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MEDIA RELEASE

Chamber Recommends Ontario Budget focus on Manufacturing

Kitchener, ON - The Greater Kitchener Waterloo Chamber of Commerce presented their provincial pre-budget submission to the Standing Committee on Finance and Economic Affairs of the Ontario Legislature yesterday. In order to assist the Waterloo Region manufacturing sector several issues were raised including: the elimination of Ontario Capital tax, a balanced budget for 2007, fairness in business education tax, and expediting the construction of the new Highway 7 between Kitchener and Guelph.

The Chamber's 2007 Ontario Pre-Budget submission can be viewed on the homepage www.greaterkwchamber.com.

With over 1900 members, the Greater Kitchener Waterloo Chamber of Commerce is the largest accredited chamber of commerce in Ontario. The chamber is dedicated to enterprise productivity and community prosperity. Since 1886, it has been the voice of business in greater Kitchener Waterloo.

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GREATER KITCHENER WATERLOO
Chamber of Commerce

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2007 PROVINCIAL PRE-BUDGET SUBMISSION

PRESENTATION TO THE STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS OF THE ONTARIO LEGISLATURE

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Table of Contents

	Page
Executive Summary	3
Section 1: Greater Kitchener Waterloo: An Economic Profile	4
Section 2: Improving Productivity and Competitiveness	4
2.1 Manufacturing Sector Issues	4
2.2 Business Education Taxes	6
2.3 Debt Reduction Plan	6
2.4 Personal and Corporate Tax Relief	7
2.5 Action to Close the Fiscal Imbalance	7
2.6 Physician Shortages in Waterloo Region	8
2.7 Eliminating Barriers for Internationally Trained Professionals and Trades People	9
2.8 Funding Post-Secondary Education	10
Section 3: Strategic Investments in Infrastructure	10
3.1 Waterloo Region Rapid Transit	10
3.2 Highway #7 Expansion between Kitchener Waterloo and Guelph	11
3.3 Establish GO Train Service into Waterloo Region	12
3.4 Improving Canada – U.S Border Infrastructure and Addressing the Need for Open Borders	12
Conclusion	13

Executive Summary

As one of the largest chambers in Ontario, the Greater Kitchener Waterloo Chamber of Commerce serves over 1,900 members representing all sectors of the local business community. Our membership includes small, medium, and large employers who provide 70,000 jobs in one of Ontario's most progressive and economically diverse regions.

The Greater Kitchener Waterloo Chamber of Commerce annually develops a Provincial Pre-Budget Submission through the work of our Federal & Provincial Affairs Committee, a volunteer group of senior business leaders who represent key industries in our region.

The recommendations within this document reflect the concerns of our members and have been divided into three sections dealing with:

- *the significance of our local economy;*
- *recommendations for economic growth and job creation;*
- *infrastructure investments to support economic development in Waterloo Region and across Ontario.*

1. Greater Kitchener Waterloo: An Economic Profile

This section highlights the contribution our local economy makes to Ontario's prosperity. Our growing population base, the diversity of our economy, and the attractiveness of our region to international investment are important factors to consider within this report's recommendations.

2. Improving Productivity and Competitiveness

Outlined in this section is a series of recommendations that will assist the local and provincial economies in job creation, investment, and economic development. Recommendations relate to corporate and property taxes, support for Waterloo Region manufacturers, health care, closing the fiscal deficit, and balancing the provincial budget.

Tax reform may incur costs to the provincial treasury, however such changes are necessary for future growth. Without immediate action, Ontario may witness investment moving to other jurisdictions with more competitive regimes.

3. Strategic Investments in Infrastructure

Strategic and financially sound infrastructure investments are critical for a rapidly expanding area such as the Waterloo Region. Significant proposals for investment in transit, transportation, and border access are advanced in this section.

Notwithstanding the challenges facing the Ontario government in establishing priorities for the 2007 Budget, the Greater Kitchener Waterloo Chamber of Commerce is confident that a plan of strategic investment and prudent fiscal programming in this year's document will set Ontario on a course that fosters productivity growth and renews prosperity.

