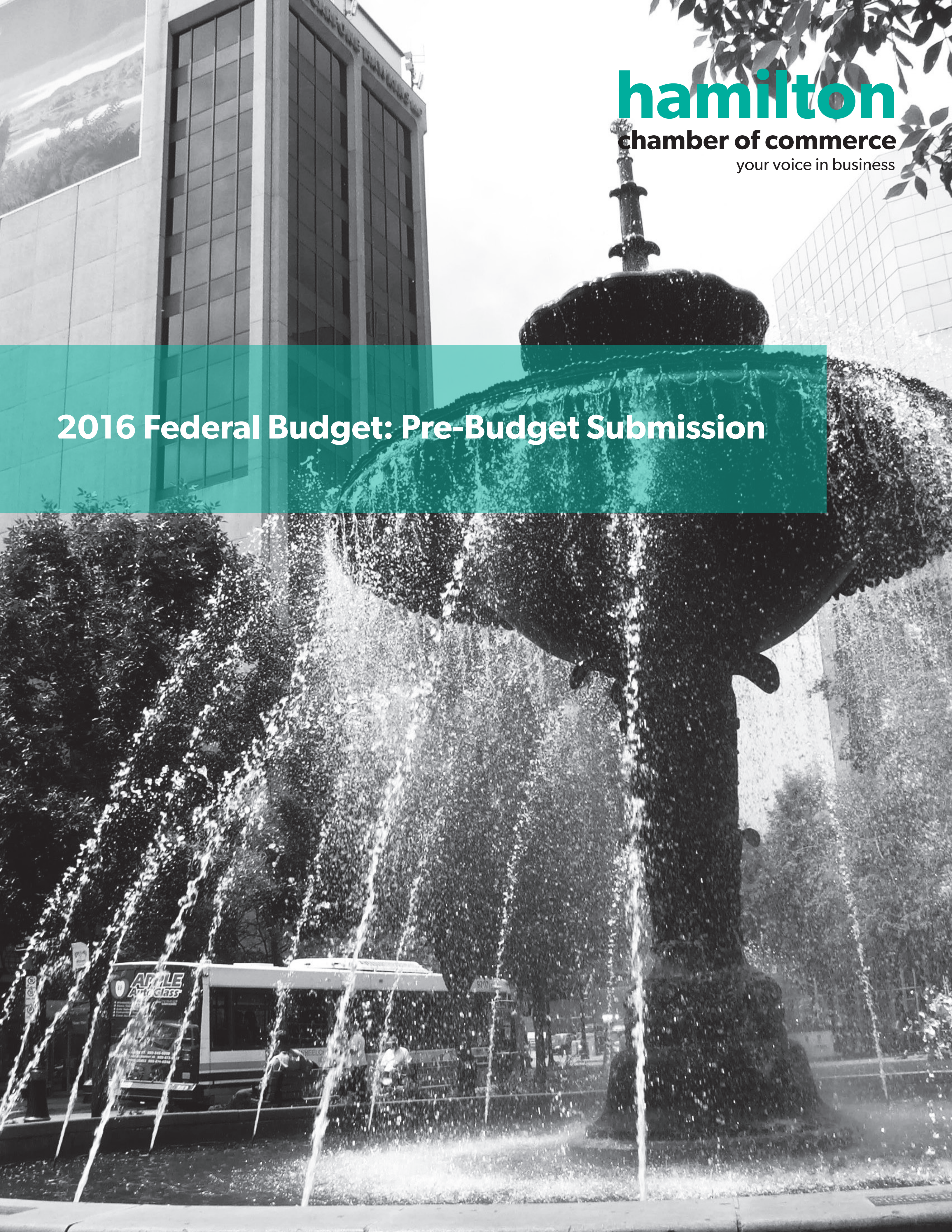
hamilton chamber of commerce
your voice in business



2016 Federal Budget: Pre-Budget Submission

TO:

Honorable Bill Morneau
Minister of Finance
House of Commons
Ottawa, ON, K1A 0A6

SUBMITTED BY:

Keanin Loomis
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ABOUT US:

Established in 1845, the Hamilton Chamber of Commerce is the definitive "Voice of Hamilton Business". Representing over 1,000 members and 75,000 employees, it champions the interests of free enterprise by effectively engaging business, community, and government leaders in the promotion of the long-term economic prosperity of our region.

