

**City of London**  
**Submission to Standing Committee on Finance**  
**2015 FEDERAL PRE-BUDGET CONSULTATION**

**August 2014**



## **INTRODUCTION**

The City of London welcomes the opportunity to provide input into the 2015 pre-budget consultations and as an active member of the Federation of Canadian Municipalities (FCM) supports the positions it is advancing in these pre-budget consultations.

The Southwestern Ontario regional economy has been slow to recover from the economic downturn compared to other parts of Canada. Recent partnerships from both the federal and provincial governments however are starting to take hold and the London economy is starting to recover. The challenge remains in making the necessary investments in the community infrastructure and programs to attract jobs with limited resources. The City shares the federal government goals of increasing prosperity and opportunity through strategic investments in: infrastructure; research and development and its commercialization; and supports for vulnerable Canadians.

## **JOB CREATION THROUGH INFRASTRUCTURE INVESTMENT**

In the face of economic uncertainty the federal government made a decision to invest in infrastructure to stimulate the economy. The stimulus program was successful in that Canada, unlike many of its G8 peers, did not face the same levels of economic uncertainty. While this decision was made out of economic crisis, the fact remains that infrastructure investment will continue to create direct and indirect jobs and yield significant returns on investment for federal and provincial governments. It is not the time to reduce infrastructure programs now that the economy is showing signs of recovery, but instead to make infrastructure investment a central part of any plan to strengthen and foster the economy going forward. The City of London recognizes the federal government's actions in this regard in making the gas tax transfer permanent through legislation and adding an index to account for inflation. It also recognizes that a New Building Canada Fund was announced with a 10 year outlook. The City hopes to benefit from the new Building Canada Fund and also urges more investment in key areas of infrastructure development to ensure Canada remains competitive.

### ***Flexibility in the New Building Canada Fund***

The City of London is anxiously awaiting the application process to open in Ontario for the Provincial-Territorial Infrastructure Component (PTIC) of the New Building Canada Fund. London is looking for intergovernmental partnership to revitalize, to regain and to renew its economy and hopes that the City's Industrial Land Development Strategy will be eligible for funding under the new program. London is running out of serviced, shovel-ready, appropriately sized industrial land. Recent trends have seen industrial companies selecting larger sites to allow for consolidation and expansion. To capitalize on major economic growth opportunities and meet the needs of prospective industrial enterprises, London needs to unlock land. Under the strategy the City would ensure a constant supply of available industrial land and would act as master developer of industrial land in strategic locations in the city with a variety of lot sizes, including large blocks that can attract large industries. The City is seeking an investment of \$40 million from each the federal and provincial governments, over five years, to service 300 hectares of newly acquired land. The City would fund one third of the servicing requirements as well as purchase all of the land.

Federal support for this initiative would boost the economies of London and Southwestern Ontario. Conservative estimates indicate that after a full build out that this initiative would create approximately 4000 new construction jobs and 4600 new industrial jobs. It would also generate

\$45 million annually in federal income taxes. This investment would also yield significant regional supply chain benefits. For example The Original Cakerie – which is located in one of London’s existing industrial developments - estimates spending up to \$30-million a year in agricultural inputs (flour, eggs, cream, fruit and sweeteners) from Ontario. Dr. Oetker – another London based company - is expected to source approximately 11 million kilograms of high-quality ingredients a year from Ontario farmers and food processors.

As it stands this project would not be eligible under the National Infrastructure Component of the NBCF despite its scale and economic impact. With respect to PTIC there will be many infrastructure components to this initiative and it is the City’s hope that there will be flexibility in the program categories to fund all of the infrastructure components of this project.

Recommendations:

1. Significant federal investments in infrastructure should continue in the long term to increase competitiveness and boost the economy;
2. The federal government should consider broadening its definition of projects of national significance under the National Infrastructure Component of the Building Canada Fund;
3. Flexibility should be built into the new categories under NIC and PTIC to ensure that all projects with major economic impacts are considered.
4. The federal government should work with the Federation of Canadian Municipalities to develop dedicated funding to address infrastructure challenges not eligible under BCF.

***Creation of a National Transit and Transportation Strategy***

Long daily commutes—more than 75 minutes on average in Canada’s biggest cities – are hurting economic competitiveness. According the Federation of Canadian Municipalities’ Cut My Commute Campaign, long commutes cost the country around \$10 billion per year in lost economic activity. Traffic delays cost Canada more than \$5 billion a year, and counting. This is a national problem requiring a national solution. Traffic gridlock is a threat to Canada’s economy, environment, and quality of life.

The City of London owns, operates and maintains approximately \$2.1 billion of transportation infrastructure. A recent City study revealed a \$640 million transportation gap that included \$271 million for lifecycle costs, \$291 million for growth related costs and \$78 million for the assumed municipal share of rapid transit projects. The cost of maintaining, operating, transforming and expanding London’s transportation and public transit system is beyond the funding capacity of existing budgets and the gap cannot be supported through debt within the current debt cap limits in place at the City. London does not have the revenue tools required to build a modern transit system and transportation network while providing other essential local services.