Section 1: Greater Kitchener Waterloo: An Economic Profile

The Greater Kitchener Waterloo area is one of the largest Census Metropolitan Areas in Canada with a population of approximately 500,000 projected to grow to more than 729,000 within the next 25 years, and a labour force now at more than 270,000. The region is ranked as the 10th largest urban area in the country and 4th largest in the province. According to the Conference Board of Canada, the region's dynamic and diverse economy was Canada's fastest growing in 2005. Furthermore, the CIBC World Markets Metropolitan Economic Activity Index (December 2005) indicated Waterloo Region registered the highest rating among all Canadian cities for the second year in a row.

Strategically located, our region is well positioned as an international centre of excellence originating from our universities, high-profile companies, local philanthropists and significant technological advancements. For the second year in a row, the Intelligent Community Forum (ICF) named the City of Waterloo among the Top Seven Intelligent Communities of the Year, based largely on strong university-business-government collaboration.

Recognized as one of three pre-eminent technology centres in Canada, the region boasts more than 400 high-tech enterprises that employ more than 29,000 people. Key firms include Research In Motion, Com Dev International, Open Text, DALSA Corporation, Descartes, Northern Digital Inc., Sandvine and many others.

Not only a high-tech centre, Waterloo Region has developed a diversified economy, home to such international "think tanks" as the Perimeter Institute for Theoretical Physics and The Centre for International Governance Innovation, two world-renowned universities, and Ontario's number one-ranked college. The head offices of Manulife Financial, Equitable Life of Canada, The Economical Insurance Group and other important firms make our region an insurance and financial services centre. We are home to Toyota's Canadian operations and 270 auto and transportation related companies. Food manufacturing, including Schneiders, Piller's and Dare Foods, is also a key industrial sector.

Through Oktoberfest, along with the Elmira Maple Syrup Festival and its many community events, Waterloo Region's tourism sector is also very vibrant. St. Jacobs Country, one of Ontario's finest destinations, welcomes more than 3 million visitors annually.

Waterloo Region plays an important role in fuelling the economy. With a regional GDP of \$20.9 billion, it is interesting to note that a Canada's Technology Triangle (CTT) tax flow analysis indicated the Region contributes \$893 million more annually in provincial and federal taxes than it receives by way of transfers.¹

Section 2: Improving Productivity and Competitiveness

2.1 Manufacturing Sector Issues

Manufacturing is a vital component of the Waterloo Region. Approximately 26 percent of the local workforce is engaged in this sector, providing Canada's second-most manufacturing intensive economy. A recent report issued by Canada's Technology Triangle (CTT)² noted that the value added by manufacturing in the Region totalled \$7.2 billion in 2003. Value added in this context is a measure of how much value workers generate using the land and capital equipment employed in production, essentially including wages and the return from capital/equipment utilized.

¹ Canada's Technology Triangle. *Tax Flow Analysis*. 2001.

² Canada's Technology Triangle. *Manufacturing Industry Characteristics*. July 2006.

The total value of shipments in 2003 was \$16.9 billion, while the sector was comprised of 1,175 establishments employing 48,092 production workers and 15,014 administrative staff. In total, \$3.1 billion in salaries and wages were paid to these employees, while \$9.4 billion was spent on material and supplies.

Despite the relative strength and importance of the Waterloo Region manufacturing sector, owners are facing a series of issues in their operations on a daily basis, including increased competition from abroad and a rising Canadian dollar. In response, our Chamber has established the Manufacturing Action Group Network, or MAGNet, to advance sector concerns. The group has developed a series of recommendations which, if implemented, would maintain jobs and investment in Waterloo Region.

