THE CANADIAN CHAMBER OF COMMERCE

LA CHAMBRE DE COMMERCE DU CANADA

Strengthening the Economic Prosperity Of Our Cities

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Summary

Strong, vital cities are crucial to our nation's competitiveness. Cities disproportionately house substantial assets including a highly skilled and productive workforce, research institutes, universities and teaching hospitals, infrastructure (including roads, water distribution systems, transportation and communications networks), social assets (including entertainment and cultural centers), high-end services, business head offices and industrial clusters. Cities also serve as important economic and trade hubs – they are important trans-shipment points for goods, particularly between differing modes of transportation.

In many parts of Canada, municipal infrastructure (roads, water, sewers) needs to be replaced or rehabilitated. Transportation infrastructure (roads, public transit) is not keeping up with demand. Social programs and services are also under strain, including access to affordable housing. All these areas require new investment to ensure the prosperity and competitiveness of our cities and our nation.

There is now a general understanding that property taxes, which represent the largest source of municipal revenue (ranging from 45% in Manitoba to 70% in Nova Scotia), cannot be relied on to finance these spending pressures. Canada already has the highest property tax burden among industrialized countries except the United Kingdom – about 4% of GDP – which is twice the average level of the OECD. Municipalities need to secure new arrangements to diversify their revenue base and finance their ongoing needs.

This paper looks at the various options that are available to provide cities with access to new sources of funds. The Canadian Chamber of Commerce concludes that not all revenue sources are created equal. New sources of funds must pass the following tests: reliability, accountability, transparency, administrative simplicity, efficiency and equity. With this in mind, the Canadian Chamber makes the following conclusions and recommendations:

That the federal government:

1. Ensure that the overall tax burden of Canadians does not increase if a decision is made to transfer a portion of federal gasoline excise tax revenues to municipalities or to utilize other fiscal mechanisms which achieve the same goals. This is paramount.

2. Not share with municipalities a portion of gas tax revenues. Instead work with the provinces (it's their prerogative) to grant municipalities the right to levy their own tax by piggybacking off an existing federal/provincial consumption-based tax – such as the gasoline excise tax – by using the existing tax base and having an existing tax-collection entity collect the receipts. Create room for the new local tax by cutting federal (provincial) taxes. The Canadian Chamber believes that this option is the best option because it has many positive attributes.

   – Municipalities will have the <u>flexibility</u> to address their own unique needs and priorities.

   – There is proper <u>accountability</u> because the government entity raising the revenue would also be in charge of spending it.

- It is a more reliable source of income than grants and transfers making it a more desirable means of funding cities' ongoing needs.
- By setting their own tax rate, municipalities would be better able to match local expenditures and revenues, thereby enhancing accountability and efficiency.
- It would be simple to administer if municipalities make use of the existing tax base and have an existing tax-collection entity collect the receipts.
- By matching beneficiaries with those paying the tax, equity is enhanced.

3. Make greater use of public-private partnerships to improve Canada's urban infrastructure.
4. Review and make amendments to the national funding formula for immigration settlement and integration programs. Better coordinate with municipalities as well as provincial departments involved in the delivery of settlement services.
5. Coordinate with other levels of government on developing a national strategy for affordable housing. Expand current capital grants to create new supply and preserve existing supply of affordable housing.
6. Coordinate with provincial/territorial governments so that any new initiatives by the federal government aimed at providing municipalities with access to new sources of funds does not result in a claw-back (i.e. cutbacks) at the provincial level.

Strengthening the Economic Prosperity of Our Cities

Introduction

The 2001 Census revealed that urbanization continues in Canada. In 2001, 79.4 per cent of Canadians lived in an urban centre with at least 10,000 people, compared with 78.5 per cent in 1996. Almost two-thirds of the nation's population, employment and real output are located in Canada's 27 major metropolitan areas (CMAs) with at least 100,000 residents. The increasing concentration of Canada's population in large census metropolitan areas has increased demand for municipal services, placed a strain on municipal infrastructure, and created the need for more capital investment. At the same time, municipal infrastructure is aging and eroding, requiring rehabilitation, upgrading or replacement. These factors along with federal and provincial downloading of increased expenditure responsibilities to local jurisdictions[1], weak growth in revenue collected by local governments, and urban sprawl have changed the fiscal environment in which municipalities operate.

