without all levels of government working together.

More than ever, we need to find ways to develop a common plan for this region. Whether provincially or municipally, this region needs leaders who are committed to the same key objectives:

- Building regional transportation now
- Increasing fiscal capacity to upgrade civic infrastructure
- Promoting job creation across the region
- Closing the prosperity gap

The Board will be urging municipal candidates of all stripes to articulate their positions on each of these four crucial matters. We will demand the same of provincial parties and candidates. The Board will also be putting forward its own recommendations to each of these challenges in the months ahead. The Board will rally the region's business, academic, government and community leaders towards realizing a vision, strategy and action-plan for implementation.

As always, candidates and parties are welcome to borrow from our research or present solutions of their own. But there can be no excuse, in this election year, for any candidate or party to ignore, prevaricate, or pass the buck on these pressing challenges. The people of this region deserve better, and the Board is urging them to focus on the issues – and to think twice before casting their vote.

Finally, I would like to extend warm thanks to our Board of Directors, policy pillar committees and Advisory Council for their thoughtful contributions to this paper. As well, I would like to extend gratitude to Agency 59 for its excellent advice and counsel on key communication elements of our campaign.

A handwritten signature in black ink that reads "Carol Wilding". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Carol Wilding, FCPA, FCA
President & CEO

EXECUTIVE SUMMARY

The purpose of this discussion paper is to provide a Toronto region business perspective on the core ballot box themes for municipal and provincial election year 2014. It begins with a brief overview of the latest thinking on city-regions. It then moves on to outline four key challenges facing the region, and which require a coordinated and cooperative effort from all the region's municipalities as well as the provincial government. It will make the case for new kinds of partnerships to address the many policy challenges whose impacts spill across municipal boundaries.

Big Region, Big Challenges, Big Choices

The year ahead will be a critical one for the Toronto region.¹ Fortunately, the region begins 2014 in an enviable position: we remain a solid performer and emerging economic powerhouse, a fact confirmed year-over-year by the Toronto Region Board of Trade's *Scorecard on Prosperity* and well-respected international rankings like The Economist's *Most Liveable Cities in the World*.

The region has successful high-value industry clusters such as financial services, food and beverage, human health sciences, film and television, and digital media. Also encouraging, despite fierce global competition, is the continuing presence of manufacturing industries, which account for 15 per cent of the region's gross domestic product (GDP).² That's a proportion higher than any major metropolitan area in North America. As an investment advisor might say, we've got a balanced portfolio. This enables us to better weather the ups and downs of the economy. Now several years out from the recession, key global export markets are showing signs of renewed vitality, particularly in the US. We thus have an excellent opportunity to not only grow our economy but improve our fiscal position by reducing the need for deficit spending.

But business success also depends on good supports. It must be combined with strong human capital assets backed by world class colleges and research universities. Here again the Toronto region shines. As highlighted in the Board's 2013 *Scorecard on Prosperity*, Toronto ranked fourth in North America on human capital indicators, ahead of such centres as Vancouver, New York, and Chicago. At the same time, the region's acceptance of diversity and unique leisure and entertainment amenities make us attractive to talent and investment from across Canada and the globe.

¹ By Toronto region, we refer to the City of Toronto, Halton, Peel, York and Durham regions.

² "Business Toronto." Invest Toronto, N.D. <http://www.investtoronto.ca/Business-Toronto/Business-Environment/Economic-Overview.aspx>

These are reasons to be proud, but is being a “solid performer” good enough? Or can we aim for the big prize of achieving “best-in-class” or “superstar” status where we combine a vibrant quality of life with robust and sustainable economic growth? The truth remains that, as a region, we are not greater than the sum of our parts. Indeed, merely maintaining our current standing may prove to be a challenge, given the obstacles we face.

On most measures of economic strength such as GDP growth, unemployment, rates of innovation, and productivity we lag well behind best-in-class performers like the Boston and Seattle regions. Moreover, as highlighted in the recent *Vital Signs* report from the Toronto Community Foundation, the gaps between the most and least prosperous parts of the region grow ever larger – a trend with negative and far reaching consequences. Overlaying the growing economic divide is a worrying cultural and social battle that pits different parts of the region against each other, a game that benefits nobody.

For the Board the choice of where we want to position the Toronto region is clear; we can and must aspire to greatness. Whether it’s in the world of business or government, history warns us not to be complacent. We have to shape the future, not let it shape us.

The Future is a “City-Region Lifestyle”

Whether it’s in how we do business or juggle the demands of our day-to-day lives, municipal borders are largely irrelevant; something that’s true not just in Toronto, but in other regions like London, New York, and Vancouver.

A growing proportion of us increasingly lead “city-regional” lives where we routinely and often without knowing cross municipal boundaries in our daily trek to work.³ In the Toronto region the number of commuters entering the City of Toronto on any given day is 300,000; roughly equal to those exiting to the regions and municipalities of Halton, Peel, York and Durham.

However, the “city-regional” lifestyle isn’t just about work. It’s in how we travel to study, entertain and shop. For our colleges and universities, a big part of their student population comes from the Toronto region itself. Students move across the region, in directions north to south and east to west. Our major-league sports teams draw upon a fan base from across the region as well. And for many Toronto residents, a weekend shopping trip to Halton or Durham is part of the weekly routine. In short, you can have a strong sense of region, neighbourhood and city. One does not cancel out the other.

³ Alan Harding, *A Globalization, Spatial Economic Change And Urban Policy*. (IPEG, N.D.)
http://cuimpb.cat/politiquesurbanes/docs/06_Globalization_spatial_economic_change_and_urban_policy.pdf

More than half the region's total population lives in major centres like Markham, Vaughan and Mississauga and their surrounding area, yet there's little media coverage or political awareness regarding the major planning, economic and fiscal challenges facing these municipalities. It's a stark contrast with the round-the-clock attention devoted to goings-on at Toronto's City Council.

The Board believes that what happens across the Toronto region is important to the public, our members, and thousands of workers they employ in businesses big and small. Taking a regional approach is central to addressing our common challenges. Indeed, high performing global city-regions see local academic, government, business and labour stakeholders collaborating effectively across municipal boundaries.

It is important to stress though that this is not about imposing a "one-size fits all" solution to the region's challenges. Our region's diversity of people, neighbourhoods, geography, community groups, and municipal governments are some of its greatest assets. In the end, it's about finding the right balance between the local and the regional, challenging to be sure, but we believe doable.

A Time for Leadership

The elections of 2014 will feature tremendously compelling storylines. Provincially, a minority government may soon trigger an election or fall in a confidence vote, setting the stage for one of the most highly anticipated campaigns in memory. In Toronto, a controversial mayor, his powers recently stripped from him by his council, is seeking re-election in a race that will likely feature some high-profile opponents. In Mississauga, Hazel McCallion intends not to seek re-election after 35 years as mayor; all eyes will be on the candidates to become her successor, that city's first new mayor in a generation.

Storylines such as these are important to the political process, in that they draw voters in and give them a stake in the outcome. Yet, it would be unfortunate if we remained overly focused on dramatics and personalities at the expense of the pressing issues facing the region. The governments of this region require strong leadership: candidates who can both articulate a vision and present a credible platform to turn vision into reality.

We must expect high standards of performance not only for our region's economy and transportation infrastructure but our leadership as well. An integral part of leadership is not falling into the traps of ideology and political expediency. Our challenges are simply too complex for this. Indeed, they necessitate an openness to new approaches and ideas and an ability to reach across political lines to find common ground.

The Board has identified four key ballot box themes which should form the backbone of any municipal or provincial candidate's platform. They are not the only issues in this election, but they are the most crucial to the region's future prosperity. And while different levels of government are obviously able to apply different levers of power to resolve them, these challenges cross municipal and provincial boundaries; meaning that cooperation will be essential to success. However, it's now more than a decade since the region's mayors and chairs last convened a formal or regular caucus to discuss the region's common challenges. A situation that is no longer tenable given the challenges we face.

Theme 1: Building Regional Transportation Now

For more than a decade, the Board has championed the development and construction of a robust and truly regional transportation system. As we've detailed in our *Scorecard on Prosperity* series, overstretched transportation networks are the most serious barrier to economic growth in the Toronto region, costing our regional economy \$6 billion per year. More recent research by Benjamin Dachis at the CD Howe Institute pegs this figure at up to \$11 billion; to say nothing of the negative social and environmental impacts of congestion. Study after study, report after report, by organizations such as PricewaterhouseCoopers (PwC) and the Organization for Economic Co-operation and Development (OECD) have consistently conveyed this same message.