We strongly support the immediate elimination of the Ontario capital tax. According to a 2006 study from the C.D. Howe Institute, Ontario currently has “one of the highest corporate income tax rates among the provinces, an onerous capital tax and high retail-sales tax on capital purchases. Given Ontario’s lacklustre investment in business capital machinery and non-residential structures – at 9 percent of GDP compared to 11.3 percent on average for Canada in 2005 – the uncompetitive tax regime for businesses in Ontario must be a serious concern.”³ A recent study prepared for the Institute for Competitiveness and Prosperity (ICP) notes that Ontario “is the only province in Canada to raise its corporate tax rate without an offsetting reduction in another tax on businesses like the capital tax that would reduce the overall effective tax rate on capital.”⁴

The ICP study further notes that compared to other provinces like Alberta, Saskatchewan and New Brunswick, Ontario has relatively high effective tax rates on capital. The provincial capital investment (structures and machinery) per worker at \$8400 is \$1500 below the average among all Canadian provinces and only three-quarters of the average of all OECD countries and two-thirds of that of the United States.

The current capital tax regime provides no relationship to the profitability of a business and ultimately discourages expansion. The Ontario business community’s perspective on the capital tax issue is well documented. The Canadian Bankers Association (CBA), in their Submission for 2006 Pre-Budget Consultations (Ontario) noted that “annual capital taxes are almost a uniquely Canadian phenomenon that undermine business innovation and productivity because these taxes are profit insensitive.” The Canadian Chemical Producers’ Association, in their Ontario Pre-Budget Submission of December 2005 noted that “Ontario’s capital tax discourages investment in buildings and equipment. Bluntly, the capital tax kills jobs. Government must take action now; eliminate the capital tax this year – it is the single most cost effective measure it can take.”

Recommendations

1. In order to stimulate investment and job creation in the manufacturing sector, the capital tax should be eliminated immediately. Proceeding on the schedule to remove the tax in 2012 or 2010 depending on the province’s fiscal circumstances is unwarranted given the current economic conditions facing the manufacturing sector.
2. Our Chamber supports the Private Member’s Resolution tabled by MPP Ted Arnott, Waterloo-Wellington, directing the Legislature’s Finance and Economic Affairs Committee to commence a study of Ontario’s competitiveness in the manufacturing sector. The study would identify and quantify the issues faced by manufacturers in Waterloo Region.
3. In 2004, the provincial manufacturing and resource income tax rate was increased from 11 percent to 12 percent. We propose that, as a minimum, the rate should return to 11 percent if not lower.

³ Chen, Duanjie and Mintz, Jack. *Business Tax Reform: More Progress Needed*. C.D. Howe Institute. June 20, 2006.

⁴ Chen, Duanjie and Mintz, Jack. *Ontario’s Fiscal Competitiveness: Still Some Way to Go*. Prepared for the Institute for Competitiveness and Prosperity. November 22, 2006.

2.2 Business Education Taxes

Education taxes constitute approximately one-half of the property taxes levied on Ontario businesses,⁵ and both geographical and taxpayer class rate discrepancies distort business decisions.

When it assumed control of education funding in 1998, the province equalized the residential education tax rate, however left the widely varying Business Education Tax (BET) rates in place. The main challenge created by the current tax arrangement is the relative competitive disadvantage imposed on businesses in municipalities with higher than average BET rates.

There is no justification for two similar business properties in different municipalities to be charged different provincial tax rates for an education system that equally benefits all Ontarians. Furthermore, rates vary among classes of business properties as well as residential properties. The rate of municipal and education taxes on small and medium sized business properties is typically two to three times the single family residential rate. For industrial properties, the tax rate can be more than six times the residential rate.

Recommendation

1. The Greater Kitchener Waterloo Chamber of Commerce proposes a fair and consistent education rate charged to business property owners. We support a single, uniform tax rate, applied equally to both the residential and business classes.

2.3 Debt Reduction Plan

One of our primary fiscal concerns is the elimination of the provincial debt. Certainly the level of debt held at the provincial level has increased over the years, even in a time of excellent economic growth. Now that our growth prospects are not as buoyant, we find ourselves saddled with an increased debt load and little flexibility in how to fund new spending. In 2006, the provincial government was provided with the opportunity to eliminate the deficit, yet chose not to, a decision that was disappointing to our members.