INTRODUCTION & OVERVIEW

On behalf of the Hamilton Chamber of Commerce, I would like to thank the Federal Ministry of Finance and our local MPs for allowing us to submit our pre-budget recommendations as part of the 2016 Federal Budget process.

As President & CEO of the Hamilton Chamber of Commerce, I have the privilege of speaking for our 1,000+ members that employ over 75,000 people in this community.

Created in 1845, and this year celebrating our 171st anniversary, the Hamilton Chamber of Commerce is Hamilton's first institution, launched by this City's Founding Fathers to provide leadership in city-building.

Throughout our history, Hamilton has been one of Canada's preeminent cities in which to live, as well as an economic and innovation engine.

Now in this exciting state of renewal, the federal government and its various legislative instruments and funding programs will be an integral part of our local economy.

Understanding the needs of our members, and informed by the leadership we provide locally, provincially (in conjunction with the Ontario Chamber of Commerce) and federally (with the Canadian Chamber of Commerce), we have highlighted a series of recommendations we urge the federal government to prioritize in the 2016 budget. We also believe these recommendations align well with your government's mandate.

We look forward to continuing our dialogue with your government.

Sincerely,

Keanin Loomis,
President & CEO
Hamilton Chamber of Commerce

RECOMMENDATIONS

Recommendation One: That the Federal Government develop a national urban policy for Canadian municipalities and support the City of Hamilton's infrastructure needs.

In our increasingly globalized economy, cities and city-regions are increasingly the most prominent economic drivers of national economies, and they compete internationally. Cities in Canada house over 80% of our population and continue to grow rapidly due to immigration and continued urbanization within Canada. For example, by 2041 the Greater Toronto and Hamilton Area (GTHA) is expected to grow by 3.3 million people to over 9.6 million, an increase of nearly 50% in both cases. However Canadian cities are managed locally with sparse fiscal support from other levels of government. Modern infrastructure, notably rapid and predictable public transit and transportation (locally within cities and connecting cities within city-regions), and utilities, are essential to the efficient movement of people (employees) and commercial traffic, and to productivity.

Additionally, social infrastructure is an integral piece of a city's socioeconomic fabric. This includes affordable housing, complete streets, cultural and recreation infrastructure and educational institutions.

Yet Canadian cities and city-regions face a growing infrastructure gap relative to many international competitors, even as their populations continue to increase. The City of Hamilton is facing a public infrastructure backlog of over $3.3 billion and growing. Our hospitals and educational institutions are also suffering from similar predicaments.

In order for Canadian cities and city-regions, and all of Canada to prosper, they need a predictable, federally driven fiscal framework that will sustain their pressing infrastructure development and renewal needs.

Under their "Big Move" project, the Province of Ontario funded the City of Hamilton's request for a light rail transit (LRT) project in 2015. The investment was advocated for and supported by a high level task force of our chamber. While the project will cover a major east-west corridor in Hamilton, there are a few aspects of the project that are currently underfunded. In particular, an extension to a municipal transit hub (Eastgate Square) and another to a regional transit hub (James North GO Station). The City of Hamilton has also identified a North - South project titled the "A Line" as well as service upgrades to its traditional bus service as necessary elements of planning a robust public transit network in Hamilton. Additionally, research shows that economic uplift generated by rapid transit projects can be maximized through concurrent investments in social infrastructure, in particular complete streets.

A centralized national urban policy should ensure that any existing and new funds are assessed and awarded within the context of the economic role played by the municipality locally and internationally.

We were pleased to hear that the 2015 election platform for the Liberal Party, titled: "Real Change: A New Plan for a Strong Middle Class" had several promises for additional investments in various infrastructure categories.

In particular our Chamber is supportive of funding for the following promises:

1. **"Over the next decade, we will invest almost $20 billion more in Canada's social infrastructure."(pg 13)**
2. **"Over the next decade, we will quadruple federal investment in public transit, investing almost $20 billion more in transit infrastructure." (pg12)**
3. **"We will establish the Canadian Infrastructure Bank to provide low-cost financing for new infrastructure projects." (pg 15)**
4. **"We will make the New Building Canada Fund more focused and more transparent." (pg14)**

We are hopeful that Hamilton will be a strong contender for the aforementioned opportunities and as a Chamber we stand behind the business case for transit and infrastructure funding.