As recently as last spring, there appeared to be a firm consensus taking shape on the regional transportation agenda. Unfortunately, the Scarborough subway and light rail transit (LRT) debate demonstrated that the regional consensus on *The Big Move* and the authority of Metrolinx is weakening.

It's no exaggeration to say that the collective failure of political leadership on a file as important as transportation has been breathtaking; especially when we compare ourselves to jurisdictions such as London, Paris, Madrid and Los Angeles, all of which have embarked on successful, major expansions of transportation systems in the last 10 years.

As a starting point we must take partisan politics out of the transit debate and move toward what we know are best practices for building and operating regional transportation systems. Political oversight of major infrastructure investments must be balanced with the necessity of having long-term planning and funding certainty. Simply put, the Scarborough transit development process cannot serve as the template for future transit projects.

The Toronto region needs leaders who:

- *Understand the need for a strong regional transportation planning and service delivery mechanism, and are willing to collaborate on its creation*
- *Are prepared to work closely with other political leaders to ensure the success of a regional transportation plan*
- *Are willing to spend political capital to help forge and maintain robust public support for regional transportation*
- *Are ready to back a specific, region-wide fiscal plan to raise the minimum \$2 billion per year required to fully realize that plan, through a combination of financing strategies, operational efficiencies and new revenue tools*

Theme 2: Building the Toronto Region's Fiscal Capacity to Renew Civic Infrastructure

The most crucial of lessons learned from the regional transportation debate is this: as discussion drags on without taking action, the problems only get worse and the solutions only get more expensive. Today, if we look beyond the regional transportation file to other critical civic infrastructure files, the same downward-spiral dynamic is already underway.

In Toronto, the state of good repair bill for public housing is slated to reach **\$1 billion** before the end of the next municipal term. York region estimates it needs **\$11.1 billion** just for infrastructure to serve the 500,000 new residents it expects by 2031. Halton region has threatened to stop all further development, and openly thwart provincial growth targets, unless it gets help with its **\$8.6 billion** in new infrastructure needs. Against this backdrop, unforeseen events can further strain finances: damage caused by recent rain and ice storms cost the City of Toronto approximately **\$140 million**, far exceeding the **\$30 million** in its extreme weather response fund.

Simply put, the lack of fiscal capacity to deal with these unavoidable costs is the next challenge which threatens to cripple our economic and social development. Moreover, the region cannot wait to resolve the regional transportation issue first before moving on to other infrastructure files. All governments in the region will have to find a way to address both concurrently.

The Toronto region needs leaders who:

- *Understand the need for a fair and equitable framework for fiscal sustainability across the region*
- *Are ready to work across provincial and municipal lines to devise a new fiscal framework*
- *Are committed to ensuring efficient, cost-effective provision of services*
- *Are prepared to move forward with new and innovative means of financing major capital and infrastructure projects*

Theme 3: Thinking Job Creation and Prosperity for All

The ultimate purpose of all these infrastructure investments is simple; to enable our region to meet its projected increases in population. Yet, in order to succeed, the region's economy must continue to grow in lock-step with the population.

The Toronto region features an enviable mix of robust, high-performing industry clusters which anchor its economy. Yet on many indicators, from GDP, to productivity growth and unemployment levels, our region remains a middling performer at best among major North American city-regions. These are not mere statistical comparisons; the Toronto region competes internationally with other major urban centres for investment and talent. This data points to Toronto as a city-region that can do better. A coordinated, cooperative, region-wide approach to economic development will help our economic performance reach its potential.

The Toronto region needs leaders who:

- *Plan to actively drive economic growth by pursuing key opportunities for job creation*
- *Know the strengths each part of the region brings to the table, and are ready to work with their counterparts, as well as with business and labour leaders and universities, to develop those strengths*
- *Are prepared to cooperate and coordinate investment promotion and activity, rather than needlessly competing against one another*
- *Embrace an integrated regional strategy that sets out clear benchmarks for economic performance, including the growth and competitiveness of our leading business clusters*

Theme 4: Closing the Prosperity Gap for a Liveable City-Region

For the Toronto region, liveability is without question a strong suit. As the Board's *Scorecard on Prosperity* has highlighted year-over-year since 2009, the region is a perennial top 5 performer on labour attractiveness indicators such as diversity, on crime rates, environmental quality and human capital development. Similarly, respected rankings such as The Economist's *Most Liveable Cities* and PwC's *Cities of Opportunity* also give excellent marks for our high quality of life.

Though we can be proud of our quality of life, the region nonetheless has a number of well documented shortcomings. High rates of youth unemployment contribute to a range of social problems and have negative psychological effects for those out of work for long periods of time. They also can have detrimental economic effects: the increasing migration of our best and brightest to other jurisdictions. Similarly, the growing economic gaps between the region's most affluent and its poorest neighbourhoods can produce rising social tensions. Despite the region's unquestionable openness to diversity, women and visible minorities remain under-represented in senior management positions. And our high proportion of residents still commuting by car means this region isn't as environmentally sustainable as it can be.

The Toronto region needs leaders who:

- *Acknowledge that the prosperity gap is a regional problem requiring collaborative solutions*
- *Are committed to diversity, human capital development, and environmental sustainability*
- *Are committed to tackling the growing disparity between our most and least affluent neighbourhoods*

This discussion paper marks the launch of an ambitious agenda for the Board. In the months ahead, we will be publishing a number of research papers, including our annual *Scorecard on Prosperity*, plus additional reports focusing on each of the Board's four ballot box themes.

Throughout the ups and downs of this year's election campaigns, it is the Board's intention to continue to make the same constructive contribution it has always made: to keep the discussion focused on issues, challenges, policies and solutions. Through our work we aim to elevate the discussion among candidates throughout this election year, and give voters the kind of information that will encourage them to think twice about their vote.

PURPOSE

The purpose of this paper is to provide a Toronto region business perspective on the core ballot box themes for the municipal and provincial elections in 2014. The Board seeks to spark a serious dialogue about these concerns through stakeholder consultations, special events and social media interactions. A rollout of these initiatives begins in January 2014.

This paper will also provide a brief overview of the latest thinking on city-regions. It will make the case for new kinds of partnerships to address the many policy challenges that spills across municipal boundaries.

THINKING REGIONAL: LIVING IN A REGIONAL WORLD

City-Region Toronto Style

To start, it's worth looking at the big picture and talking about the city-region concept. The Board believes it is a crucial vantage point from which to consider the public policy challenges facing municipalities across the Toronto region.

Economists and planners have over many years developed complex criteria to define a city-region. Yet, in basic terms, think of it as a large and complex network of communities linked by a common environment, society and economy.⁴ It's where *most* of us live and where we conduct *most* of our business, work, studying and shopping.⁵

The growth of large metropolitan city-regions is both an international and Canadian trend. More than half the world's population lives in urban areas and by 2025 this number is forecasted to reach 70 per cent of the world's population.⁶ In Canada's case, already 81 per cent of us live in urban areas as opposed to only 62 per cent in the 1950's.⁷

The Toronto region illustrates how city-regions are evolving nationally and globally. Where it once was a region with a large urban core encircled by smaller communities, it now has an assembly of vibrant urban centres such as Markham, Vaughan, Brampton and Mississauga. The population of these cities and their surrounding areas now exceeds 3 million; more than half the region's population. According to provincial projections, over the next 20 years, the entire region is expected to grow from approximately 6 million inhabitants to over 8 million; the equivalent of adding a Calgary every decade.⁸

⁴ "City Regions' Definition & Criteria." City Regions Task & Finish Group, 2013. <http://wales.gov.uk/docs/det/policy/120301cityregionsen.pdf>

⁵ Ibid. <http://wales.gov.uk/docs/det/policy/120301cityregionsen.pdf>

⁶ "World Cities." Global Sherpa, N.D. <http://www.globalsherpa.org/cities-world-city>

⁷ "Population, Urban and Rural, by Province and Territory." Statistics Canada. N.D. <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/demo62a-eng.htm>

⁸ "GTA Population, Employment and Household Projections to 2041." The GTA Data Junkie. N.D. <https://metropolisiq.com/blog/entry/updated-gta-population-employment-and-household-projections-to-2041>

The positive effects of this growth are seen everywhere. It's in the bustling street-life and restaurant scene of central Toronto and in the bold and creative ways regions like Halton, York, Peel and Durham are creating new public spaces and cultural assets. Just look at Mississauga, where the Absolute World Towers, otherwise known as the Marilyn Monroe Towers, were awarded the best in global high-rise architecture, beating out more than 300 entries.⁹

