

A Call for a National Urban Strategy Targeted Toward Canada's Largest Urban Centres

A joint statement from Canada's Major Chambers of Commerce and Boards of Trade

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Context: The Importance of Canada's Largest Urban Centres

Canada's cities are creatures of their respective provinces. But the importance of Canada's largest urban centres to Canada as a whole goes far beyond this.

Our city regions are where most of the population resides: as of the 2006 Census, over 80% of Canadians live in Canada's largest urban centres. They are the main drivers of our economic prosperity: they provide a necessary environment for sustained economic progress, with positive links between urbanization and productivity.¹ Canada's cities are also where our immigrant population settles: 97% of Canada's immigrants settle in urban centres.² As the government-appointed Competition Policy Review Panel noted, "large, dynamic urban centres have a national importance that transcends their significance to a region or a province, in the same way that national railways were recognized in the 1800s as having a national significance."³

It is with this national role and significance of Canada's largest urban centres in our global competitiveness, quality of life and economic growth that the major chambers of commerce and boards of trade, representing the business communities in Canada's largest urban centres, join together to call for a national urban strategy targeted toward Canada's largest urban centres.

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

Canada's rural and urban regions share a mutually reinforcing relationship: as just one example, products grown in rural communities, such as farm produce, are sold in Canada's urban centres or go through international gateways in Canada's urban centres on the way to their global destination. By supporting the vitality of Canada's largest urban centres, the federal government also helps to support our rural communities.

Canada's global competitors recognize their urban centres as "regions of the economy"⁴ and have implemented national urban policies to ensure that these "economic regions" can thrive on a global basis. Meanwhile, the Organization for Economic Cooperation and Development has suggested that our approach to Canada's urban centres and their role in economic growth "needs rethinking."⁵ Failing to establish a national framework for urban competitiveness – and the means for Canada's largest urban centres to achieve this vision – puts all Canadians, rural and urban, at a disadvantage. This ultimately hinders Canada's global competitiveness, quality of life and economic growth.

¹ Institute for Competitiveness and Prosperity (2002). *Measuring Ontario's Prosperity: Developing an Economic Indicator System*, Working Paper No. 2, pg. 23.

² Statistics Canada (2008), *Immigration in Canada: A Portrait of the Foreign-born Population, 2006 Census*, Catalogue no. 97-557-XIE.

³ Competition Policy Review Panel (2008), *Compete to Win: Final Report – June 2008*, pg. 73.

⁴ Braun, Erik, van den Berg, Leo, and van der Meer, Jan (2004). "National Urban Policies in the European Union."

⁵ OECD (2002). *Territorial Review of Canada*.

The Need for a National Urban Strategy Targeted Toward Canada's Largest Urban Centres

In recent years, the federal government has provided unprecedented levels of funding to municipalities of all sizes across Canada through Canada's Economic Action Plan, the GST Rebate, the Building Canada Fund and the Gas Tax Fund (made permanent in 2007 and which has grown from \$600-million in 2005-2006 to \$2-billion annually as of 2009-2010). As fiscal conditions have permitted, provincial governments have also provided significant support to municipalities through various transfer programs.

Despite these recent advances toward the revitalization and renewal of Canada's urban areas, it remains vital that the federal, provincial and territorial governments collaborate to establish a national urban strategy targeted toward Canada's largest urban centres that provides the certainty of sustainable urban centres across the country. This strategy could combine the numerous existing programs available to support municipalities in providing critical services and infrastructure to their residents with new supports to address issues of national significance that get implemented and delivered at the municipal level. The clarity and predictability provided by an explicit national urban strategy would permit municipalities to plan for the long-term health and vitality of their communities.

A major component of a national urban strategy targeted toward Canada's largest urban centres must be fiscal reform. The system of financing the provision of public goods and services in Canadian jurisdictions was developed at a time when labour-intensive agriculture was the mainstay of the economy and when the majority of the population was dispersed over geographically-large areas. In sharp contrast, the economy is now dominated by capital intensive resource, industrial, commercial and business service activities that are concentrated in and around a very few large metropolitan agglomerations.

Financial frameworks enabling these urban agglomerations to fund their operations and provide infrastructure to support economic activity vary only slightly amongst the provinces and in all cases result in municipalities that are heavily dependent on property taxes and grants or other transfers from provincial and federal orders of government as their main sources of revenue. Over the years, there have been a series of minor modifications to the tax and municipal funding regimes, but as recent fiscal performance and burgeoning infrastructure deficits demonstrate, the changes have not kept pace with the needs of the current reality.

