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ONTARIO CHAMBER OF COMMERCE REPORT

REVIVING REGIONAL ECONOMIES

Rachael Williams

Imbalanced economic growth across the province is leading to regional disparities between northern Ontario and the Greater Golden Horseshoe that are threatening the province's overall economic competitiveness, according to an **Ontario Chamber of Commerce** report.

Released on September 12, the [report](#) examines the challenges faced by 11 regions across the province, from northwest Ontario to the Windsor/Sarnia area, and recommends strategies to support long-term economic development in both rural and urban areas in them. With policymakers at the forefront of economic development, the report highlights the need to modernize governance structures, foster an environment conducive to business growth and build regional capacity for innovation.

“When you look at the data on employment and population

growth, as we've done, you'll find that growth has been concentrated mostly in Toronto and surrounding communities, and Ottawa to some extent, but northern Ontario, in the same time period, has seen negative rates of growth,” said Ontario Chamber of Commerce (OCC) policy analyst and report author **Claudia Dessanti**.

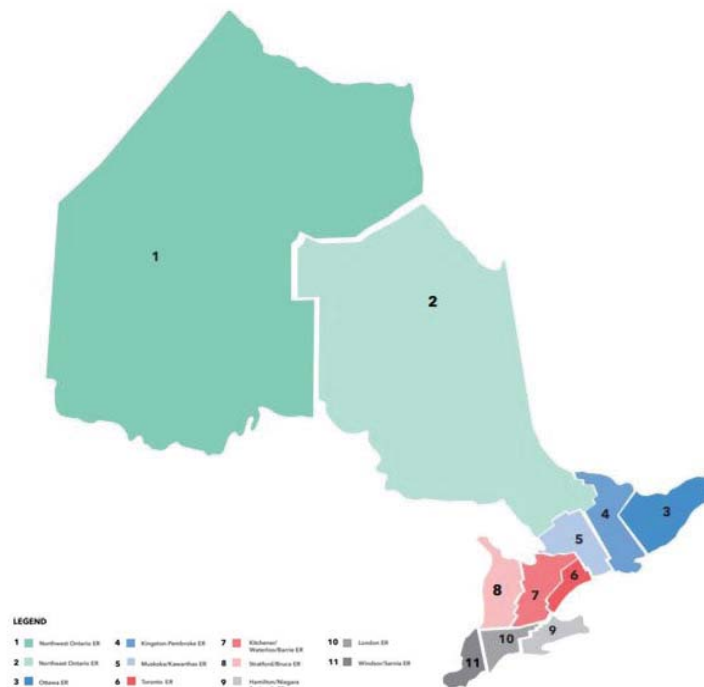
Comparing census data from 2011 and 2016, the **City of Toronto's** population has grown by 4.5 per cent, while the GTA outside of Toronto has grown by 7.2 per cent. Northern Ontario, which encompasses nearly 88 per cent of Ontario's land mass, saw only a 3.4 per cent population growth in northwest municipalities and a 0.5 per

cent population decline in the northeast.

“They're facing many of the challenges that are not unique to Ontario, things like urbanization, where young people are just moving to bigger cities, more competition with other provinces and countries, the aging population,” said Dessanti. “In rural and northern communities, there just aren't enough people to fill jobs.”

Northern Ontario's economy is largely driven by strong natural resource industries, with 79 percent of Ontario's forestry, fishing, mining, oil and gas jobs located in the north. As disruptive technologies and automation infiltrate these industries, it has led to an outmigration of youth, eager to pursue

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Map of Ontario's economic regions referenced in the Ontario Chamber of Commerce report.

SOURCE FOR ALL: ONTARIO CHAMBER OF COMMERCE

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career opportunities in the GTA. Immigrants are also disproportionately settling within the GTA and other large cities. In 2015, 94 per cent of immigrants to Ontario settled in Toronto, Ottawa-Gatineau, Hamilton, Kitchener-Waterloo, London or Windsor.

Dessanti said this outmigration has led to a severe labour shortage in northern Ontario, making the region less economically competitive. For example, Ontario's agricultural sector, which is primarily located in the north, had 8,600 unfulfilled jobs in 2014, resulting in \$436-million in lost sales. Similar labour shortages are seen in manufacturing and construction.

The report recommends that governments of all levels work with the private sector to create workforce development opportunities that respond to changes in the labour market. It also recommends encouraging immigrants to settle in parts of the province that are facing these labour market gaps. With many Indigenous communities residing in northern Ontario, the report proposes that the province examine the role that Indigenous peoples can play in stimulating economic growth in the north and provide necessary training for Indigenous youth.

Dessanti told *NRU* that data collection and analysis is key to ensuring Ontario can get ahead of future shifts in the economic landscape. This includes looking at skills mismatches, the impact of disruptive technologies and other global economic trends.

"It's definitely not easy to anticipate some kind of change. It's always easy after the fact. But I think the data tells us more than we're using it for. We know when an industry is in transition globally, we can anticipate that. If there's a small community that is entirely based on the auto sector, and there's a big shift in the auto manufacturing sector, we can anticipate that that's going to affect that community, so we need to be looking at that data," she said.

In Sault Ste. Marie, the restructuring of **Algoma Steel** from approximately 12,000 employees to 2,500 created

a ripple effect in the city's economy which contributed to its population declining from 80,000 to 73,000 in the past 20 years.

City of Sault Ste. Marie community development and enterprise services deputy CAO **Tom Vair** told *NRU* that while Algoma was downsizing, the city's economy was also diversifying. **JD Aero**, an airplane refurbishment and maintenance company, constructed a facility in Sault Ste. Marie, providing 120 new jobs to the area.