The Canadian Council of Professional Engineers has estimated Canada's municipal infrastructure deficit (i.e. the difference between what is currently being dedicated to infrastructure maintenance and renewal and what needs to be invested to attain an acceptable condition in infrastructure) at $60 billion, increasing by $2 billion a year.[2] It comes as no surprise that calls by cities for more funding have escalated.

On January 23, 2004, mayors and representatives of Canada's major hub cities[3] met in Toronto for the Mayors' Summit. The goal of the meeting was to develop solutions for the financial and legislative challenges facing Canada's economic hub cities. The mayors agreed on a set of recommendations for immediate action and for stronger partnerships with the federal and provincial governments. The final communiqué from the meeting calls for specific items to be included in the 2004 throne speech and federal budget and in the 2005 federal budget.

Specifically, the mayors asked that the following be done in 2004:

1. Rebate 100% of the Goods and Services Tax (GST) paid by municipalities and their agencies.

2. Accelerate the $2 billion investment in urban infrastructure through existing programs. The federal government promised $2 billion over the next 10 years through the Strategic Infrastructure Fund. The mayors are recommending that this funding be accelerated to 2004, while new frameworks to provide adequate, stable, long-term funding for infrastructure, transit and transportation are negotiated.

[1] For example, provincial governments have downloaded services such as social housing, local transit, and selected airports while the federal government has downloaded responsibility to cities for federally-owned municipal airports, local marine ports and local harbors.
[2] Canadian Council of Professional Engineers. "Civil Infrastructure Systems Technology Road Map: A National Consensus on Preserving Canadian Community Lifelines." June 6, 2003. The $60 billion includes required investments for water distribution, water treatment plants, sewage collection, roads, bridges, solid waste facilities and urban transit.
[3] Vancouver, Edmonton, Regina, Winnipeg, Toronto, Ottawa, Montreal, Quebec City and Halifax. The Mayor of Calgary was unable to attend.

In the February 2, 2004 *Speech from the Throne*, the Government of Canada stated that it will provide all municipalities with full relief from the portion of the GST they now pay effective as of February 1, 2004 (the full rebate also applies to the federal portion of the harmonized sales tax - HST). Budget 2004 confirmed the Government's intention and legislation was introduced on March 31, 2004. The Government also stated in the *Speech from the Throne* that it will move to quickly commit funds within its existing infrastructure programs. The Government announced that it will accelerate funding under the Municipal Rural Infrastructure Fund. Specifically, the $1 billion provided in the 2003 budget will now be spent over 5 years instead of the original 10.

The mayors also requested that in the 2005 federal budget:

3. Provide cities with a new net revenue source, based on the user-pay principle, of five cents per litre from the existing federal fuel excise tax. This measure would generate net new revenues of $2.5 billion a year for Canadian municipalities dedicated to infrastructure, transportation and transit.

4. Allow cities to address their priorities and invest in economic growth by retaining a share of locally-generated tax revenues that grow with the economy, such as income tax revenue and/or federal/provincial sales tax revenue.

5. Match or exceed the average level of U.S. and Western European governments' investment in municipal transit and transportation infrastructure.

6. Involve major hub cities as partners in federal and provincial policy, program and budget deliberations on issues that have a direct impact on major urban centres.

7. Introduce flexibility and improve the delivery and supply of existing affordable housing programs to focus on serving the needs of Canadians.

8. Make regulatory changes to support cities. For example, amending the income tax act to make employer-provided transit passes a tax-exempt benefit, or converting the Commercial Heritage Properties Incentive Fund to a tax credit program.

Mayors of Canada's 22 largest cities, as well as citizens and business representatives, will participate in a new National Forum on the Economic Growth of Big Cities in Canada to be held in Montréal on June 9-11, 2004. At the forum, the attendees will participate in working sessions that will focus on the competitiveness and attractiveness of big cities. Participants will also develop an action plan to achieve economic growth in these cities. The mayors will meet again in Toronto in the fall of 2004.

The Federal Government's Role in Addressing Urban Issues

Strong, vital cities are crucial to our nation's competitiveness. The quality and quantity of a city's core assets can profoundly influence private sector investment decisions and Canada's ability to attract foreign investment. They influence our quality of life, our ability to innovate and the health of our businesses and our economy. Urban economies, therefore, offer one of the most strategic leverage points for strengthening the national economy.

The federal government has played a role in addressing urban issues, such as infrastructure renewal, affordable housing and homelessness. For example:

– Budget 2001 announced $2 billion for the Canada Strategic Infrastructure Fund to provide assistance to large-scale projects (such as highways, urban transportation, convention centres and sewage treatment) including those located in Canada's major urban centres.