In 2011, Brampton launched its ambitious *Creative Economy Strategy*, targeting development of its heritage, arts, cultural and entertainment industries. Since then, the city, in partnership with local artists, businesses and community groups, has opened museums, art galleries and attracts a half million visitors to many events and festivals held in its downtown.¹⁰

Although regions like London and New York are in many ways defined by their great ethnic and cultural diversity, few if any can match the Toronto region on that score. As the Board highlighted in its 2013 *Scorecard on Prosperity*, almost half of its residents are foreign born and its communities are absorbing new arrivals at a remarkable rate. A case in point is Markham, which is now Canada's most diverse community with the highest proportion of visible minorities, according to Statistics Canada's *National Household Survey*.¹¹

City-Region Economies Rule

It's been said that city-regions are "the real economic engines of our time. Bringing together talented, ambitious people and the assets they need to succeed, they propel the innovation and enterprise that spur long-term prosperity."¹² Understandably, much of the Board's interest in city-regions is simply due to the fact that it is where businesses locate and run their operations. It is where they access supply chains, professional services providers and the educational institutions that train their workforce and generate the innovations which help bring new products to market. You need only consider the spread of our region's leading industry clusters, like Food and Beverage, as illustrated in *Figure 1* to observe how evident this is.

⁹ Steven Mertl. "Marilyn Monroe Condos Garner Best Skyscraper Award." September 18, 2013.

<http://ca.news.yahoo.com/blogs/dailybrew/mississauga-ont-marilyn-monroe-condos-garner-best-skyscraper-203800711.html>

¹⁰ "Developing Brampton's Creative Cluster" City of Brampton. N.D.

<http://www.brampton.ca/EN/Business/edo/Documents/HACE/Developing%20Brampton's%20Creative%20Cluster.pdf>

¹¹ Debra Black. "Markham is Canada's Most Diverse Community." Toronto Star: May 9, 2013.

http://www.thestar.com/news/gta/2013/05/09/markham_is_canadas_most_diverse_community_according_to_statistics_canada.html

¹² Richard Florida. "The 25 Most Economically Powerful Cities in the World." The Atlantic: September 15,

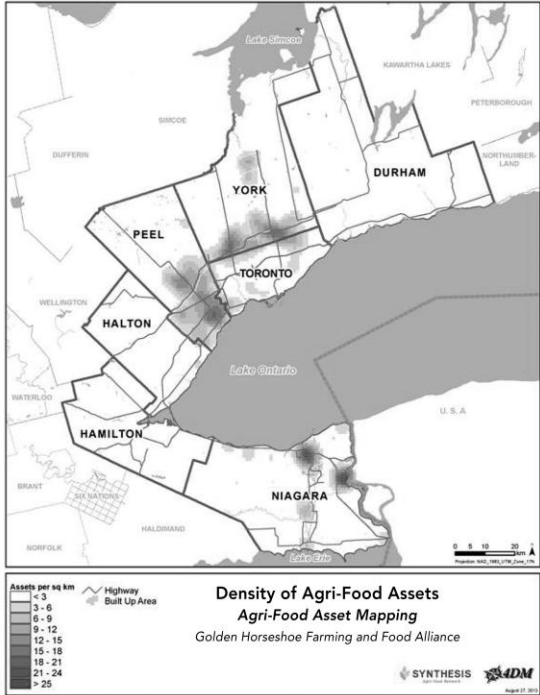
2011. <http://www.theatlanticcities.com/jobs-and-economy/2011/09/25-most-economically-powerful-cities-world/109/>

We must emphasize too, the critical factors that influence business location decisions. These include the competitiveness of industry clusters, talent, financial capital and critical infrastructure. In his book, *The Evolution of Great World Cities*, author Christopher Kennedy from the University of Toronto sees these various elements as part of a complex ecosystem that when allowed to deteriorate significantly, as was the case with Detroit, can lead to the demise of a once great economy and city.¹³

The city-regions that get it right in economic terms are the new locomotives of economic growth. Across the globe, city-regions with populations of over one million people produce more than half of the world’s economic output and nine out of every ten innovations.¹⁴

American cities account for almost 90 per cent of total United States economic output and 85 per cent of United States employment.¹⁵ As Harvard’s Michael Porter recently told the Clinton Global Initiative, “there is no one U.S. economy but a collection of local economies.”¹⁶

Figure 1: Density of Food and Beverage Assets



¹³ Christopher Kennedy. *The Evolution of Great World Cities: Urban Wealth and Economic Growth*. University of Toronto Press: 2011

¹⁴ Richard Florida. “The 25 Most Economically Powerful Cities in the World.” *The Atlantic*: September 15, 2011. <http://www.theatlanticcities.com/jobs-and-economy/2011/09/25-most-economically-powerful-cities-world/109/>

¹⁵ Ibid. <http://www.theatlanticcities.com/jobs-and-economy/2011/09/25-most-economically-powerful-cities-world/109/>

¹⁶ Ibid. <http://www.theatlanticcities.com/jobs-and-economy/2011/09/25-most-economically-powerful-cities-world/109/>

Canada is no exception to this trend. Our leading urban regions generate \$17.5 billion in personal income, \$910 billion in GDP, and contributed to over 74 per cent of new job creation in 2010.¹⁷ Accounting for almost half of Ontario's and 20 per cent of Canada's GDP respectively, the Toronto region's weight in national terms is comparable to that of other leading world cities.¹⁸ By way of comparison, Greater London accounts for about 20 per cent of total of United Kingdom GDP¹⁹ while the metro New York produces almost 9 per cent percent of American GDP.²⁰

Not surprisingly, economic competition is now as much city-region vs. city-region as country vs. country. Global city-regions not only compete to attract companies and inward investment, but in a global economy where innovation, entrepreneurialism and high-skills are at a premium, they now also try to lure young entrepreneurs and a highly educated, skilled and mobile workforce. This pitch typically highlights not only things like tax rates and housing availability, but also the quality of public amenities such as schools and parks and the lifestyle offered in their respective communities.

In these respects, city-regions are no different from businesses. They compete globally for investment, talent and new ways of transforming their business environment; but without a clear commitment to continuous improvement and innovation, like once great and now long gone firms, they can cease to be major economic players.

City-Regions Do Have Challenges

There is certainly no debating the cultural, economic and social dynamism of large urban regions like Toronto. At the same time, it is impossible to ignore the huge challenges they pose to existing systems of government, business models and community and city-building organizations.

The 21st century city-region economy is creating a new kind of urban social structure.²¹ It consists on one side of well paid highly qualified professional and technical workers, and on the other, an increasingly precarious and growing proportion of low-wage service-oriented workers.²²

¹⁷ "Who cares about 15 Million Votes." Martin Prosperity Institute, N.D. <http://martinprosperity.org/2011/04/13/who-cares-about-15-million-urban-voters/> <http://www-2.rotman.utoronto.ca/iib/ITP0405.pdf>

¹⁸ "OECD Territorial Review." OCED: 2010. http://www.oecd.org/document/1/0,3343,en_2649_34413_43985281_1_1_1_1,00.html

¹⁹ "London's Taxes Prop Up The Rest of The UK." This is Money. February 13, 2012. <http://www.thisismoney.co.uk/money/news/article-2100345/Londons-taxes-prop-rest-UK-One-pound-earned-capital-funds-rest-country.html>

²⁰ "25 Cities Ranked In Order of Importance." Business Insider. March 17, 2011. <http://www.businessinsider.com/gdp-by-city-2011-3?op=1>

²¹ *Elgarblog*. September 6, 2012. <http://elgarblog.wordpress.com/2012/09/06/a-world-in-emergence-cities-and-regions-in-the-21st-century-by-alscitylen-i-scott/>

²² *Ibid.* <http://elgarblog.wordpress.com/2012/09/06/a-world-in-emergence-cities-and-regions-in-the-21st-century-by-alscitylen-i-scott/>

Writing in *The Atlantic*, Richard Florida, Director of the Martin Prosperity Institute, observes how these movements are playing out in post-recession America. “The more talented people cluster, the greater the economic returns they produce. But as these clusters of highly educated people form and grow, they tend to push out the middle class, resulting in a ruthless sorting of people and places. As great as its potential may be, this new economic landscape is also notable for its widening fissures.”²³