Recommendation Two: That the Federal Government support the role of Hamilton and other municipalities within the North American advance manufacturing trade corridor.

Over the last few decades, and especially since the establishment of the NAFTA agreement, advanced manufacturing clusters are extending their supply chains across the United States, Mexico, and Canada, anchored by productive metropolitan hubs in all three countries. Efforts must be undertaken to foster and enhance the integration of Canadian municipalities like Hamilton and their constituent businesses within the supply chain corridors.

According to a report from the Brookings Institute titled "Metros as Hubs of Advanced Industries and Integrated Goods Trade", metropolitan areas within North America generate an overwhelming 86 percent of the combined GDP of Canada, Mexico and United States. They are an especially concentrated host of advanced manufacturing industries in the automotive, aerospace, agri-food, clean technology, pharmaceutical and electronic industries. It is also estimated that over three quarters of North American trade in advanced manufacturing occurs between metropolitan areas.

Additionally, Canada`s largest exporting destination is the United States with over $1.5 trillion in exports in 2013, of which over $338 billion were manufactured exports, with advanced manufacturing industries like automotive ($58.4 billion) and mechanical machinery ($23.1 billion) still making up considerable proportions of trade.

Hamilton is conveniently located near major economic clusters on the eastern seaboard of the United States, our port acts as a major Terminus of the St Lawrence Seaway system and the Hamilton International Airport is already a major cargo hub. Additionally, our community has significant assets and a history of world class manufacturing industries. Coupled with two renowned post secondary institutions, we have the ingredients to emerge as an advanced manufacturing hub in North America.

However, an infrastructure backlog and unfunded projects are throttling our potential. A 2015 Toronto Board of Trade report states that congestion costs in the Greater Toronto and Hamilton area could reach $15 billion annually if action is not taken to address it. In particular, our goods movement trips are throttled on the 400 series highways and the Queen Elizabeth way. While upgrading these is a major financial undertaking, our region has also identified a series of smaller projects that can alleviate throttling in the network.

For example, intersected by Highway 6, the Village of Morriston is host to a major bottleneck in the centre of a major transportation and trade corridor, impeding the movement of people and goods between Wellington County, Hamilton, Guelph, GTA and the United States. According to research estimates, by 2031, with the implementation of a bypass, the annual value of commuter and commercial time saved during peak periods is valued at over $30 million. A coalition of regional businesses, chambers and municipalities has been actively advocating for the funding of this project with provincial and federal officials.

Through the additional funding for the Building Canada fund and other instruments, we believe the Federal Government can play a major role improve goods movement efficiency.

We specifically recommend:

1. **Increasing the annual allocation for the Border Infrastructure Investment Plan, Gateways and Border Crossings Fund and exploring the creation of additional envelopes targeted at economic regions.**
2. **Building on the successful model of the Pacific Northwest Economic Region, encourage the capacity of Investment Canada and Canadian High Commission in spearheading and facilitating opportunities for municipalities, local chambers and their constituent businesses to increase their integration within global value chains.**
3. **The federal government explore fully or partially funding (in collaboration with the province) a proposed highway bypass near the Village of Morriston, connecting Highway 6 to Highway 401.**

We are encouraged by the 2015 Liberal platform and recent announcements suggesting that the upcoming allocations for the Building Canada fund will be made more accessible and transparent for municipalities to compete for. Businesses and the City of Hamilton have identified several projects within our region that could potentially be targeted through such investments.

Recommendation Three : Support the growth of Hamilton's Life Science Innovation Cluster

Economic development based on targeted knowledge cluster funding within cities and regions is an important policy tool for Canada's economic future. The Government of Canada should increase its investment in regional innovation centres and post-secondary institutions to create ecosystems around areas of regional strength, and continue to provide funding for targeted infrastructure programs and venture capital grants to help accelerate development of such clusters.

Clusters by definition are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region. They emerge from regions that have achieved critical mass in a particular area of expertise and are often anchored by strong research universities, industrial laboratories and/or entrepreneurial companies with human capital to match.

In many cases across the world, the integration agent tends to be a government agency, that through a combination of funding and policy levers enables regional stakeholders to collaborate. Existing knowledge clusters in Canada are also generally centered around higher education institutions or not for profit business incubators funded through the provincial or federal government. Information technology and digital media clusters in Waterloo and Toronto are prominent global examples.