The Ministry of Finance's *Economic Outlook and Fiscal Review 2006* indicates that interest on the debt is projected to grow from \$9.0 billion in 2005-2006 to \$9.6 billion in 2008-2009, while the net debt increases from \$141.9 billion to \$151.5 billion. The current debt to GDP ratio is projected at 26.4 percent, whereas historically, prior to 1991, it was maintained at approximately 15 percent.

The faster the debt can be reduced, the faster Ontario can stop spending in excess of \$9 billion in annual interest charges and alternatively allocate the financial resources to strategic program spending or further tax reductions. Public debt interest payments remain the third highest government expenditure after health and education.

Recommendations

1. A program should be established with rigid timelines and goals that would move the debt to GDP ratio back to approximately 15 percent, the level that was apparent in 1989-1990.
2. The Province's primary objective must be balanced budgets for 2007-2008 and future years. Increased spending resulting in a deficit should not be considered.
3. New spending initiatives should be funded through a reallocation process out of existing expenditure categories that are no longer effective and/or are a low priority. In addition, new spending can be funded through interest savings generated by debt repayment.

⁵ Ontario Chamber of Commerce. *Property Tax Policies*. July 2006.

4. We propose that spending increases be limited to a maximum of 3 percent (inflation plus population growth) per year. A review of Ontario's financial statements indicates that spending increases escalated by 16 percent between 2004 and 2006. Increases of this magnitude are neither responsible nor sustainable in an economy that grew by less than 6 percent during the same time frame.

2.4 Personal and Corporate Tax Relief

Given the current fiscal situation, there could be a natural inclination to raise tax rates to cover deficits. As an example, the government increased the general corporate income tax rate from 12.5 percent to 14 percent in 2004. This inclination must be resisted at all costs in the future.

To remain internationally competitive, Ontario's corporate and personal tax rates must decrease. To the extent the government cannot currently provide tax relief due to fiscal pressures, such reductions should be implemented as future budgets allow. As noted earlier, the Ontario capital tax should be repealed immediately.

Recommendation

1. Personal and corporate taxes should decrease in the future, when budget surpluses occur. It is imperative that personal and corporate tax rates not increase as a mechanism for a balanced budget.

2.5 Action to Close the Fiscal Imbalance

In August, 2005, the Ontario Chamber of Commerce (OCC) released a report entitled *Fairness in Confederation - Fiscal Imbalance: Driving Ontario to "Have-Not" Status*. The report indicated that there exists a \$23 billion deficit between what Ontario pays to the federal government in taxes and what it receives back in services. This deficit represents about 4.5 percent of Ontario's GDP. With the expected growth rate of the province's GDP estimated to be 2.1 percent, it is clear that Ontario cannot continue on this path. In fact, the OCC report indicates that if current trends continue, Ontario will be in the "have-not" category by the year 2010.

In November 2005, the OCC released the second phase of its report entitled *Fairness in Confederation - Fiscal Imbalance: A Roadmap to Recovery*. Encapsulated in this report are recommendations that outline the measures that both the federal and provincial governments should take to restore a true sense of balance and fairness to Canada's wealth redistribution system. The following recommendations characterize the initiatives we believe the Ontario government needs to take to help close the fiscal gap.

Recommendations

1. The Province should take the steps necessary to ensure that new agreements negotiated also include an estimate of the full cost to Ontario taxpayers and an analysis of delivery data for similar agreements in all other provinces. This will help to ensure that programs are being offered at roughly the same level of consumer accessibility across Canada.
2. The government of Ontario should insist that neither equalization nor any other transfer activity should grow, in any year, at a rate greater than the economic growth rate of any single contributing province.
3. The Province should lobby the federal government to publicly review the relationships among the net fiscal imbalance and consumption, investment, productivity and savings within Ontario.
4. The province should examine and research the tax and other fiscal initiatives that have been proposed by experts as part of their strategy to close the fiscal gap.

5. The province should lobby the federal government to put in place a national plan to reduce the fiscal gap within one year.