– Budget 2003 provided an additional $3 billion in infrastructure support over the next ten years, of which $2 billion will be used to double the funding available under the Canada Strategic Infrastructure Fund. The remaining $1 billion will finance new municipal infrastructure investments that are typically smaller in scale under an initiative called the Municipal Rural Infrastructure Fund. As indicated above, Budget 2004 accelerates federal spending under the Municipal Rural Infrastructure Fund over five years instead of 10 years.

Budget 2003 also provided:

– An additional $320 million over the next five years for the Affordable Housing Initiative, a capital grants program aimed at increasing the number of affordable rental housing units being built, bringing the total federal government investment to $1 billion by the end of fiscal 2007-08.

– An additional $256 million over the next two years to extend the federal government's housing renovation programs to help preserve the existing stock of affordable housing. This brings the total amount available for housing renovation programs to more than $500 million.

– An additional $270 million over the next two years to continue to fight homelessness. A total of $665 million has been made available for the National Homelessness Iniative.

In addition to providing GST relief for municipalities and accelerating funding available under the Municipal Rural Infrastructure fund, Budget 2004 provided:

– New funding of $4 billion over 10 years to clean up federal contaminated sites and sites for which the federal government has partial responsibility. It is estimated that approximately 40% of these sites are in or near urban areas.

– New funding of $15 million annually in support of enhanced language training programs to reduce labour market barriers faced by immigrants, of which more than 90% settle in urban centres.

Past federal budgets have included other key initiatives with a significant impact on Canadian cities. For example, the federal government has made major investments in large, urban research institutes under the Government's innovation agenda and has provided annual support for immigrant integration and support for cultural programs as well as funding to help improve the environmental efficiency and cost effectiveness of municipal infrastructure by establishing two Green Municipal Investment Funds.

Other Strategies to Enhance the Fiscal Position of Our Cities

In light of the significant amount of funds that will be required to revitalize Canada's urban centres, government grants alone are not enough. Additional sources of revenue will be needed so cities can finance their ongoing needs. As a start, cities may be able to identify cost savings by undertaking a comprehensive and thorough review of how they provide and finance local services. For example, cost savings may be realized through restructuring property taxes, placing greater reliance on user fees, setting prices for local services that better reflect the costs associated with providing the service, and adopting alternative service delivery mechanisms.

The Search for Cost Savings

Reform Property Tax Structures. Non-residential property (commercial and industrial property) is taxed at a higher rate than residential property. While the business sector pays substantially more in civic property tax, this sector consumes substantially less municipal services than the residential sector. In effect, the non-residential sector subsidizes the residential sector. Under these circumstances, the optimal level of output of municipal services is not achieved. Moreover, overtaxing the non-residential sector leads to a less competitive business environment – fewer jobs are created and output is reduced. There are other distortions in the property tax system. For example, suburban properties get more favourable tax treatment than downtown properties, as do residential properties relative to multi-residential properties. Correcting these distortions could attract new business into downtown areas and curb urban sprawl, making the provision of services (such as public transit) more economical. It would also provide an incentive to construct low-cost housing.

Apply User Fees More Broadly and Fully. Municipal reliance on user fees varies significantly across Canada, ranging from 17% in the Province of Newfoundland and Labrador to more than 30% in Alberta. User fees promote the efficient consumption of goods and services provided administrators can identify individual beneficiaries, exclude non-users, and estimate the cost of providing the service. There should be a clear link between services received and fees paid. For example, the pricing of water (for which municipalities are in charge) is far from an "economic" approach with full cost-recovery and charges based on consumption. A flat-rate structure (fixed price, independent of the amount of water used) is still the most common pricing method. In addition, water prices are far from even covering infrastructure costs. Such subsidization is working against water conservation, and increases long-term capital and operating and maintenance costs. Moreover, approximately 45 per cent of Canadian homes served by municipal water supplies have no water meters. Municipalities need to repair and upgrade their water and wastewater systems. Setting prices for water that reflect both the actual usage and the costs associated with providing the service would enhance municipalities' ability to finance needed infrastructure. Another area where some municipalities have not moved toward full-cost pricing is garbage collection.