The Toronto region is no exception to this rule. Recent studies by the United Way, the Institute of Competitiveness and Prosperity and the Martin Prosperity Institute have all shed light on the growing prevalence of “precarious employment” in the Toronto region; jobs that are temporary, part-time, with few benefits and low wages.²⁴ These occupations, including retail staff, food service workers, cleaners, taxi drivers, secretaries, and others, account for 45 per cent of Toronto’s workforce and have the worst employment conditions of all occupations.²⁵ Of course this is part of a larger trend that has seen the proportion of neighbourhoods considered to be middle income fall from 66 per cent in 1970 to 29 per cent in 2005 for the Toronto Census Metropolitan Area (CMA) (This includes all of Toronto, Peel and York Census Divisions but only parts of Durham and Halton).²⁶

As we witness the world over, a closing of opportunities for upward mobility carries with it serious risks to our social stability and cohesion. Even a region like Stockholm in Sweden, known for its strong quality of life, has recently experienced serious unrest and violence in one of its suburbs where 60 per cent of residents were born outside Sweden and unemployment was twice the national average.²⁷

Another big test arising out of the modern city-region is management of urban growth. The public transit problem is well documented, and we’ll discuss in more detail later in this report. However, what is evident as well is how the economic footprint of the new economy and demands of its workforce is up-ending conventional planning models from the post-war era. Gone are the vast industrial parks and sprawl of the past, and in are mixed-use, high-density neighbourhoods.

²³ Richard Florida. “The Boom Towns and Ghost Towns of the New Economy.” *The Atlantic*: October 2013.

<http://www.creativeclass.com/rfgdb/articles/The%20Atlantic%20The%20Boom%20Towns%20and%20Ghost%20Towns%20of%20the%20New%20Economy.pdf>

²⁴ *Untapped Potential: Creating a Better Future for Service Workers*. Martin Prosperity Institute: October 2013.

http://www.competeprosper.ca/work/working_papers/working_paper_17

It’s More Than Poverty: Employment Precarity and Household Well-Being. The United Way & McMaster University: February 2013

<http://www.unitedwaytoronto.com/whatWeDo/reports/PEPSO.php>

²⁵ *Untapped Potential: Creating a Better Future for Service Workers*. Martin Prosperity Institute: October 2013.

http://www.competeprosper.ca/work/working_papers/working_paper_17

²⁶ David Hulchanski. *The Three Cities Within Toronto: Income Polarization Among Toronto’s Neighbourhoods 1970-2005*. University of Toronto: 2010.

<http://www.urbancentre.utoronto.ca/redirects/3citiesDec2010Report.html>

²⁷ Niklas Mgnusson and John Carlstorm “Sweden Riots Put Faces to Statistics as Stockholm Burns.” *Bloomberg*: May 27, 2013.

<http://www.bloomberg.com/news/2013-05-26/sweden-riots-put-faces-to-statistics-as-stockholm-burns.html>

City-Regions Also Have Big Upsides Through Effective Regional Collaboration

There's no question these social and economic forces may seem impossible to influence. Nonetheless, there are many global examples of how regional players, including business, labour, government and the non-profit sector are working together to tackle concerns such as economic competitiveness, social cohesion and traffic gridlock.

What this signifies is a blurring of the boundaries between the public and private sectors and across different levels of government.²⁸ For example, the success of the Boston region's health and life sciences cluster is built on a combination of academic, private, and public initiatives such as the Massachusetts Life Sciences Initiative, the Advanced Manufacturing Initiative and the MassChallenge venture fund.²⁹ Similarly, in the Seattle region, the business community led by large firms, actively partners with government and civil society to boost the region's competitiveness through workforce development and education initiatives. Organizations like the Trade Development Alliance for Greater Seattle promote the region's international interests, particularly in Asia, while the Prosperity Partnership, the region's leading economic development coalition, develops long-term measurable and actionable strategies to address the region's economic challenges.³⁰

The story is much the same even in the United Kingdom, a country known for highly fragmented municipal structures and tight control of local councils by central government. There, regions like Manchester and Leeds are embracing a variety of new regional partnerships and governance structures. The most successful is Manchester, which was highlighted recently in *The Economist* and demonstrates how an effective regional coalition was successful in reversing decades of serious economic decline.³¹

These success stories demonstrate the positive correlation between economic performance and the presence of effective regional governance structures.³² Yet, what is also interesting is that there is no one perfect model to drive regional growth and development; still, they all share the common features of having strong city-region leaders helping to drive effective strategy development and implementation and a shared regional narrative and identity, which they can use to promote their regions' interests at a national and international level.³³

²⁸ David Wolfe. "Civic Engagement and Civic Governance in Toronto's Future." University of Toronto: 2011.

http://www.utoronto.ca/progris/presentations/pdfdoc/2011/WolfeD_TO_CivicEngagement.pdf

²⁹ "10 Traits of Globally Fluent Regions: Boston." Brookings Institute: 2013.

<http://www.brookings.edu/~media/Multimedia/Interactives/2013/tentraits/Boston.pdf>

³⁰ "10 Traits of Globally Fluent Regions: Seattle." Brookings Institute: 2013.

<http://www.brookings.edu/~media/Multimedia/Interactives/2013/tentraits/Seattle.pdf>

³¹ "Bigmouth Strikes Again: How Manchester Became a Model for Other British Cities." *Economist*: September, 14 2013.

<http://www.economist.com/news/britain/21586294-how-manchester-became-model-other-british-cities-bigmouth-strikes-again?src=rss%7Cbtn>

³² "Centre for Cities." IPPR: 2005.

http://m.ippr.org/uploadedFiles/cfc/research/projects/centre_for_cities/web_annex_1_governance_and_performance.pdf

³³ Ibid. http://m.ippr.org/uploadedFiles/cfc/research/projects/centre_for_cities/web_annex_1_governance_and_performance.pdf;

Brad McDearman, Greg Clark & Josph Parilla. "10 Traits of Globally Fluent Metro Areas." Brookings Institute: October 29, 2013.

<http://www.brookings.edu/research/reports/2013/06/26-global-metro-traits-mcdearman-clark-parilla>

Yet a Leadership and Collaboration Gap Exists in the Toronto Region

In a Toronto region context, the payoff of such collaboration could be huge. Regrettably, the two factors of leadership and having a shared regional narrative are noticeably absent in the Toronto region. Indeed, it's now more than a decade, since the region's mayors and chairs last convened a formal or regular caucus to discuss the region's common challenges.

More than ever, the region needs leadership to come forward from all segments of society: business, government, labour, community organizations and academia. Otherwise, it will be impossible to envision a Toronto region within the ranks of the most innovative, creative and fastest growing regional economies in the world.

Our region's leaders need to act as advocates for the Toronto region at provincial, federal and international forums. Critically, this entails speaking up for the health of our neighbourhoods, workforce and businesses and championing continued investment in our critical infrastructure.

However, as the international examples alluded to earlier point out, bringing this leadership together requires new regional governance and collaborative structures. More precisely, approaches which encourage the public, private and non-profit sectors to work collectively and pool their resources toward a common strategy and goals, such as the promotion of the Toronto region's business opportunities to national and overseas investors.

CORE POLICY THEMES

The Board has identified four key ballot box themes which should form the backbone of any municipal or provincial candidate's platform. They are not the only issues in these elections, but they are the most crucial to the region's future prosperity. And while different levels of government are obviously able to apply different levers of power to resolve them, these challenges cross municipal and provincial boundaries – meaning that cooperation will be essential to success.

Theme 1: Building Regional Transportation Now

The Context

For more than a decade, the Board has championed the development and construction of a robust and truly regional transportation system. As we've detailed in our *Scorecard on Prosperity* series, overstretched transportation networks are the most serious barrier to economic growth in the Toronto region. Certainly, the Board has heard from both large companies and small businesses, about the massive costs and strategic disadvantage traffic gridlock is causing their firms.

It is for this reason that over many years the Board has put a spotlight on the economic consequences of not investing enough in transportation infrastructure. In 2011, through the Board's *Scorecard on Prosperity* and the background paper *Reaching Top Speed*, the Board brought to the public's attention what congestion costs the Toronto region's economy annually; namely, \$6 billion, rising to \$15 billion by 2031 should no action be taken. More recent research by the CD Howe Institute, pegs this figure at currently up to \$11 billion. Not to be ignored are the many negative social and environmental impacts of congestion that threaten our highly valued quality of life. Study after study, report after report, by such organizations as PwC and the OECD, consistently convey this same message. From the Board's perspective transportation is the single biggest challenge facing the region and needs to be atop the list of priorities for incoming municipal and provincial governments in 2014.

