

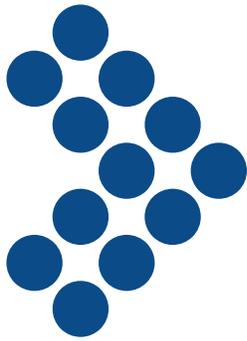


**GNCC**

GREATER NIAGARA CHAMBER OF COMMERCE

2018 BUDGET  
WRITTEN SUBMISSION

February 8, 2018



## Introduction

Dear Minister Sousa,

On behalf of the 1,600 businesses and organizations that the Greater Niagara Chamber of Commerce represents, I would like to thank you for the opportunity to provide our input in the Government of Ontario's Pre-Budget consultations, both in this document, and in person to Parliamentary Assistant to the Minister of Finance Yvan Baker and St. Catharines MPP Jim Bradley. We are grateful that the government has taken this consultative approach, and we share your goals of building a more prosperous Ontario for everyone.

In these recommendations, I wish to bring not just our suggestions for the province, some of which you will undoubtedly have heard from other Chambers and the Ontario Chamber of Commerce. As a regional Chamber of Commerce, we wish to highlight some local issues we feel that the budget should address, important to us and to other regions like ours across the province. We do not seek beggar-thy-neighbour policies but rather a budget that will build Niagara and its neighbours alike. Ontario is made of such communities; we know that you seek to enable their prosperity and we hope that our input is of help to you.

We look forward to a successful 2018 Budget and remain at your disposal to help shape it.

Sincerely,

Mishka Balsom  
President & CEO, GNCC

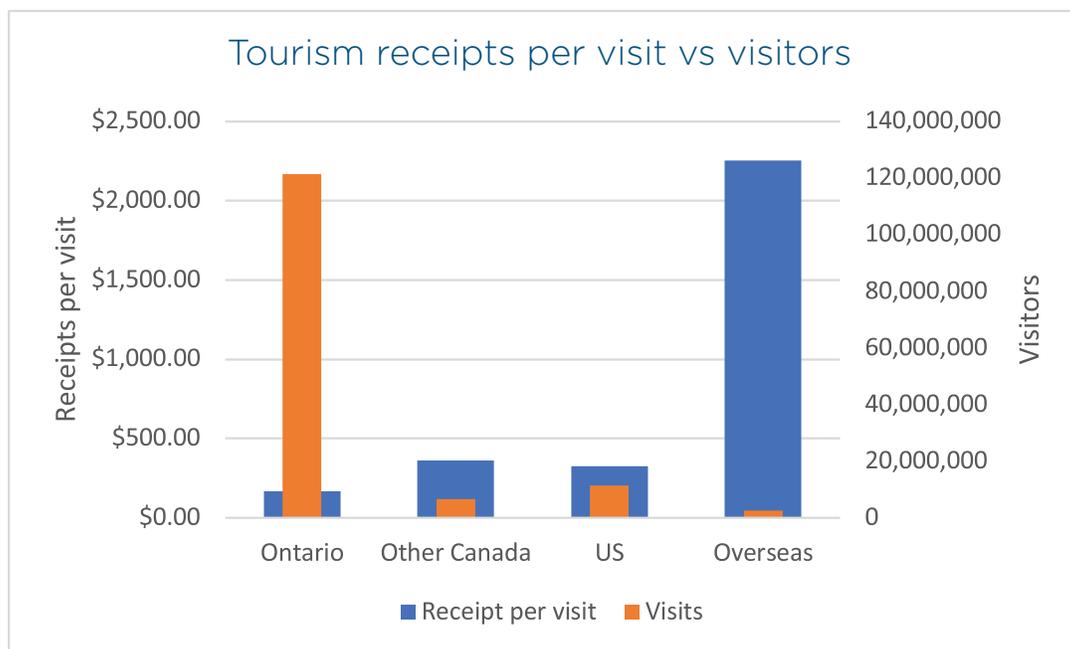
# Investment in Ontario's Future Success

We recognize that government spending and government investment has a key role in the Ontario economy, and that general economic success is not possible without government investment. We have some specific recommendations around government spending that would boost the Niagara and Ontario economies. There are areas in which more government spending would produce a good return on investment, help grow communities, and enable business success. We have chosen to advocate for those we feel are particularly needed in Niagara.