Adopt Alternative Service Delivery Mechanisms. While cities should ensure that services are provided, there is often no compelling rationale for cities to administer the service. There may be opportunities for cities to contract out more services. International experience suggests significant savings may be realized when the public sector competes with the private sector for the rights to deliver municipal services. In addition, as the report "*A Choice Between Investing in Canada's Cities or Disinvesting in Canada's Future*" by TD Economics states: "there may be situations where cities could co-operate more closely with neighbouring areas to develop effective region-wide strategies, thus taking advantage of economics of scale."[4] A more regional approach to providing water and sewer services, recreation and culture services, economic development, tourism development, regional transportation routes, and waste management could benefit all municipalities in the region.

Focus On Core Competencies And Essential Responsibilities. The focus of municipal spending varies significantly across provinces. This reflects differences in priorities and differences in the division of responsibilities between municipal and provincial governments. For the most part, municipalities provide services including road construction and maintenance, snow clearing, public transit, fire and police protection, water and sewage management, garbage collection, and other services like recreation and culture and regional planning. Spending for social services, public health and housing, which are more appropriately the responsibilities of senior levels of government, represents a very small share of municipal expenditures in most provinces except in Ontario where it represents almost one third of total municipal spending. Municipalities and their respective provincial governments must agree on a new governance framework that would give cities a greater degree of autonomy. Vancouver, Winnipeg, Montreal and Saint John already have a Charter – i.e. "stand alone" legislation – which outlines the powers and core responsibilities of each city to meet its particular situation and needs. Vancouver and Winnipeg also have trilateral agreements between the City, provincial and federal governments where they work together within their own jurisdiction and mandates to support sustainable economic development.

Rebating the Goods and Services Tax (GST) for Municipalities. The Canadian Chamber was pleased to see that in the February 2, 2004 *Speech from the Throne* and in Budget 2004, the federal government announced that it will provide municipalities full relief from the portion of the GST they now pay effective as of February 1, 2004. Increasing the rebate to 100 per cent from the current 57.14 per cent means that municipalities will get about $7 billion more over the next 10 years, including about $580 million in the first year alone. Municipalities were unique within the GST structure as they paid the GST on a range of goods and services even though they are not the final consumer. By giving a full GST rebate the federal government will not only be providing greater tax equity for public goods and services, but will also be assisting in implementation of certain financing options.

Need to Explore New Revenue Sources

While these reforms can potentially result in cost savings, they do not negate the need for additional sources of revenue.

[4] TD Financial Group. "A Choice Between Investing in Canada's Cities or Disinvesting in Canada's Future." *TD Economics Special Report*. April 22, 2002.

There have been calls for the federal government to share tax revenue it collects directly with municipalities. One option is to provide municipalities with access to federal and/or provincial tax revenue. For example, the federal and/or provincial governments could transfer to municipalities a portion of revenues they collect from personal income tax or sales tax or gasoline excise tax. Indeed, one of the options put forward by the federal government in the February 2, 2004 *Speech from the Throne* and in Budget 2004 is to share with municipalities a portion of gas tax revenues.[5] The Government acknowledged that this will take time and the agreement of provincial/territorial governments and consultation with municipalities.

The other option is for the provinces to provide municipalities with increased taxing powers.[6] Two possibilities exist. One, municipalities could piggyback off an existing provincial/federal tax by using the same tax base and having an existing entity collect the receipts. This would be inexpensive and simple to administer. Municipalities could set the tax rate independently or subject to approval of the provinces. The second possibility is for municipalities to design and administer their own tax system – they would choose the tax base and the rate. While this alternative would give municipalities more local autonomy and flexibility, it would be more expensive and complex to administer, particularly if it was collected at the local level. It would also introduce a new level of complexity for the taxpayer.

What is the Canadian Chamber's Preferred Option?

The Canadian Chamber believes that the preferred choice would be for municipalities to levy their own tax by piggybacking off an existing federal/provincial consumption-based tax – such as the gasoline excise tax – by using the existing tax base and having an existing tax-collection entity collect the receipts.[7] Tax revenues would then be distributed to local governments in originating municipalities. Consumption-based taxes are the preferred option because income taxes penalize investment and savings and, therefore, inhibit productivity and long-term economic growth. Consumption-based taxes tax individuals on what they consume not what they produce. Moreover, a local income tax (corporate or personal) would be hard to collect because income is mobile.