It is for these reasons, the Board released *A Green Light To Moving The Toronto Region: Paying For Public Transportation Expansion*, in March 2013. This groundbreaking paper put forward 4 revenue tools (parking space levy, sales tax, fuel tax, HOV pay lanes) for serious consideration that must be dedicated to funding Metrolinx's *The Big Move*. In addition to the revenue tool recommendations, the paper outlined a series of principles central to achieving public buy-in:

- Dedicated and time-bound revenue streams, meaning that all monies collected through any new tool must only be use for public transport infrastructure and subject to a sunset review (e.g. after a 20-year timeframe)
- Absolute clarity on what are the policy and revenue generation objectives of each of the revenue tools
- Openness and transparency about how and where public money is being spent
- Rigorous cost-benefit analyses to evaluate all of the potential economic, social and environmental implications of any new revenue tool or transit project
- Ensuring maximum value-for-money for taxpayer dollars spent through the adoption of best-in-class project management and financing models
- Fairness and equity related considerations must be part of any revenue tool evaluative framework; this includes assessing the impacts of a revenue tool on economically vulnerable groups and particular business sectors and identifying measures (e.g. tax rebates, exemptions) which could offset negative impacts on vulnerable groups

Also included in the Board’s proposals was a recommendation that the government maximize revenue and cost-effective project management opportunities through:

- Land value capture
- Public private partnerships (P3s)
- Federal contributions through the renewed Building Canada Fund or a national transit strategy

The release of the paper was augmented by our *Let’s Break the Gridlock* public education campaign, which included region-wide print, out-of-home and radio, advertising. With this campaign the Board was making a direct appeal to the public to call on politicians to give the “green-light” to advancing new and dedicated revenue tools to fund expansion of The Big-Move, the Toronto region’s transportation plan. As we noted at the time, our proposals were not cast in stone and were intended to spark a serious debate. Those opposed to our recommendations needed to come forward with a credible alternative.

In many respects we did succeed in that objective. A wide range of think tanks, industry associations and business groups all weighed in on the issue with serious and well thought out proposals. Also contributing to this thoughtful discussion, were the many media outlets that devoted considerable time and coverage to exploring and analyzing the subject from a variety of political, economic, social and environmental dimensions.

Additionally, in the weeks immediately following the launch of the campaign and release of the discussion paper, signals were of quite positive political movement on the transit file. Most notable, was the highly publicized positioning of Ontario Premier, Kathleen Wynne, suggesting that a bold legislative response to the Metrolinx Investment Strategy report could arrive as early as the fall.

Regrettably, more recent developments on this file point to continued and major uncertainty regarding the future of *The Big Move* and the strategy to pay for the more than \$30 billion worth of projects still unfunded. Moreover, there are now serious governance related questions about the relevance and future of Metrolinx.

Despite the fact that Metrolinx was created with the legislated mandate of providing independent advice to the government on what are the most cost-effective regional transit funding options, on September 18, the Premier announced the launch of the Transit Investment Strategy Advisory Panel (the Golden Panel), chaired by Dr. Anne Golden. Its stated purpose “to get input on Metrolinx’s recommendations” was in effect a duplication of Metrolinx’s mandate. Metrolinx already undertook considerable consultation with the public and other key stakeholders on the most suitable mix of investment tools in early 2013. Regardless, in early December 2013, the Golden Panel released another set of recommended revenue tools to fund public transportation investment, which included among other things a corporate income tax, gas tax and a redirecting of the GTHA portion of the HST.

Further evidence of confusion regarding Metrolinx’s role was on display during the recent Scarborough subway versus LRT standoff. Despite its transportation planners recommending an LRT line, including \$90 million in sunk costs associated with environmental assessments and other preparatory work, Metrolinx’s advice was ultimately ignored by both the Province and Toronto. Subsequently, Metrolinx was forced to go back to the drawing board, endorsing first a Scarborough subway route proposal from provincial Transportation Minister Glen Murray and later Toronto Council’s approved subway route.

The Scarborough situation also emphasizes the increasingly heated political public transportation infrastructure debate. Not only is it contributing to considerable public frustration and confusion, but it is making it difficult to have an informed debate on this issue. What is needed is a sober and evidence based discussion of what are the most cost effective transportation options from both a local and regional perspective.

It bears mentioning that every major transit system in the world, from Los Angeles, to London, to Paris to Tokyo, has buses, LRTs, subways and commuter rail – all part of the mix. As the Golden Panel recently underscored, basic fundamentals of transit planning like consideration of forecast ridership, impacts on regional connectivity and value for money considerations, such as the ability to pay for future operating and maintenance costs, can't be ignored.

Meanwhile as we continue to debate transit lines on maps and investment strategies, our city-region competitors continue to bulk-up their transportation infrastructure. Case in point is Paris, which recently announced and began work on a \$39 billion project to construct 72 new transit stations and 200 kilometers of train tracks, most of them in the suburbs.³⁴

Even though we all criss-cross multiple municipal borders on a daily basis to live, work and study, we're still light years away from having a truly networked and integrated fare system. While some progress has been made in cross-regional collaboration between different transit bodies, it is still a patchwork of regional and municipal systems lacking full integration and service across the region.

The Challenge

When the Board released its discussion paper and kicked-off its public transportation campaign in March of 2013, the challenge was large but straight forward enough: how to raise the revenues to pay for the \$30 billion worth of projects still unfunded as part of *The Big Move*.

Yet as we now see with the Scarborough subway and LRT debate, there has been a weakening of regional consensus on *The Big Move* and the authority of Metrolinx, which brings us back to square one and what we need to do to build a transportation system worthy of a great region like Toronto.

As a starting point, we must take partisan politics out of the transit debate and move ourselves towards what we know are best practices for building and operating regional transportation systems. Simply put, the rest of the world is doing it, why can't we? It's no exaggeration to say that the collective failure of political leadership on a file as important as public transportation is breathtaking; especially when we compare ourselves with the likes of London, Paris, Madrid and even Los Angeles, all of which have embarked over the last 10 years in major expansions of their public transportation systems.

No one would question the need for political oversight of major infrastructure investments. However, this must be balanced with the necessity of having long-term planning and funding certainty in place for transportation projects which have multi-decade horizons.

³⁴ Feargus O'Sullivan. "A Transit Expansion Designed to Force Paris to Make Peace With Its Suburbs." The Atlantic: April 3, 2013. <http://m.theatlanticcities.com/arts-and-lifestyle/2013/04/transit-expansion-designed-force-paris-make-peace-its-suburbs/5155/>

Mechanisms must be put in place that allow for political input, both municipal and provincial, and approvals early in the project development process; thus allowing for the effective rollout of multiple projects on a concurrent basis. Simply put, the Scarborough transit development process can't be the template for future transit projects.

With travel across the region a given and growing for most of its residents, the demand for a seamless and integrated transportation system is greater than ever. Therefore, whether it's via Metrolinx or some other structure, the region requires a strong regional transportation planning and service delivery mechanism to build the business case to help make this aspiration a reality.

Lastly, we do need to come back to the money question. As we argued in our March 2013 discussion paper, lofty transportation visions and plans are worthless without a credible strategy to pay for them. This means identifying the specific revenue tools needed to raise the minimum \$2 billion per year of investments required to fully realize a regional transportation plan. Equally important, it requires a serious and unbiased consideration of all opportunities to improve the cost-effectiveness of public transportation delivery from human resource practices to the implementation of new operational systems and technologies; no doubt a political hard sell, but a case where boldness and leadership are urgently required.

The Toronto Region needs leaders who:

- *Understand the need for a strong regional transportation planning and service delivery mechanism, and are willing to collaborate on its creation*
- *Are prepared to work closely with other political leaders to ensure the success of a regional transportation plan*
- *Are willing to spend political capital to help forge and maintain robust public support for regional transportation*
- *Are ready to back a specific, region-wide fiscal plan to raise the minimum \$2 billion per year required to fully realize that plan, through a combination of financing strategies, operational efficiencies and new revenue tools*

Theme 2: Building the Toronto Region’s Fiscal Capacity to Renew Civic Infrastructure

The Context

Our region’s municipalities and upper tier governments are on the front-line of providing the services that define our quality of life and help establish the competitiveness of our business environment. This includes both “hard” services such as water, sewers, public transit and roads but also “soft” services such as cultural facilities, parks, and libraries, all of which are critical to attracting the best talent.³⁵ As a number of authors have noted, cities that fail to deliver on these services in a cost-effective fashion over time lose their economic advantage.³⁶ In short, fiscal sustainability is a critical foundation of regional competitiveness.

