

Funding Economic Development (Submitted by the Windsor & District Chamber of Commerce)

Issue:

Many of the traditional manufacturing based communities in Ontario are experiencing economic dislocation. The transitioning is often the result of broader based economic trends, forces and national government policies. Many of these communities and businesses in Ontario do not have the necessary economic development tools to adjust to the global marketplace. The Province of Ontario has the resources needed to assist these communities in this transition and put into place a viable economic development strategy.

Background:

Ontario needs competitive, dynamic communities if it is to achieve its economic and social objectives. Regional economic development should be an indispensable complement to the Province's macroeconomic and structural policies. Moreover, globalization poses new challenges to regions and to current regional development policies.

The Province of Ontario must pay attention to municipalities with significant negative economic indicators such as high unemployment, business closures and loss of a dominant industry.

To address this issue the province should create a stable, effective and locally based economic development strategy. This approach should acknowledge the role of various sectors of the regional economy in creating plans and programs. The private sector, academic and research institutions, municipal government resources and organizations in the economic development field are all integral to the process. Collaboration of these sectors in an effort to improve the business climate, diversify the economy and create incentives for existing and new businesses to invest in the region should be aided by provincial funding and assistance.

Economic diversification and transition of any region's economy requires significant resources and financing that could be particularly hard to obtain in a situation of an economic slowdown. Ontario should do its utmost to help develop the capacity of these municipalities to revitalize their regional economies, something that would help the economic performance of the entire province.

In a review of incentive programs in jurisdictions across North America in the late 1990's, it was found that every state (or the municipalities in that state) and most Provinces had a myriad of incentives available to individual

businesses to encourage the investment of capital and the retention or growth of jobs.

In the fall of 2006 the Ontario government announced an economic stimulus package, investing \$190 million to assist workers and communities most affected by slower growth in the economy. This measure was a step in the right direction but it fell short of the mark in addressing the lack of capacity in these communities to attract new investment and to develop resources needed for strategic planning that would lead to diversification and future economic growth. What is needed is a standing program that would aid planning and channel funding to economically vulnerable regions.

The Province has the benefit of observing best practices from other North American jurisdictions. Among the leading jurisdictions is the State of Michigan, which provides tax and other business incentives that are delivered by municipalities in areas that are deviating from the state norm or are distressed by economic decline. Ontario needs to expand the economic development toolbox for such communities in its own jurisdiction.

The Province of Ontario must consider the following facts in creating a new approach to regional economic development:

- The economic and social development is very uneven across the province (low: local GDP, employment rates, business investment, productivity, a larger % of the poor etc)
- Many communities in distress have seen an outflow of population and businesses
- Lack of an insufficient level of infrastructure (social, health, road, transportation, internet (IT), water, and energy) has affected the communities by causing business and skilled labour exodus.
- Municipalities have a limited array of incentives to attract business investment, promote growth and stimulate new job creation
- Social services downloading further limited the capacity of local governments to invest in vital infrastructure projects, or programs promoting entrepreneurship, local employment and community development
- It has been the experience in other jurisdictions that induced growth occurs in rural communities around economic hubs where a coordinated infrastructure development is happening, keeping both businesses and population engaged in community activities.

RECOMMENDATIONS:

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Develop a strategy to achieve effective regional economic development.
2. Provide targeted funding to assist communities achieve the goals of economic diversification, cluster development, research/innovation promotion, and strengthening infrastructure.
3. Provide economic stimulus funding for initiatives in economically vulnerable communities conditional on strongest cost-benefit ratios and their level of integration with the community strategic plans to boost regional economic development.
4. Expand the tool kit for local Economic Development agencies that allow communities to attract new investment, retain skilled labour and diversify both private and public services for local businesses.