

SURVEY QUESTIONS FOR PRE-BUDGET CONSULTATIONS 2012

1. Economic Recovery and Growth

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

Global and domestic growth forecasts from the Bank of Canada and other international institutions such as the IMF continue to fluctuate significantly. In its July analysis, the Bank of Canada revised its projections downward, reflecting the fragility of the current economic situation. In the meantime, governments are addressing fiscal constraints as they strive to eliminate their deficits. In that context, it is critical that government focus its investments on strategic areas which generate a return through lasting economic growth and productivity enhancements.

The Government of Canada has initiated a process to develop the next long term infrastructure plan. In the current Building Canada Plan, important investments have been made in public transit and the return has been impressive. It is estimated that investments in public transit produce economic impact of over \$11.5 billion annually, a ratio of three to one. The clear and positive “ROI” of transit investment could be further harnessed to achieve even greater returns by adapting the future plan in ways that best reflect and support Canada’s economic outlook. In a knowledge-based economy and with approximately 80% of Canadians living in urban centres, domestic and foreign investors and employers choose cities with efficient transportation options that allow for easy movement of people and goods. When traffic congestion impedes our ability to compete globally it affects Canada’s economic growth and prosperity. Gridlock may be local and regional but its impact is national in scope.

In the Building Canada Plan, there has been no dedicated funding for public transit, and approximately 22% of overall investments have gone to transit, which amounts to less than 40% of the total invested in transport infrastructure¹. Given the importance of transit’s contribution, the next long term infrastructure plan should increase this proportion to strike a better balance. Dedicated funding streams for public transit and integrated mobility options should be a central part of the next overarching federal program. While recognizing that public transit is a provincial jurisdiction, its strategic economic importance makes it a national priority that deserves specific, dedicated, and sustainable investment.

¹ Infrastructure Canada, Building a Better Canada Together

2. Job Creation

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

Investment in public transit services to provide our cities and communities with more efficient mobility has the immediate effect of generating a demand for local labour, both during construction and for ongoing operations and maintenance. This is the single largest element of operating costs and represents jobs that are created locally and that can only be supplied from within the communities served.

The Canadian transit industry creates approximately 80,000 direct and indirect high-quality jobs across the country and in communities of all sizes. Canadian bus and rail manufacturers and their suppliers are strong industry leaders and amongst the most innovative businesses in North America. They employ Canadians in our regions and in communities that benefit from their presence and continuous investments. The North American transit market is a small but highly integrated one. To be competitive, companies must be able to conduct business freely in Canada and the United States. In the spirit of NAFTA and other free-trade agreements, reciprocal trade policies and access to markets are key elements fostering competitiveness, also ensuring consumers, governments and taxpayers benefit from high-quality and cost-effective products. Buy America requirements in the U.S. for transit rolling stock procured with federal funding (U.S.) has an impact on the ability of Canadian manufacturers and suppliers to remain competitive and maintain – let alone expand – their markets. Canada must work strongly to ensure that trade policies provide equal business opportunities and do not harm Canadian companies and their market access.

3. Demographic Change

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

In the 1950s and '60s about 60% to 70% of Canadians lived in urban areas and only 8% of the demographic was aged 65 and older. Today, over 80% of Canadians live in urban areas, and seniors account for 15% of the population. By 2040, the senior demographic will account for 25% of the population and, in most cases, population growth in major metropolitan areas outpaces national averages. These two factors have a major impact on urban mobility needs. If it was natural to plan our metropolitan centres around the automobile 60 years ago, the same approach cannot feasibly be applied to 2012 or 2040.

Population concentration in large urban centres – coupled with the aging of that population – puts enormous pressure on municipalities and their public transit systems to respond to the increasing demand and mobility needs. Building more roads and highways does not provide adequate solutions to the new challenges brought by these demographic changes. To remain vibrant and ensure a high quality of life, communities must provide easy access to jobs, health care, education, recreation, and other important destinations through public transit and other mobility options².