In the Canadian Chamber's view, it would not be very complicated for a municipality to levy its own gasoline excise tax with the federal government giving up the tax room. It would be applied at the pump level and the provinces could do the administration. If it looked like a majority of the larger municipalities was going to levy its own gasoline tax, the federal government could simply cut its tax by an equal amount across the country. On the other hand, if a select number of local governments chose to impose the tax, it is highly unlikely and indeed unadvisable for the federal government to cut its rate across the country. The federal tax is levied at the refinery and the federal government does not know where it ends

[5] In the *Speech from the Throne* and Budget 2004, the Government stated that it "will work with provinces to share with municipalities a portion of gas tax revenues or to determine other fiscal mechanisms which achieve the same goals".
[6] Under the Canadian Constitution, municipalities' ability to raise revenue and power to spend is limited to what is granted to them in provincial legislation and regulations.
[7] A limited number of Canadian cities (for example, the Greater Vancouver Regional District, Victoria and Montreal) levy fuel taxes with the revenues generally earmarked for public transit services.

up at the retail level. The federal relief would have to come in the form of a city-by-city rebate based upon provincial data of gasoline sales at the pump level.

If a decision is made to grant municipalities increased taxing powers, the Canadian Chamber stresses that the overall tax burden of Canadians must not increase. The federal and provincial governments must commit to reducing their own taxes to create the required room for municipalities to raise revenue. Given that the federal and provincial governments have downloaded responsibility for various programs and services to the municipalities, they would be doing less with less revenue, while the municipalities would be doing more with more revenue.

Granting municipalities enhanced powers to levy their own gasoline excise tax within the existing federal/provincial tax structure does have many positive aspects. For one, cities will have the flexibility to address their own unique needs. In addition, the government entity raising the revenue would also be in charge of spending it, therefore, there is proper accountability. Such an arrangement is also a more reliable source of income than grants and transfers of tax revenue from higher levels of government. Reliability (i.e. ensuring uninterrupted access to an ongoing revenue stream) would be enhanced if municipalities were given the power to set their own tax rate. In addition, by setting their own tax rate, municipalities would be better able to match local expenditures and revenues, thereby enhancing accountability and efficiency. By matching beneficiaries with those paying the tax, equity is also enhanced. Last, but not least, using the existing tax base and having an existing tax-collection entity collect the receipts would be simple to administer.

There are, however, some difficult tax policy issues that must be dealt with if municipalities are given enhanced powers to levy their own gasoline excise tax and set their own tax rate. Tax rates could potentially differ from one local jurisdiction to another as municipalities have different needs and financial circumstances. Municipalities may, therefore, face the possibility of losing individuals and business to other municipalities, in some cases, across their municipal boundary (i.e. border), that offer a more attractive tax environment.

The alternative option, which the Canadian Chamber does not favour, is for the federal and/or provincial governments to transfer to all municipalities a portion of the revenues they collect from personal income tax, excise tax or sales tax. Indeed, the federal government has proposed to share with municipalities a portion of the gasoline excise tax. A transfer such as this that is made regardless of the extent of need (the one-size-fits-all approach) could possibly lead to unproductive spending. This is because some municipalities are in good financial shape relative to many other municipalities and providing financial assistance to them may result in them spending money in areas that they would otherwise have felt there was no need to do so. In addition, municipalities differ substantially across the provinces in terms of their responsibilities. There is also a lack of accountability – the federal and/or provincial governments raise the revenue but the cities are in charge of disbursing it. Moreover, if local governments rely on funding from other levels of government, there may be little incentive for them to deliver services in the most cost-effective manner. This is a great recipe for inefficiency and weak political accountability. Furthermore, there is no guarantee that this would be a permanent solution. Last, but not least, transferring a portion of federal and/or provincial tax revenue amounts to a government grant, and as with all grants, it is not a reliable source of funding as government priorities do change. Thus, in the

Canadian Chamber's view, for all these reasons, revenue-sharing is not a good option for providing municipalities with access to new sources of funds.

Public-Private Partnerships: Another Means to Revitalize Canada's Cities

In light of the significant amount of funds estimated to be required to improve Canada's urban infrastructure and address the ongoing activities of cities, it is clear that governments and taxpayers cannot do it alone. Afterall, taxpayers already face a heavy tax burden. As the experience in many countries indicates, solutions can be found in public-private partnerships. Benefits generated from public-private partnerships include access to private sector design and innovation skills, project management skills and access to private capital. Indeed, the private sector can be used to access resources that may not be available in the public sector, thereby speeding up infrastructure development. Public-private partnerships are also a mechanism for sharing the risks and rewards of a project. In December 2003, Prime Minister Paul Martin appointed John McKay Parliamentary Secretary to the Minister of Finance with special emphasis on Public-Private Partnerships.