## Tourism Marketing and Promotion

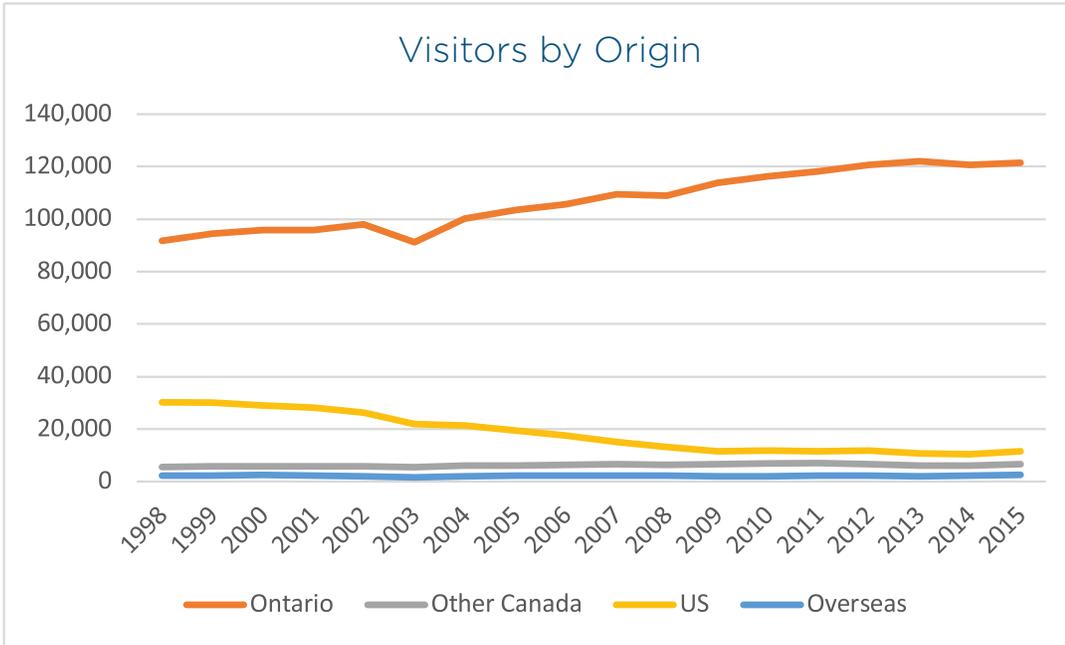
Tourism is a valuable component of the Ontario economy, and tourism in hotspots such as Niagara helps drive provincial prosperity both through increased economic activity and increased government revenue. In 2015, visitor spending added \$23.6 billion to the provincial gross domestic product, \$14 billion in labour income, and \$9 billion in government tax revenue – of which \$4 billion went to the Province, and \$975 million to Ontario's municipalities.<sup>1</sup>

Not all tourists spend equally, however. In 2015, although only 1.8 per cent of Ontario's visitors came from overseas, those visitors accounted for an enormous 21.7 per cent of all visitor spending.<sup>2</sup> While the average visitor from Ontario spent \$168.27, the average overseas visitor spent \$2,256.58 during their stay.