The Alberta Chambers of Commerce report, *Vision 20/20: Population and Fiscal Stresses in Alberta Municipalities* (September 2005), identifies two classes of at-risk municipalities: those where recent and ongoing population growth is outpacing infrastructure financing, management and delivery capability (mainly urban centres); and those where declining economic activity and population outflows are contributing to fiscal challenges because of a declining tax base (rural communities). Reports from the Canada West Foundation highlight the inadequacy of the property tax to address these fiscal issues mainly because of that tax's lagged response to growth and inability to deal with infrastructure deficits without politically unacceptable large tax rate increases.

The bottom line is that Canada's largest urban centres need a more stable, secure and growing revenue source. They need a new tax framework that does not increase the burden on taxpayers, but instead establishes a framework between the three levels of government that ensures tax revenues are sufficient to sustain municipal infrastructure and operations.

As a result, the Chambers of Commerce and Boards of Trade in Canada's largest urban centres recommend that the federal, provincial and territorial governments work with the governments of Canada's largest urban centres to establish a national urban strategy that includes a new fiscal framework. This framework could take many forms, including federal and/or provincial governments abandoning tax room to Canada's largest urban centres.

Municipalities' Responsibilities

While a new fiscal framework will provide Canada's largest urban centres new opportunities, an essential component of this framework needs to be greater transparency and fiscal accountability on the part of the recipient municipalities. Federal and provincial governments are struggling with sizeable deficits and taking actions to reduce their growing expenditures. At the same time, many municipal governments do not approach their budgets with a similar view to fiscal sustainability.

Property tax increases in urban centres across Canada have been much larger than the rate of population, inflation and/or real GDP growth. While cities may argue that growth has fed a need for increased services, there is little evidence of productivity improvements within municipal government. Services, whether extensions of existing departments or additions, have often been added on to existing systems. It is not clear whether many urban centres conduct periodic reviews of their governmental structures to make departments more effective and efficient.

Canada's major chambers of commerce and boards of trade, representing the business communities in Canada's largest urban centres, believe that the governments in Canada's largest urban centres should show they are willing to do their part to monitor and control costs in return for other means of revenues. All levels of government must do their part to maximize the benefits, control costs and be effective and efficient in their spending. This includes working with their employees to increase the level of job flexibility in the delivery of the ever-changing scope of services needed to make large urban centres function. We believe that the federal and provincial governments providing municipalities with access to greater revenues must go hand-in-hand with those municipalities demonstrating fiscal discipline through greater transparency and cost controls.

While it is not desirable for senior governments to dictate budget details to municipalities, it is fully appropriate for senior governments to set performance parameter requirements for funding of municipal operations (be they through the creation of tax room or otherwise). Such parameters may consider elements such as the rate of property tax increases and specific measurements regarding the effective use of funds for specified purposes. A new fiscal framework for Canada's largest urban centres should not be provided without performance and accountability requirements to safeguard the taxpayer from budget waste and ever-increasing property taxes.

The Chambers of Commerce and Boards of Trade in Canada's largest urban centres recommend that the new fiscal framework for Canada's largest urban centres include a prerequisite for a federally and provincially approved fiscal transparency and accountability structure.

Endorsed by the Following Organizations:

Calgary Chamber of Commerce – Adam Legge, President & CEO

Edmonton Chamber of Commerce – Carman McNary, Q.C., Chair

Fredericton Chamber of Commerce – Susan Holt, Chief Executive Officer

Halifax Chamber of Commerce – Valerie Payn, President & CEO

Board of Trade of Metropolitan Montreal – Michel Leblanc, President & CEO

Ottawa Chamber of Commerce – Erin Kelly, Executive Director

Quebec City Chamber of Commerce – Luc Paradis, President

Regina & District Chamber of Commerce – John Hopkins, Chief Executive Officer

Greater Saskatoon Chamber of Commerce – Kent Smith-Windsor, Executive Director

Toronto Board of Trade – Carol Wilding, President & CEO

Vancouver Board of Trade – Bernie Magnan, Assistant Managing Director and Chief Economist

Greater Victoria Chamber of Commerce – Bruce Carter, CEO

Winnipeg Chamber of Commerce – Dave Angus, President & CEO