The task faced in the Toronto region is no different from local governments in other major city-regions. That is, on the one hand, how to raise the revenues required for delivering the kind of high quality services and amenities that will attract businesses and residents; and on the other, in a way that does not undermine your competitive position, through excessively high taxes and fees.³⁷ Not an easy proposition as we’ll see.

A review of the fiscal health of Ontario municipalities recently undertaken by Enid Slack and André Côté, from the University of Toronto’s Institute on Municipal Finance and Governance puts some of these challenges into perspective for the Toronto region. For the region’s municipalities the story has some positive aspects. The region’s municipalities, except Toronto, have lower taxes per capita, less grant dependency, lower operating expenditures per capita and lower debt/tax ratios and greater capacity to invest in capital than other municipalities in the province.³⁸

Slack’s and Côté’s ranking of municipal fiscal health measures revenue raising capacity versus expenditure need. Their ranking shows Toronto region municipalities dominate the top 10 and Oakville, Vaughan, Mississauga, Pickering and Markham round out the best 5 performers. This performance reflects the fact that municipal governments across the region have made some notable strides in ensuring spending is aligned with revenues.

³⁵ Enid Slack. *International Comparison of Global City Financing: A Report to the London Finance Commission*. Institute on Municipal Finance and Governance, The University of Toronto: January 31, 2013, <http://www.london.gov.uk/sites/default/files/LFC%20International%20comparisons.pdf>

³⁶ Ibid. <http://www.london.gov.uk/sites/default/files/LFC%20International%20comparisons.pdf>

³⁷ Ibid. <http://www.london.gov.uk/sites/default/files/LFC%20International%20comparisons.pdf>

³⁸ Enid Slack & André Côté. “Understanding the Fiscal Environment for Cities” Institute on Municipal Finance and Governance, The University of Toronto: June 20, 2013 http://munkschool.utoronto.ca/imfg/uploads/251/imfg_presentation_to_tuf_june_20_2013_final.pdf

Markham for example was able to achieve a zero tax rate increase in 2009, 2010 and 2011 through an extensive program of finding operational efficiencies and by tracking past operating costs to identify savings when planning for future costs.³⁹ In 2012, Markham was able to keep its property tax rate increase well below the cost of inflation at 1.5 per cent.⁴⁰

Likewise, the Toronto's 2012 budget introduced important fiscal reforms, long called for by the Board. These included establishing the groundwork for the City's first multi-year budget in over a decade, identifying service efficiencies and reducing payroll costs. Taken together, these actions helped to more closely align revenues with expenditures, thus making big strides in tackling the structural deficit.

The Challenge

Nonetheless, on a regional basis there are pressures on the fiscal front that can't be ignored. Most significant are the challenges of paying for new infrastructure and maintaining the existing stock in good repair. The province pegs the infrastructure deficit in Ontario at **\$100 billion**⁴¹ and about half of that is in the Toronto region.⁴² As noted earlier, the region will be adding roughly a million people per decade placing

major demands on our ageing infrastructure and requiring the construction of new stock, everything from schools and hospitals to new roads and sewage systems. Yet, as the Board highlighted in 2011, while most Toronto region municipalities had manageable fiscal capacity on the operating side of expenditures, questions remain about how to pay for new infrastructure investments and needed upgrades.

- In the City of Toronto new revenues are still required to address transit related expenditures (capital and operating) and needed social housing repair (capital). The state of good repair bill for the city's housing units is **\$750 million** and growing by **\$100 million** a year.⁴³ Meanwhile, the city's accumulated state of good repair backlog in 2012 was **\$1.7 billion**.⁴⁴
- Halton Region has threatened to stop growing unless it gets help with the **\$8.6 billion** in new infrastructure needed in the next 20 years to accommodate provincial growth targets.⁴⁵

³⁹ "News Release." City of Markham. <http://www.markham.ca/wps/portal/Markham/AboutMarkham/NewsRoom/NewsReleases/>

⁴⁰ "News Release." City of Markham. <http://www.markham.ca/wps/portal/Markham/AboutMarkham/NewsRoom/NewsReleases/>

⁴¹ "ReNew Ontario 2005-2010 Strategic Highlights." Ontario Government: <http://www.moi.gov.on.ca/pdf/en/ReNewOntario2005.pdf>

⁴² R. Michael Warren. "Politicians Ignore Creative Ways to Fund Our Crumbling Infrastructure." Toronto Star: March 19, 2013.

http://www.thestar.com/opinion/commentary/2013/03/19/politicians_ignore_creative_ways_to_fund_our_crumbling_infrastructure.html

⁴³ "The State of Municipal Infrastructure." FCM: 2012.

http://www.canadainfrastructure.ca/downloads/news/The_State_of_Municipal_Infrastructure_Regional_Snapshots_EN.pdf

⁴⁴ *The Canadian Infrastructure Report Card*. FCM: 2012 <http://www.canadainfrastructure.ca/en/index.html>

⁴⁵ David Fleischer & Nicole Visschedyk. "Infrastructure." MetrolandMedia: N.D. <http://www.metroland.com/page/Infrastructure>

- York Region estimates it needs **\$11.1 billion** just for infrastructure to serve the 500,000 new residents expected by 2031. More than **80 per cent** of the region's budget is earmarked for infrastructure related to growth over the next decade.⁴⁶
- In Durham, traffic on a badly deteriorating heritage bridge has been curtailed until the **\$800,000** in required repair funding is found.⁴⁷
- Damage caused by recent rain and ice storms cost the City of Toronto approximately **\$140 million**, far exceeding the **\$30 million** in its extreme weather response fund.⁴⁸

Added to this mix, are the downstream effects on the region of inequitable fiscal relationships between the federal government and Ontario; something which also serves to reduce the pool of public funds available to pay for critical infrastructure investments. According to the Mowat Centre, Ontario pays the federal government **\$11 billion** more than it receives each year.⁴⁹ This structural gap was highlighted in a March 2013 report, entitled *Filling the Gap: Measuring Ontario's Balance with the Federation*. If one was to split the **\$11 billion** pie on a per capita basis, the region's piece would be about **\$4.5 billion** annually.

Bridging the region's capital investment needs won't happen overnight. It will require a mix of strategies and approaches covering both the expenditure and revenue side of the income statement. Crucially though, it must include collaboration between all levels of government: municipal, upper tier, provincial and federal. The solutions can't just fall on the laps of municipal governments. We know that on average out of every tax dollar collected, municipal governments get eight cents (principally from property taxes), while the other 92 cents goes to the federal and provincial governments.⁵⁰ This reliance on property and development related charges risks unfairly shifting too much of the tax burden onto businesses and new homebuyers.

This contrasts with many other parts of the world which derive a significant portion of their revenues from sales or income taxes. Cities in Finland and Sweden generate as much as 90 per cent of revenues from income taxes; Japan, Korea and the U.S. over 20 per cent through sales taxes.⁵¹ The region's fiscal arrangements are a by-product "of a time when municipal government was largely devoted to infrastructure improvements that serviced properties (roads, sewers, water, fire and police protection), increasing their value and justifying the taxation".⁵²

⁴⁶ David Fleischer & Nicole Visschedyk. "Infrastructure." MetrolandMedia: N.D. <http://www.metroland.com/page/Infrastructure>

⁴⁷ David Fleischer & Nicole Visschedyk. "Infrastructure." MetrolandMedia: N.D. <http://www.metroland.com/page/Infrastructure>

⁴⁸ Megan O'Toole. "Massive Toronto Summer Storm Cost City About \$65 Million." National Post: September 17, 2013.

<http://news.nationalpost.com/2013/09/17/massive-toronto-summer-storm-cost-city-about-65-million/>

Kaitlyn McGraph. "Toronto's \$75 Million Storm Cleanup Plan Could Take Two Months." Globe and Mail: January 2, 2014.