Other Public Policy Challenges Facing Cities

The federal government can also help the six cities where 85% of immigrants are settling by improving immigration settlement services. (Based on the 2001 Census, Toronto received 46% of newcomers, Vancouver 15%, Montreal 13%, Calgary 5%, Ottawa-Gatineau 4% and Edmonton 2%). In this regard, Budget 2004 provided new funding of $15 million annually in support of enhanced language training programs to reduce labour market barriers faced by immigrants. Many immigrants arriving in Canada benefit from language and employment training as well as other services. The House of Commons Standing Committee on Citizenship and Immigration stated in a report (*Settlement and Integration: A Sense of Belonging*. June 2003) that "funding based solely on the number of immigrants who are already in a particular province is not appropriate." According to the Citizenship and Immigration Canada (CIC) *Report on Plans and Priorities* for the period 2003-2004 to 2005-2006, of the total funds CIC plans to spend on settlement, adaptation and integration assistance for newcomers to Canada ($415.4 million in fiscal 2004-05 and $413.9 million in fiscal 2005-06), approximately 40% will go to the Government of Quebec (under the Canada-Quebec Accord) despite the fact that less than 20% of immigrants coming to Canada settle in Quebec and close to 60% settle in Ontario. In addition, the Standing Committee on Citizenship and Immigration stated that there "is a need for a better coordination strategy vis-à-vis the various federal and provincial departments involved in the delivery of settlement services."

There is also a need to coordinate with provincial/territorial and municipal governments on an expanded national strategy for affordable housing. Building upon the current federal capital grants program would do a lot to help out cities where the problem is most acute. Specifically, capital grants should be directed towards creating new supply and preserving existing supply of affordable housing.

Recommendations:

That the federal government:

1. Ensure that the overall tax burden of Canadians does not increase if a decision is made to transfer a portion of federal gasoline excise tax revenues to municipalities or to utilize other fiscal mechanisms which achieve the same goals.

2. Not share with municipalities a portion of gas tax revenues. Instead work with the provinces (it's their prerogative) to grant municipalities the right to levy their own tax by piggybacking off an existing federal/provincial consumption-based tax – such as the gasoline excise tax – by using the existing tax base and having an existing tax-collection entity collect the receipts. Create room for the new local tax by cutting federal (provincial) taxes.

3. Make greater use of public-private partnerships to improve Canada's urban infrastructure.

4. Review and make amendments to the national funding formula for immigration settlement and integration programs. Better coordinate with municipalities as well as provincial departments involved in the delivery of settlement services.

5. Coordinate with other levels of government on developing a national strategy for affordable housing. Expand current capital grants to create new supply and preserve existing supply of affordable housing.

6. Coordinate with provincial governments so that any new initiatives by the federal government aimed at providing municipalities with access to new sources of funds does not result in a claw-back (i.e. cutbacks) at the provincial level.

Annex

What More Can the Federal Government do to Strengthen the Quality of Life in Canada's Cities and Their Competitive Position?

Many federal policies affect our cities' overall competitiveness and quality of life. The federal government must examine all its policies and programs to ensure that they support, rather than hinder, local initiatives and development. The Canadian Chamber recommends that the federal government:

- Put in place a smart fiscal policy agenda in order to maximize the overall competitiveness of our cities.

- Ensure that the required economic infrastructure is in place to encourage private sector investment and improve our cities' ability to attract foreign investment.

- Boost investment in education to enhance the skills, knowledge and creativity of our cities' workforces.

- Boost investment in research and development to raise productivity and overall economic growth in our cities.

- Encourage the development of regional networks or "clusters" to enhance interaction between firms, industries, universities, governments and strategic organizations in our cities.

- Ensure that Canada's immigration system is conducive to attracting skilled individuals, including skilled trades persons, so that our cities will have access to a growing and robust workforce.

- Create an efficient, flexible and transparent regulatory environment to make our cities attractive to entrepreneurs, knowledge workers, and domestic and international investors.

- Remove barriers to labour mobility in Canada to enhance efficiency of labour markets and maximize our cities' innovative and productive capacity.

- Foster the right trade policy environment so our cities, which serve as important trade hubs, can enjoy the full benefits of trade and investment.