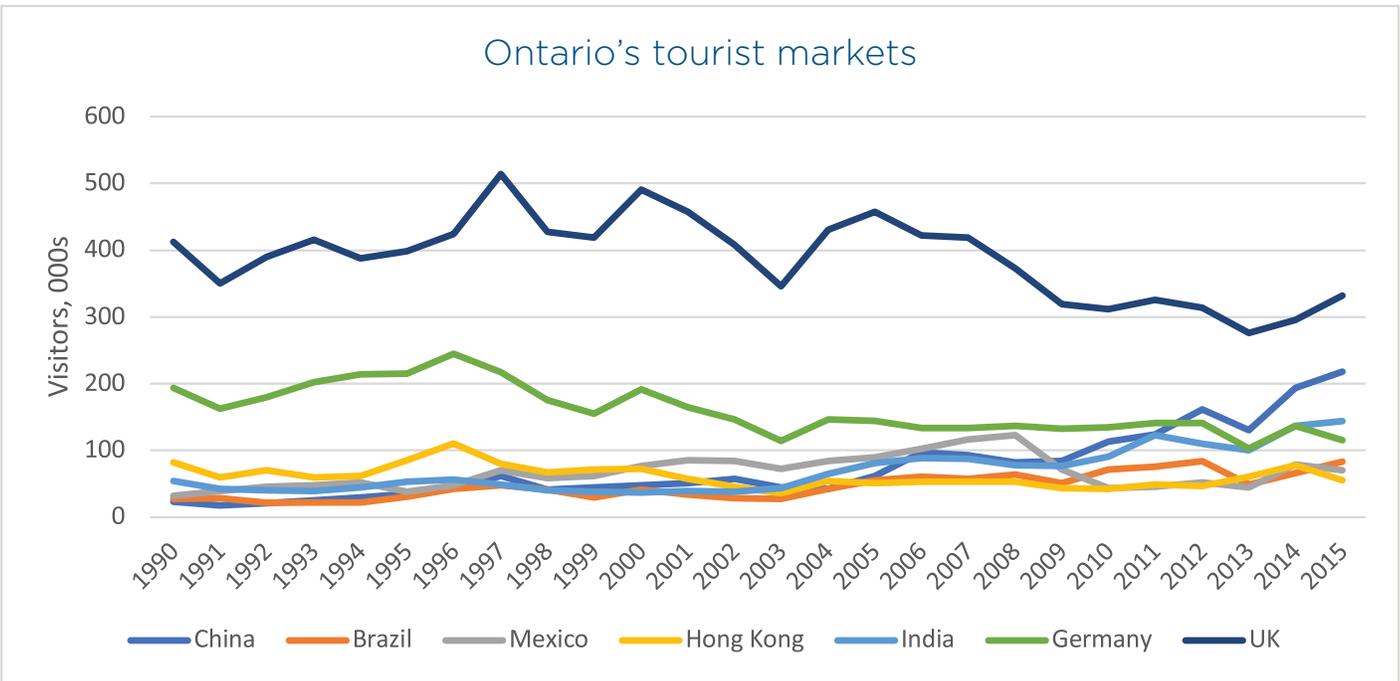
Source: Statistics Canada: International Travel Survey; Travel Survey of Residents of Canada; Travel Arrangements Survey

However, we are not attracting more of these lucrative overseas visitors. While overseas visitor numbers have remained steady since 1998, US visits have plummeted, and almost all growth in Ontario tourism has come from within Ontario – the least lucrative market.



Source: Statistics Canada, bridging project and MTCS

Growth in tourist visits from countries such as China, Mexico, India, and Brazil indicates a market for Ontario tourism in the growing middle classes of those countries, while a steady volume from Hong Kong and declining volumes from Japan, the UK, and Germany indicate that tourist markets there may not be fully exploited. The UK is still Ontario's biggest market for tourism, and a healthy diversification is called for. We urge more investment in tourism marketing and promotion, especially in overseas markets, to regain our position where we have lost it and to capitalize on the interest being shown elsewhere.



Source: Statistics Canada: International Travel Survey

## Infrastructure

We would also like to call your attention to the growing backlog of infrastructure projects in communities such as Niagara. We were enormously pleased at the announcement of year-round GO train service to Niagara, as this represents the sort of provincial investment in our transit infrastructure that we sorely need.

However, there is more infrastructure that needs work, particularly roads and bridges, which is not getting sufficient attention and which municipalities find themselves increasingly unable to finance. The BuildON infrastructure initiatives, totalling \$190 billion, are closing this infrastructure gap. However, we note that of 141 projects either completed or in progress in Niagara, only one concerned road and bridge improvement: the expansion of Highway 406 to four lanes in Thorold (now complete).<sup>3</sup> With increasing congestion on the QEW, demand for a mid-peninsular corridor, and a host of local road and bridge projects that could be advanced considerably with provincial funding, we hope that more funding from BuildON or similar initiatives will be directed at rebuilding Ontario's road network outside the GTA.