In Hamilton, the Chamber, City of Hamilton and other stakeholders have been actively working on supporting cluster development in a variety of sectors. We believe that our life sciences sector in particular has tremendous potential. In 2014, the Hamilton Chamber of Commerce released a report titled "Building a Life Sciences Cluster: A Case for Hamilton". The report documents Hamilton's broad strengths and assets in life sciences, and looks at other regions around the world that have become economic powerhouses by successfully creating industry clusters.

We have been actively working as a community to achieve alignment between our educational institutions, hospitals and private sector. However, the success of a cluster is also dependent on adequate investment into infrastructure and research and development funding.

While Hamilton currently has several state-of-the-art labs and spaces where commercialization activities are happening, it lacks a central location to act as an instigator for commercialization activities and greater collaboration amongst stakeholders. Incubation centres are critical for anchoring regional clusters.

We specifically recommend that:

1. **The Federal budget enact the 2015 Liberal Platform promise to: "invest $200 million each year in a new Innovation Agenda to significantly expand support for incubators and accelerators, as well as the emerging national network for business innovation and cluster support;"**
2. **As Canada's Science and Technology Strategy, the federal government incentivize funding based on regional strengths and redesign federal funding vehicles (e.g., Canada First Research Excellence Fund) to drive this collaborative behavior across post-secondary institutions and the private sector to create robust ecosystems that focus on both research and commercialization.**
3. **Increase the funding allocation to the Canada Foundation for Innovation, Centres of Excellence for Commercialization and Research program.**
4. **Expand the Canadian Innovation Commercialization Program into a comprehensive permanent program.**

Recommendation Four : The Federal Government work with local stakeholders to mitigate the economic impact of US Steel Bankruptcy

Stelco, a long time anchor employer in the City of Hamilton, was purchased by US Steel (USSC) in 2007 after approval by the Government of Canada under the *Investment Canada Act.* Federal approval was secured through a mutual agreement of over 31 items, including provisions aimed at protecting local jobs and employee pension fund solvency. Over the next few years the business suffered through several economic downturns, applying for creditor protection in September 2014.

A City of Hamilton analysis in 2015 uncovered some of the detrimental impacts to the local economy. Amongst the US Steel list of creditors (trade payables), there were 127 companies with business addresses in the City of Hamilton, and they are collectively owed a total of $22.3 million. The businesses affected in Hamilton will potentially be receiving fractional value under receivership settlements. While there will be an obvious negative impact from that, it is largely unavoidable under a bankruptcy process.

However, what will have even greater impacts to our economy will be the challenges facing USSC pensioners and ex-employees. There are an estimated 7,050 USSC pensioners with Hamilton mailing addresses according to City of Hamilton analysis. As of October 2015, reports claim that USSC has also suspended health benefits, which will have additional impact on our residents.

Those people cannot absorb this impact like our businesses likely will. The projected total income loss (and associated expenditure reduction) for USSC pensioners living in Hamilton is over $28 million prior to any support from the Pension Benefits Guarantee Fund (PBGF) and would be projected to be over $8.7 million if the PBGF applied. Additionally pensioners are also expected to lose $43 million in retirement health benefits.

While the bankruptcy of USSC will have various negative impacts on our local economy, one silver lining is the availability of soon-to-be vacant portions of land from the 328 hectare estate of US Steel in a prime waterfront location. Despite the heavy contamination of the brownfields, there is potential for the lands to be adapted into greenhouses, warehouses, advanced manufacturing, parks and hotels. Fueling our optimism are examples from former rust belt cities in the United States like Pittsburgh, where financial collaboration amongst all three levels of government generated significant revitalization on the former industrial lands. It is also possible for the federal government to support a revitalization of steel production through a potential worker buyout.

While many aspects of the issue remain in the hands of Canadian courts, we urge the federal government to:

1. **Work with the Province of Ontario to ensure that USSC pensioners have full access to PBGF. While the province has agreed to support benefit costs till March 2016, the pension fund requires a long term plan.**
2. **Work with the province and municipality to explore all options related to reincorporating or selling of US Steel if the bankruptcy is finalized.**
3. **Explore funding envelopes that will support remediation of US Steel lands towards alternative economic uses.**