<http://www.theglobeandmail.com/news/toronto/torontos-75-million-storm-clean-up-plan-could-take-two-months/article16169178/>

⁴⁹ Noah Zon. *Filling the Gap: Measuring Ontario's Balance with the Federation*. Mowat: March, 2013. <http://www.mowatcentre.ca/research-topic-mowat.php?mowatResearchID=79>

⁵⁰ "Municipal Finance and Intergovernmental Arrangements." FCM: N.D. http://www.fcm.ca/Documents/corporate-resources/policy-statements/Municipal_Finance_and_Intergovernmental_Arrangements_Policy_Statement_EN.pdf

⁵¹ "Toronto's Vital Signs." Toronto Community Foundation: 2013. <https://tcf.ca/torontos-vital-signs>

⁵² Ibid. <https://tcf.ca/torontos-vital-signs>

However, “the multiple and complex services that regions like Toronto are now required to provide (such as settlement services, affordable housing and homelessness support, community programs and spaces) require new taxation mechanisms unrelated to property and linked to economic growth (such as sales taxes)”.⁵³

The Toronto region needs leaders who:

- *Understand the need for a fair and equitable framework for fiscal sustainability across the Toronto region*
- *Are ready to work across provincial and municipal lines to devise a new fiscal framework*
- *Are committed to ensuring efficient, cost-effective provision of services*
- *Are prepared to move forward with new and innovative means of financing major capital and infrastructure projects*

Theme 3: Thinking Job Creation and Prosperity for All

The Context

If sound public finances and effective service delivery and infrastructure are one pillar of regional competitiveness, then unquestionably the strength and vitality of our region’s economy is another. Certainly, they are related. Without our businesses growing and employing the thousands of new entrants into the labour market we cannot hope to pay for the kind of high quality public amenities we’ve come to expect over many decades.

Fortunately, the Toronto region is in a solid economic position. A point confirmed year-over-year by the Board’s *Scorecard on Prosperity* and well-respected international rankings like The Economist’s *Most Liveable Cities in the World*. But as noted previously, the Toronto region’s economy is competing in a global economy that’s undergone huge changes over the past three decades. Its premium on innovation, skills and having a global and export orientation make “standing-still” or resting on previous success a sure ticket to the minor leagues of regional economies.

⁵³ Ibid. <https://tcf.ca/torontos-vital-signs>

What is exciting though is the unparalleled potential of the region in terms of scale, business sector diversity, strong clusters, deep labour market, the density of world-class educational institutions and its acceptance of cultural and ethnic diversity. All the ingredients for greatness and makings of a global powerhouse are in the Toronto region.

We see some momentum for growth, as evidenced on the labour market. For example, when looking at regional job creation numbers for November 2013, there was a gain of 70,400 jobs over the past year (measured on a year-over-year, seasonally unadjusted basis).⁵⁴ This helped drop the unemployment rate by 0.2 percentage points to 7.9 per cent over the same period.⁵⁵ According to CIBC's *Metropolitan Economic Activity Index*, which includes a basket of economic measures, including building starts, employment and bankruptcy rates, put the Toronto region at the front of the pack in Canada, followed closely by Calgary at the close of 2012.⁵⁶

Encouragingly, the Conference Board of Canada predicted that the Toronto region would continue to experience real GDP growth of 2.7 per cent through 2014-2017 (growth of 2.5 per cent is required to keep up with a regional population that is growing by about 100,000 each year).⁵⁷

But when we look at the key building blocks of our economy, the potential for even more robust expansion is certainly there. This is clearly reflected in the number of corporate headquarters here: 9 out of Canada's 10 top law firms – 9 out of the top 10 accounting groups Canada's top 5 banks and the second largest automotive centre in North America.⁵⁸ Moreover, the region is home to some of North America's highest performing industry clusters, based on factors such as GDP growth and productivity.⁵⁹

- #1 Auto and Parts
- #2 Transportation and Logistics
- #3 Food and Beverage
- #5 Bio-Pharma/Bio-Medical
- #5 Aerospace
- #5 Financial Services

⁵⁴ "Labour Market Bulletin." Employment and Social Development Canada: 2013.

<http://www.hrsdc.gc.ca/eng/jobs/lmi/publications/bulletins/on/dec2013.shtml>

⁵⁵ Ibid. <http://www.hrsdc.gc.ca/eng/jobs/lmi/publications/bulletins/on/dec2013.shtml>

⁵⁶ "Metro Monitor." CIBC: January 2013. <http://research.cibcwm.com/res/Eco/ArEcoMEA.html>

⁵⁷ "Toronto: Metropolitan Outlook." The Conference Board of Canada: 2013. <http://www.conferenceboard.ca/e-library/abstract.aspx?did=5316>

⁵⁸ "Doing Business in The GTA." GTMA: N.D. <http://www.greatertoronto.org/why-greater-toronto>

⁵⁹ *Scorecard on Prosperity*. Toronto Region Board of Trade: 2012.

As former University of Toronto President David Naylor pointed out at our podium, “we are so fortunate to have 10 universities and community colleges, many on multiple sites throughout the region, that help move the talent agenda forward.”⁶⁰ Such a dense agglomeration of educational institutions puts us in select company and also strengthens our R&D capacity, a vital link in the innovation value chain. A prime example of the region’s research and development (R&D) excellence is the University of Toronto, a truly regional institution with campuses in Mississauga, central Toronto and Scarborough. Remarkably, and a fact not widely known, it is topped only by Harvard when it comes to total research output.⁶¹

The Challenge

Potential is of course one thing and performance quite another. So here is where it is time for a bit of a reality check.

Since the release of the Board’s first comprehensive *Scorecard on Prosperity*, in 2009, an international benchmarking study that has measured the Toronto region’s economic performance against 23 other global city-regions, the Board has lived by the mantra “what gets measured gets managed” at the regional level. Our findings on the economy confirmed a consistent message from year to year – Toronto was ranked in the middle of the pack compared to its leading competitor regions such as San Francisco, Boston and Seattle. Regardless of the indicator, whether it is GDP or productivity growth our long-term economic performance, we lagged our highest performing counterparts. As the Ontario Task Force on Prosperity noted, while we have an excellent industry and cluster mix, cluster effectiveness, as measured by wages, innovation and productivity is considerably lower than its counterparts in peer American states.⁶² The Task Force cites a number of reasons for this gap including, weak specialized supports in the promotion and commercialization of R&D, lack of innovative business strategies, and less competitive pressures, due in some cases to the shielding of certain industries from foreign competition.⁶³

Also worrying, and outlined in the Board’s 2013 *Scorecard on Prosperity*, were weaknesses in our labour market such as, high rates of youth unemployment and underemployment and the proportion of the population with a high-school education or less. Paradoxically, at the same time this is occurring, we are experiencing skills shortages in certain sectors that will only get worse as the population ages.

⁶⁰ David Naylor. “Why the Toronto Region is Canada’s Innovation Leader.” University of Toronto: March 23, 2012. <http://www.president.utoronto.ca/speeches/why-the-toronto-region-is-canadas-innovation-leader>

⁶¹ David Naylor. “For Many Resons, U of T reseach Outperforms.” University of Toronto: June 28, 2012 <http://www.president.utoronto.ca/speeches/for-many-reasons-u-of-t-reseach-outperforms>

⁶² Ontario’s Task Force on Competitiveness, Productivity, and Economic Progress. 2011. http://www.competeprosper.ca/index.php/media/press_releases/task_force_releases_tenth_annual_report/

⁶³ Ibid. http://www.competeprosper.ca/index.php/media/press_releases/task_force_releases_tenth_annual_report/

What also can't be ignored is the fact that the Toronto region must compete internationally for investment and talent. From New York, to Boston, to Seattle and London, our Scorecard competitors are embarking on huge public/private investments and ambitious regional collaborations to drive growth and global competitiveness. Many of these initiatives are private sector led, where businesses may compete on one level, but collaborate on those competitiveness challenges which jointly impact their bottom line and the regional economy. For the Toronto region, taking a passive and uncoordinated approach will surely knock us down further in rankings of economic performance, with hugely negative effects on our communities and people.