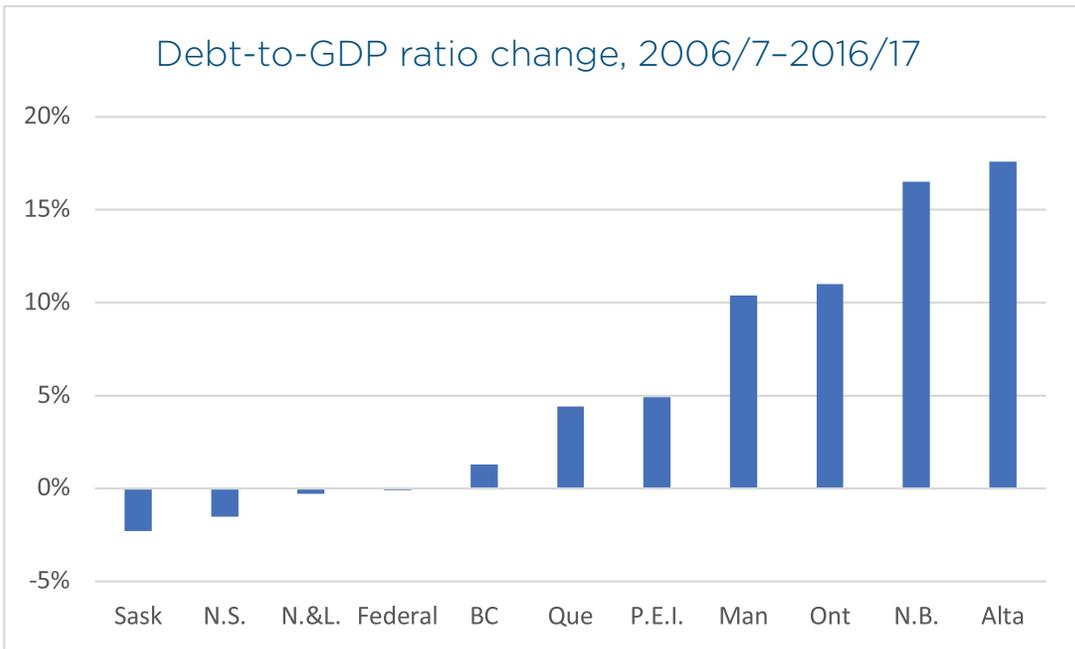
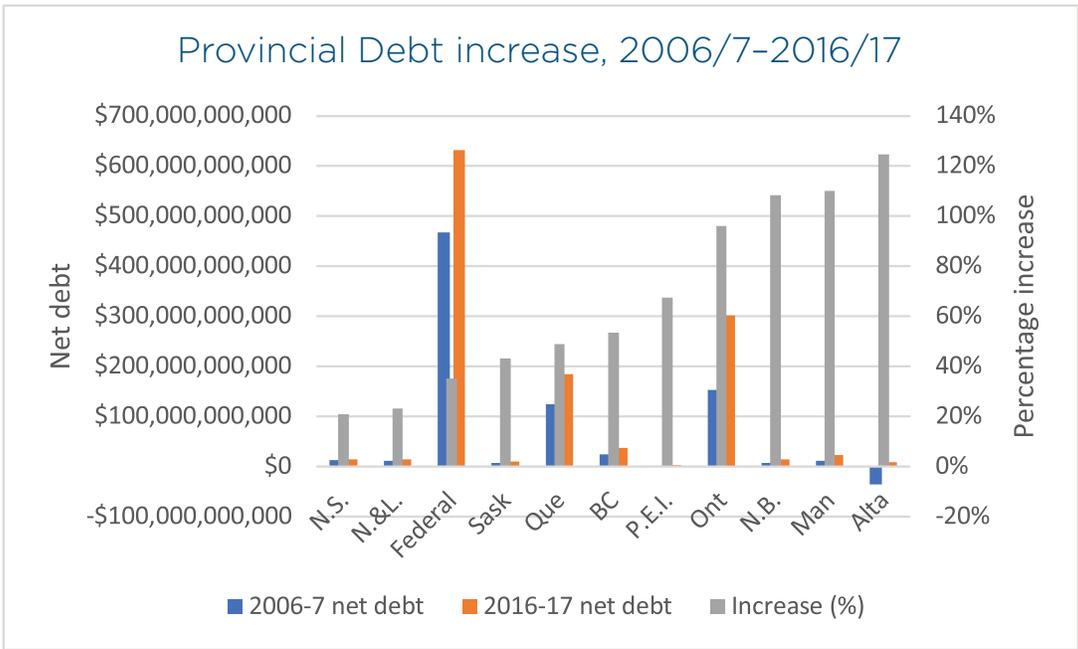
## Clearing the Way for Ontario's Businesses