The same applies when it comes to attracting skilled workers through immigration that our economy needs. Over the last ten years, two-third of Canada's population growth came from immigration. This is impressive as it provides Canada with a competitive advantage over other countries where recent population growth has mainly been the result of natural increases. Economic immigration and qualified workers will be essential in addressing challenges presented by skill shortages. In order to attract these new Canadians, communities must provide access to jobs and a good mix of integrated mobility options. As demonstrated in a study conducted by the Federation of Canadian Municipalities, immigrants are twice as likely to commute by public transit. In the current reality of an increasing economic focus defining our immigration policy, this means that investments in transit represent direct investments in the economic integration of Canada's new skilled workers.

² All stats from 2011 Census

4. Productivity

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

As reported by various Boards of Trade and Chambers of Commerce, traffic congestion is costing Canada billions of dollars in lost productivity every year. In Toronto alone, the cost of gridlock is estimated at \$6 billion annually. When goods and people cannot reach their destinations on time, it hurts businesses, consumers, and taxpayers. As articulated by the federal government's gateways strategy, "Canada's prosperity and quality of life depend on our success as a trading nation. Today, in an era of rapidly moving global supply chains, our transportation systems must connect Canada with the world"³.

This government has also made international trade a top priority of Canada's economic strategy. Every day, over \$1.7 billion of goods cross the Canada-U.S. border. This is more than \$1 million every minute⁴. Since 2007, the federal government has invested over \$5.5 billion⁵ in gateways and trade corridors. To maximize these investments and generate the greatest ROI, the government must ensure goods can move freely from and throughout our urban centres. For instance, goods travelling on the Champlain Bridge in Montreal represent an international trade value of \$20 billion every year. Out of the 60 million vehicles crossing the bridge annually, close to 90 % are private automobiles, causing massive gridlock at peak hours⁶. Investments that result in modal shift from cars to public transit can free up road space and have a tangible impact on Canada's international trade efficiency. One bus can take as many as 50 cars off the roads.

Another strategic sector to boost Canada's productivity is R&D and Innovation. Canadian businesses must increase their R&D investments in order to lead their respective industries. Targeted support in this field is critical. In addition to Canada's core R&D support measures, the government should design a program similar to the Transit Cooperative Research Program (TCRP), a U.S. federally funded program of approximately US\$10 million per year that drives and supports research in the field of public transit. This would be an additional measure generating innovation and ultimately increasing productivity, market success, and employment among transit-oriented manufacturers.

³ <http://www.canadagateways.gc.ca/About.html>

⁴ <http://www.canadagateways.gc.ca/Advantages.html>

⁵ <http://actionplan.gc.ca/initiatives/eng/index.asp?mode=3&initiativeID=232>

⁶ <http://www.tc.gc.ca/eng/programs/bridges-new-bridge-for-the-st.lawrence-2812.htm>

5. Other Challenges

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

Cities around the world have become strong economic engines allowing countries to compete globally in attracting new investors, creating jobs, and boosting productivity. Urban centres are taking on many key roles such as housing, policing, attracting and economically integrating newcomers, generating economic growth, and, of course, offering efficient mobility options. Furthermore, cities play a leadership role in fostering innovation through various incentive programs, industrial clusters, and innovation hubs. If cities succeed in their increasingly complex roles, the entire country will prosper and all citizens will obtain the benefits. But in order to do that, municipalities must have all the tools available to develop bold policies and programs, to implement them, and to operate efficiently.

As it stands, Canadian cities rely mainly on property taxes to ensure their development. In many cases these taxes have reached their limits and it has become increasingly difficult to maintain municipal services, let alone improve and expand them. Municipalities bear the vast majority of operating costs for transit systems. In cases where there is no provincial operating support, property taxes and user fees cover close to 100% of the cost. However, the *benefits* of efficient transit extend far beyond community boundaries – they are regional and national in their economic impact. With urbanization a continuing trend, a new model should be sought to fund critical requirements presently under municipal purview. Currently, cities receive 8 cents per tax dollar⁷. This is not sufficient for present needs, let alone the needs of our future urban demographic and economic realities, if we are to aim for our communities to be competitive with cities in other countries. The next long term infrastructure plan should include measures that recognize the critical role of cities and establish new funding mechanisms that reflect this reality.

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[http://www.fcm.ca/Documents/reports/Building Prosperity from the Ground Up Restoring Municipal Fiscal Balance_EN.pdf](http://www.fcm.ca/Documents/reports/Building_Prosperty_from_the_Ground_Up_Restoring_Municipal_Fiscal_Balance_EN.pdf)