While current infrastructure programs allow transit and transportation infrastructure as an eligible category, not enough resources have been dedicated to address major transportation gaps and other essential infrastructure. Federal and provincial governments must reinvest more of the tax dollars they collect from communities into transit and transportation infrastructure.

Recommendation:

5. The federal government should create a national transit and transportation strategy that provides additional revenue tools to municipalities to fund transportation and transit infrastructure over and above existing programs.

6. The new strategy should be accompanied by \$ 1 billion/year in dedicated transit and transportation funding.

## **INCREASING COMPETITIVENESS THROUGH THE COMMERCIALIZATION OF RESEARCH**

The City of London works in close partnership with Western University and Fanshawe College. Research, innovation and training are central to increasing Canada's productivity and both of these institutions are contributing to increased productivity. FedDev funding and programs have been instrumental in developing some leading edge research and innovation facilities in London.

London is a partner in the Southern Ontario Water Consortium since the London Node is located in a municipal wastewater facility. The London Node is now operational and welcoming clients to test their new technologies and conduct research on wastewater treatment. The City supports the work of SOWC and strongly encourages FedDev to continue funding this important research in water technology and commercialization.

In 2013 London City Council endorsed and committed \$10 million to help fund the London Medical Innovation and Commercialization Network (LMICN). Council was recently updated on the activities of the network and fully supports its vision as a cross-discipline, world-class enterprise that will initiate, validate, translate and commercialize medical research and discoveries into market-ready health care solutions that generate employment and investment, prosperity and civic pride. The breadth of research possible by this network is contingent on federal partnership through FedDev. London is hopeful that the federal government will build on its strengths in medical research and fund this new collaboration.

London is quickly becoming a hub for research in advanced manufacturing. The Fraunhofer Project Centre of Composites Research at Western, located in London's Advanced Manufacturing Park, has begun to attract new investment in addition to more interest in research. Fanshawe College has developed a proposal for a Canadian Centre for Product Validation (CCPV) which would also be located in this park. This type of facility is integral to fostering entrepreneurship and attracting new business to London. It will also make Fanshawe and London an even more enticing destination for students since the increased hands-on, applied learning offered to students through this new facility will be unique in Ontario and Canada. This new Centre will also support the many companies already in London to grow and expand their businesses by providing them the opportunity to test their products locally and move to the next level in the market place. The City is hopeful that Fanshawe's FedDev proposal will be successful.

The City of London congratulates the federal government on its recent investment strategy and urges it to continue to invest in programs that promote partnerships to enhance productivity and enable Canadian cities and companies to compete globally. FedDev programming and support has been integral to London's economic recovery. Southwestern Ontario still lags the rest of the country in its economic outlook; London urges the federal government to increase its funding to this important agency so that important research can take place and that that strategic partnerships are in place to bring that research to market.

Recommendation:

7. The federal government should increase its funding to its economic development agencies to support more research, innovation and commercialization.

## **SUPPORTING AND HELPING VULNERABLE CANADIANS WITH INVESTMENTS IN AFFORDABLE HOUSING**

One in four Canadians spends more than 30 per cent of their income on housing and the Bank of Canada currently ranks the housing imbalance as the number one domestic risk facing the economy. Meanwhile, \$1.7 billion in annual federal affordable housing operating agreements have begun to expire, and in Ontario, this represents some 237,950 households and approximately \$570 million in federal subsidies annually. The cost of home ownership in Ontario has risen by 37% since 2001 and there are over 152,300 families and individuals in the province on the waiting list for affordable housing. In addition to this, new rental housing builds have stagnated and 200,000 people find themselves homeless every year in Canada.

On February 5th, 2014 the City of London convened over 100 stakeholders in London, to discuss the important issue of affordable housing and to lend its support to FCM's Fix the Housing Crunch Campaign. Participants spoke with urgency about the negative impacts coming with the expiry of operating agreements. Overall housing affordability and the vulnerability of many individuals and families due to rising housing costs was a concern of all participants. Access to safe and affordable housing was also seen as fundamental in addressing broader societal issues such as public safety and security, poverty, access to education and employment and mental health. The fact that Canada does not have a national housing program or dedicated long term funding for affordable housing is problematic and will not result in the improvements that are desperately needed in this sector. The housing summit concluded by all participants calling on all parties to make affordable housing a top priority going forward. The participants and London City Council endorsed FCM's campaign calling on federal and provincial governments to commit to a long-term plan for housing to improve affordability and predictability, create jobs, and enhance the economic competitiveness of Canada.

Recommendations:

8. The federal government should reinvest expiring federal housing agreements into innovative new programs to preserve and enhance affordable housing options;
9. To revitalize Canada's rental housing sector the federal government should remove barriers to investments in rental housing to create more affordable housing options for all Canadians;
10. To increase housing affordability and support the next generation of homeowners investments and strategies should be coordinated across governments.