The 2018 Ontario Economic Report, released on February 7, 2018, indicates that the confidence of Ontario's businesses is rapidly declining. Although macroeconomic performance in the province has been strong, a lot of this has been driven by rising real estate prices and growth in the financial sector, while Ontario's base in goods and services continues to shrink. Additionally, businesses increasingly identify red tape and government policy as a major reason for their lack of confidence in the future. Budget 2018 could take steps to restore that confidence.

## Provincial Debt

Firstly, we must express our concern at the growing provincial debt. That debt is projected to reach \$312 billion this year. At present, Ontario's indebtedness is, while greater than that of other provinces, not remarkably so, and debt servicing has not become an unbearable burden. Businesses are worried that it may become such a burden if it continues to grow at this rate, reaching the point where Ontario's ability to borrow becomes compromised and either swingeing service cuts or substantial tax increases – or both – become necessary. This could easily provoke a recession.

We do not believe that rapidly paying down the debt would be beneficial to Ontario's economy, as it would necessitate either service cuts or tax hikes with a deleterious effect on our prosperity. Rather, we urge that a long-term plan to pay down the debt to a manageable level, perhaps over decades, be devised and introduced – and then followed. We should not pass this burden on to future governments and generations, but aim to leave them a province in good financial health. Balanced budgets are a necessary starting-point, of course, and we applaud the Province's recent balanced budget and hope for another.



Source: Fiscal reference tables (Department of Finance Canada), various provincial budgets, budget updates and public accounts

## Municipal Downloading

Previous governments, beginning in the 1990s, embarked on a program of downloading responsibilities on to municipal governments as a cost-saving measure, including programs such as child care, transit, housing, public health, and the Ontario Disability Support Program (ODSP). Even municipal total revenue growth of 1.6 per cent above nominal GDP has not been enough to prevent the appearance of a \$3.3 billion funding gap.<sup>4, 5</sup> The Province did not give municipalities any additional tools for revenue generation.<sup>6</sup>

We recognize, firstly, that this problem was not the work of this government. We also recognize that this government's Provincial-Municipal Fiscal and Service Delivery Review resulted in \$1.9 billion being re-uploaded, but this has narrowed the gap rather than closed it.<sup>7</sup> While ODSP has been re-uploaded, for instance, municipal governments still fund transit services that used to be provincial, and Ontario is still the only province in Canada where property taxes fund provincial income redistribution programs such as Ontario Works.

Collecting only 7-8 cents of every Ontario tax dollar, municipalities are simply unable to fund these programs adequately.<sup>8</sup> Where provincial funding was provided, it was often in the form of grants, bilateral agreements, emergency relief, and *ad hoc* agreements, rather than sustainable funding transfers.<sup>9</sup> Almost half of Ontario's municipalities must hike their property tax rates at least one full per cent just to raise \$50,000 in annual funding.<sup>10</sup> Factoring in education costs, 50 cents of every 2016 property tax dollar went to running provincial programs.<sup>11</sup>

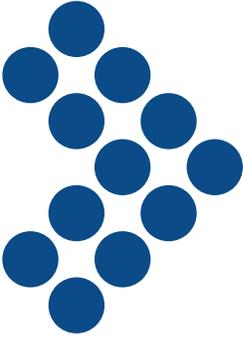
The necessity of spending such a huge amount of municipal tax revenue on provincial programs is that spending in other areas, such as infrastructure, has not kept up. In 2012, the infrastructure backlog alone had reached over \$60-billion.<sup>12</sup>

We urge the government to continue with the re-uploading initiative but note that not all the services previously downloaded have been covered, leaving substantial funding gaps. Budget 2018 should aim to close those gaps.