Ontario Lottery and Gaming Corporation and **Canadian Bank Note**, as well as a number of smaller IT, manufacturing and healthcare firms also set up shop in Sault Ste. Marie, providing new employment opportunities across a wider range of industry sectors.

"Our traditional suppliers to Algoma Steel have also diversified their businesses. They are now providing products and services outside of Sault Ste. Marie, to organizations across North America," said Vair.

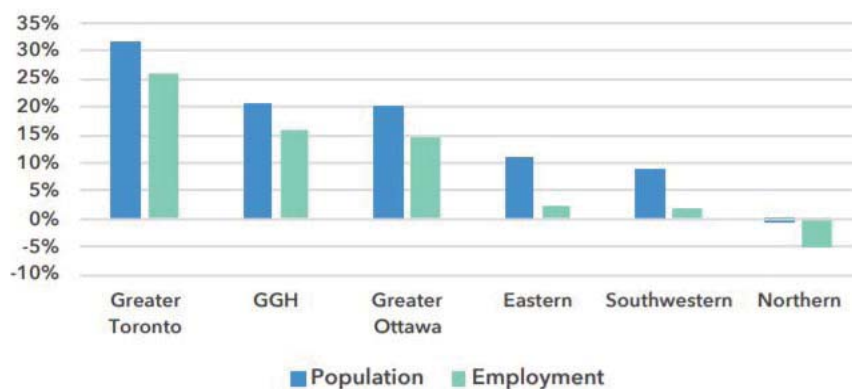
The city has created what Vair calls its "R3 strategy"

to help "recruit, repatriate and retain" local talent and launched a social media campaign to try and entice former residents to come back to the community to fill the roughly 9,000 jobs that are expected to be vacated as the baby boomer generation retires. Sault Ste. Marie has also been selected for the federal government's rural and northern immigration pilot program, with the goal of attracting new people to the community to fill in labour gaps.

Vair credits post-secondary institutions like **Algoma University** and **Sault College** as part of the reason for the economic uplift.

"When people are looking at locating in your community, I think having post-secondary institutions is certainly a major factor. It's a draw for the community. It demonstrates a certain capacity in the community. It also provides [an] ability for collaboration with business and research and provides an opportunity for people to continue life-long learning and gain new skills,

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Graph shows percentage of change in employment and population in six regions across Ontario from 2003 to 2018, with northern Ontario experiencing negative growth in both categories.

SOURCE FOR ALL: ONTARIO CHAMBER OF COMMERCE

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which is important in today's economy," said Vair.

The OCC report also points to the importance of these anchor institutions – schools, hospitals, public sector offices – as economic engines for regional development. In many communities, these organizations employ a considerable portion of the population, own significant real estate and act as the biggest purchasers of goods and services, supporting communities during times of economic transition. The report encourages the provincial government to partner with these anchor institutions to offer work-integrated learning programs, particularly in regions where businesses have the most difficulty accessing the skillsets they need.

Dessanti told *NRU* that prioritizing infrastructure investments that unlock regional economic growth, including roads, highways and transit is critical to ensuring Ontario's economy continues to grow. But those investments have been sorely lacking, which has contributed to the regional disparities between northern and southern Ontario.

In 2018, Ontario's Ministry of Natural Resources and Forestry reduced annual funding for the Forest Access

Roads Funding Program, a cost-sharing program between government and industry that supports the construction and maintenance of roads in Ontario, from \$75-million to \$54-million. Highway 69, the main connective route between northern and southern Ontario that allows businesses to connect to markets and supply chains, has also experienced a prolonged lack of investment. This has resulted in fatal collisions, road closures and unnecessary congestion along the highway.

"It's also about integrating transportation systems, so in southern Ontario, it's less about creating new highways and more about connecting public transit systems so people can live and work in different places. And transportation is interconnected to housing affordability because people can't always live where their job is, but if you don't have the good transportation networks, it makes it hard for people to commute," said Dessanti.

Ryerson University Centre for Urban Research and Land Development senior researcher **Diana Petramala** told *NRU* municipalities across Ontario should be prioritizing transit-oriented development as an economic development strategy. It provides greater

access to a wider range of jobs across Ontario, reduces the cost of living and decreases auto dependency. Transit-oriented development also ensures amenities and services are available closer to home, enabling parents with children requiring child care to be employed in the labour market.

Petramala said land speculation is also impacting economic development in Ontario. Landowners are holding on to land, assuming that it is or will be worth a lot of money in the future. But she said it's hard to make the business case for a developer to purchase the land when the price is inflated.

Government regulations also contributes to land speculation by constraining the supply of land, leading property owners to assume that their land is worth more than its market value.

"In Toronto, the yellowbelt is the biggest [example]," said Petramala, referring to a large swath of land designated *Neighbourhoods* in the city's Official Plan. "Because of the yellowbelt, it means there's only 25 per cent of city of Toronto land that can be built on, but once you take out lands designated for employment, it's actually a lot smaller...around 13 per cent. If you can only accommodate growth in a very small part of the city, of course housing prices are going to go up," she said.

The OCC report recommends that municipalities and the

province better design land use policies to accommodate economic growth, de-politicize infrastructure investments, and remove regulatory barriers that deter private sector investment.

Additional recommendations include expanding broadband across the province, promoting regional collaboration, facilitating industry cluster development, enhancing the use of data to guide economic policy development and focusing business supports on enhancing productivity and accelerating growth. 