To be sure, many of the key policy levers and factors which influence economic growth lie outside the Toronto region. These include exchange rates, monetary policy, federal and provincial fiscal policies and demand conditions in key foreign markets like the U.S. Still, as we illustrated with the cases of Boston and Seattle, there is no debating the role played by effective regional public/private partnerships in cluster development and inward investment promotion in helping boost growth and productivity.⁶⁴

The Toronto region needs leaders who:

- *Plan to actively drive economic growth by pursuing key opportunities for job creation*
- *Know the strengths each part of the region brings to the table, and are ready to work with their counterparts, as well as with business and labour leaders and universities, to develop those strengths*
- *Are prepared to cooperate and coordinate investment promotion and activity, rather than needlessly competing against one another*
- *Embrace an integrated regional strategy that sets out clear benchmarks for economic performance, including the growth and competitiveness of our leading business clusters*

⁶⁴ "10 Traits of Globally Fluent Regions." Brookings Institute: 2013.
<http://www.brookings.edu/~media/Multimedia/Interactives/2013/tentraits/Seattle.pdf>
<http://www.brookings.edu/~media/Multimedia/Interactives/2013/tentraits/Boston.pdf>

Theme 4: Closing the Prosperity Gap for a Liveable City-Region

The Context

A critical success factor for any city-region is just how liveable it is. In other words, what is its quality of life? Specifically, what are the supports in place to promote the health and wellbeing of the people who live and work in it?⁶⁵ How inclusive, affordable, accessible and safe is it?⁶⁶ How attractive and resilient are its built and natural environments?⁶⁷ What is the quality of the city-region's leisure offer, from shopping, to restaurants to sports, culture and entertainment? What are the opportunities for all its residents to achieve their full human potential?⁶⁸

These are unquestionably important considerations which are interrelated with all of the core themes of this paper. For example, we know that by improving transit availability to our most vulnerable communities we can increase accessibility to jobs and the likelihood of meaningful employment. Better integrating new arrivals and young people into our labour market by providing them with the right kind of training and on-the-job experience we can address certain labour market shortages and boost our economic performance. Maintaining a sound fiscal framework allows us to make the kind of long-term investments in our built environment that allow us to adapt to growth and the challenges of climate change. Basically, healthy economies need healthy communities and vice versa. Taken together such variables are crucial in defining a region's attractiveness to talent and investment and in turn, securing balanced and sustainable economic growth.

Fortunately, for the Toronto region, liveability is without question a strong suit. Since 2009, the Board's *Scorecard on Prosperity* has demonstrated the region is a strong and perennial top 5 performer on indicators of labour attractiveness such as, diversity, crime rates, environmental quality and human capital development. Similarly, respected rankings such as The Economists' *Most Liveable Cities* and PwC's *Cities of Opportunity* also gives excellent marks for the region's high quality of life.

In many respects it's easy to see why we're such an attractive destination for people and investment. The sheer variety of our neighbourhoods and landscapes is unparalleled, from leafy suburbia to high-density Manhattan-style urban living. Across our region there are thriving arts and cultural activities, such as the Toronto International Film Festival and Markham's multiple street festivals, to name just one. These bring out the best in local, national and international talent. Not to be forgotten of course, is a food and restaurant scene that is receiving accolades from the likes of the *New York Times* and world renowned culinary experts such as Anthony Bourdain.

⁶⁵ *Canberra Act*. Liveable Cities: 2012.

⁶⁶ *Ibid.*

⁶⁷ *Ibid.*

⁶⁸ *Ibid.*

The Challenge

Though we can be proud our quality of life, the question is how do we not only maintain but improve upon what is a comparative advantage for the region. Part of the answer lies in addressing some of our well documented shortcomings outlined in our *Scorecard on Prosperity* series and work by the Toronto Community Foundation through its *Vital Signs* report.

- **Growing prosperity gap between our most affluent and poorest neighbourhoods:** Is not only an economic issue, but is reflected in poorer health outcomes, greater crime and growing resentment of political and economic elites in our most deprived communities.⁶⁹
- **Youth Unemployment:** High rates of youth unemployment contribute to a range of social problems and have negative psychological effects for those out of work for long periods of time. As well, there is the lost economic output this represents and the potential for increased migration of our best and brightest to other jurisdictions.⁷⁰
- **Under-representation of women⁷¹ and visible minorities in senior management:**⁷² Shrinks the pool of capable employees, wastes considerable talent and undermines the region's sense of inclusiveness.
- **Low proportion of residents utilizing non-car based modes of transportation:** City-regions with a high proportion of non-car commuters are more environmentally sustainable (e.g., more energy efficient, lower CO2 emissions, better health outcomes). These regions tend to have better access to public transit, better bike paths, and/or better walking paths, making them more attractive to residents, visitors and migrants alike.⁷³

A liveability based focus must thus be at the centre of how we as a region make long-term decisions about our economy and investments in our physical and social infrastructure. Indeed, as we see with the urban revivals of Boston and New York in the late 90's and early 2000's, not only were economic challenges addressed but also issues of liveability such as public safety, social inclusion and deteriorating public infrastructure like parks and recreational services.

⁶⁹ "Gap Between Rich and Poor." Toronto Community Foundation: N.D. <http://ckc.tcf.ca/filter/15>

⁷⁰ *Scorecard on Prosperity*. Toronto Region Board of Trade: 2013. http://www.bot.com/advocacy/Documents/Scorecard/Scorecard_2013.pdf

⁷¹ Ibid. http://www.bot.com/advocacy/Documents/Scorecard/Scorecard_2013.pdf

⁷² "Diverse City, Greater Toronto Leadership Project." http://diversecitytoronto.ca/news/media-releases/counts_release/

⁷³ *Scorecard on Prosperity*. Toronto Region Board of Trade: 2013. http://www.bot.com/advocacy/Documents/Scorecard/Scorecard_2013.pdf

For the Board, the region's societal and economic well being go hand-in-hand. As Harvard's Michael Porter recently argued: "At a very basic level, the competitiveness of a company and the health of the communities around it are closely intertwined. A business needs a successful community, not only to create demand for its products but also to provide critical public assets and a supportive environment. A community needs successful businesses to provide jobs and wealth creation opportunities for its citizens."⁷⁴

The Toronto region needs leaders who:

- *Acknowledge that the prosperity gap is a regional problem requiring collaborative solutions*
- *Are committed to diversity, human capital development, and environmental sustainability*
- *Are committed to tackling the growing disparity between our most and least affluent neighbourhoods*

⁷⁴ Michael Porter and Michael Kramer. "Creating Shared Value, How to Reinvent Capitalism." Harvard Business Review: 2011.

THINKING TWICE ABOUT THE VOTE: WHAT'S NEXT?

Throughout the ups and downs of this year's election campaigns, it is the Board's intention to continue to make the same constructive contribution it has always made: to keep the discussion focused on issues, challenges, policies and solutions. Through our work we hope to elevate the discussion among candidates throughout this election year, and give voters the kind of information that will encourage them to think twice about their vote.

To this end, in the coming weeks and months, we'll be unveiling the various pieces of an ambitious policy agenda that will put the spotlight on both our thought leadership and speaking podium as well. Here's a preview:

- **Scorecard on Prosperity 2014:** Our annual Scorecard will continue to benchmark the Toronto region's performance against global competitors, but with an added twist. Working with our research partner the Conference Board of Canada and its well-respected forecasting model, we'll look at the potential economic prize if we were to address our competitiveness challenges and the implications of a stand pat future scenario.
- **Building Fiscal Sustainability to Pay for Critical Infrastructure:** This analysis will take a unique perspective on the aggregate fiscal capacity of the region's municipal and upper tier governments to address emerging spending pressures in areas like critical infrastructure. Our analysis will help point us towards the opportunities for operational efficiencies and investment strategies that can ensure stable and long-term financial stability.
- **Regional Economic Strategy:** Partnering with the Institute for Competitiveness and Prosperity at the Rotman School of Business, the Board will take a close look at the region's economy, in particular those parts which offer the most potential to drive long-term economic prosperity, and the strategic and policy approaches to get there.
- **Regional Transportation:** This paper will take stock of where we are one-year after the releases of our paper *A Green Light To Moving The Toronto Region: Paying For Public Transportation Expansion* Metrolinx's revenue tool recommendations and Panel on Transportation funding. Specifically, it will examine the potential hazards that lie ahead and new opportunities this policy environment poses.
- **Creating the Liveable City-Region:** We'll collaborate with the region's experts in a range of disciplines, industries and sectors to think about how we make the region more liveable, particularly in terms of how we can narrow the prosperity gap and enhance people's inclusion in the economy and society.



**TORONTO
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About Toronto Region Board of Trade (www.bot.com)

Founded in 1845, Toronto Region Board of Trade is the chamber of commerce for Canada's largest urban centre, connecting more than 12,000 members and 250,000 business professionals and influencers throughout the Toronto region. The Board fuels the economic, social and cultural vitality of the entire Toronto region by fostering powerful collaborations among business, government, thought leaders, and community builders. Toronto Region Board of Trade plays a vital role in elevating the quality of life and global competitiveness of Canada's largest urban centre. Learn more at www.bot.com and follow us at [@TorontoRBOT](https://twitter.com/TorontoRBOT).

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