## Business Expense Relief

Recent changes in Ontario's workplace legislation have hit Ontario's businesses hard. This includes not just the sudden and enormous increases to minimum wage, but changes in staffing legislation around leave and absences, unionization, and more.

We applaud the offsets announced so far as a sign that the Ontario government is attentive to the concerns of their businesses and concerned with their future prosperity. However, those offsets benefit only profitable businesses or those currently hiring. While we support the Ontario Chamber of Commerce's call for a cut in the Corporate Income Tax rate from 11.5 to 10 per cent, this, too, disproportionately benefits profitable businesses. To aid those which are not, particularly those which were profitable until Bill 148 severely reduced or eliminated their profit margins, we suggest a payroll tax credit be introduced that benefits startups and businesses with slim to no profit margins. This could be tapered off over time or reduced as profitability and the business grow.



## Conclusion

This has not been an exhaustive list of the GNCC's recommendations for the Ontario government on the harnessing of fiscal policy in Budget 2018 for a prosperous province. We realize that we are one of countless organizations to have offered comments, and while we broadly support the recommendations of, for example, the Ontario Chamber of Commerce, we wished to offer our own unique, Niagara-based contributions, not just for our own community but as representative of similar regions across the province.

While macroeconomic indicators for Ontario are strong, there are still underlying indicators that this appearance of strength may be deceptive. Increasing uncertainty around NAFTA and the competitiveness of the United States as a business venue may sap this strength. We urge the Government of Ontario to build Ontario's competitiveness for business and to rebuild business confidence in the province as a path to a universal economic prosperity, even in the face of these uncertainties.

## Notes

1. Statistics Canada; MTCS's Tourism Regional Economic Impact Model
2. Statistics Canada, Travel Survey of Residents of Canada; Statistics Canada, bridging project and MTCS; International Travel Survey, MTCS
3. Ontario Ministry of Infrastructure
4. Pat Vanini, Association of Municipalities of Ontario Executive Director, quoted in "The property tax crunch," Brodie Fenlon (*The Globe and Mail*, March 27, 2017) (retrieved from <https://www.theglobeandmail.com/incoming/the-property-tax-crunch/article1083881/> on January 26, 2018)
5. Livio Di Matteo, "Beware of Ontario municipalities asking for 'revenue tools'" (Vancouver: *Fraser Institute*, August 18, 2016) (retrieved from <https://www.fraserinstitute.org/blogs/beware-of-ontario-municipalities-asking-for-revenue-tools> on January 26, 2018)
6. The City of Toronto has been granted special taxing powers and the 2017 Budget allowed municipalities to levy a per-room hotel tax, which cannot help municipalities which are neither tourist hotspots nor Toronto
7. Ontario Ministry of Municipal Affairs & Ontario Ministry of Housing, *Provincial Uploads*
8. Pat Vanini, *ibid.*
9. Carlo Fanelli, *Under Pressure: How Public Policy is Constraining Ontario Municipalities* (Ottawa: Canadian Centre for Policy Alternatives, 2014), p. 7.
10. Gary McNamara, Association of Municipalities of Ontario President, quoted in "Ontario municipalities plead for provincial cash from Queen's Park," Richard J. Brennan (*Toronto Star*, August 17, 2015) (retrieved from <https://www.thestar.com/news/canada/2015/08/17/ontario-municipalities-complain-about-incremental-downloading-plead-for-provincial-cash.html> on January 26, 2018)
11. *Ibid.*
12. Association of Municipalities of Ontario, *Towards a New Federal Long-Term Infrastructure Plan, AMO's Submission to Infrastructure Canada* (Toronto: AMO, 2012)



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