2.6 Physician Shortages in Waterloo Region

According to the Ontario Ministry of Health and Long-Term Care (MOHLTC), it is now estimated that 59,340 residents of Waterloo Region do not have access to a family physician. On a provincial level, the Ontario Medical Association notes that Ontario is short 2,300 doctors, leaving approximately 1.2 million residents without this service. Furthermore, it is estimated that by 2010 the doctor shortage will exceed 3,000 and 1.7 million residents will be affected.⁶

The 2005 Survey of Ontario's Physicians, conducted by the College of Physicians and Surgeons of Ontario, indicated that the actual percentage of doctors accepting new patients into a family practice is 3.6 percent. Furthermore, the average age of practising physicians and the proportion of practitioners approaching retirement are also increasing.⁷

Family physician recruitment is critical for meeting the primary health care needs of a rapidly growing population such as the Waterloo Region. Lack of access to family practitioners is not only a serious community issue impacting all citizens, it is also an economic issue impacting the business community. Local human resource officials inform us that the presence of family doctors is crucial for attracting and hiring new staff. Operations managers note that time-off required for workers to wait in clinics or emergency wards is negatively impacting productivity.

Kitchener Waterloo's underserved area designation was revoked in August of 2005, leaving our community at a competitive disadvantage against other southern Ontario municipalities. After considerable lobbying efforts and advocacy initiatives, the MOHLTC reinstated Kitchener Waterloo's designation in September of 2006.

Recommendations

In order to address the critical shortage of family physicians and ensure the right of all Ontarians to be able to access primary medical care, the Ontario government should:

1. Eliminate the limit on the number of foreign trained physicians accepted through the Assessment Program for International Medical Graduates and expedite the process of approval.
2. Increase the number of spaces by 20% for postgraduate training of doctors in Ontario.
3. Expand the number of primary care services provided by other health professionals such as nurse practitioners.
4. Offer competitive incentives to attract and retain doctors in the province such as mentorship programs, interest free loans for startup and expansion and/or modernization of existing practices, and medical school bursaries.
5. Establish a recruitment program to attract Canadian trained doctors currently practicing in out of province and out of country jurisdictions.

⁶ *Retaining Doctors in our Communities Key to Quality Patient Care*. Ontario Medical Association Media Release, September 14, 2006.

⁷ Ontario College of Physicians and Surgeons. *2005 Survey of Ontario's Physicians: Access Challenges Ahead*. June 2006.

2.7 Eliminating Barriers for Internationally Trained Professionals and Trades People

Eliminating barriers for internationally trained professionals and trades people is essential to enhancing Ontario's workforce and addressing current and future skills shortages. It is important that both the federal and provincial governments support programs that allow new Canadians to be quickly re-certified in their specific field and to find employment related to their skills and training.

Statistics Canada estimates that 22 percent of Waterloo Region's present population are new Canadians, and that by the year 2011, 100 percent of Canada's net labour market growth will be provided by immigrants.

However, the unemployment rate for recent immigrants to Waterloo Region is almost 14 percent, compared to 5 percent for Canadian-born individuals seeking employment. Furthermore, recent immigrants are more educated and skilled today than ever before. In 2001, an average of 37 percent of immigrants aged 25-49 across Canada possessed a university degree, compared to an average of 23 percent for Canadian-born residents.

To address employer and employee concerns in our community, the Waterloo Region Immigrant Employment Network, or WRIEN, was established and commenced operations in 2006. The five priority areas of WRIEN are:

- a) **Employer Initiatives** – strategically orient and support employers in hiring immigrants and successfully integrating them into the workplace.
- b) **Qualification Recognition and Enhancement** – ensure that the prior learning and credentials of immigrants are recognized and enhanced to the benefit of Waterloo Region.
- c) **Immigrant Support** – equip immigrants in overcoming their systemic employment barriers.
- d) **Immigrant Attraction** – strategically recruit and retain immigrant skills to the benefit of Waterloo Region.
- e) **Investments** – identify funding opportunities, provide strategic guidance on funding proposals, work collaboratively on appropriate initiatives, and leverage funding from other investment sources.

Our Chamber supports the Ontario government's recently passed Bill 124, the *Fair Access to Regulated Professions Act, 2006*. This new legislation addresses many concerns that have been advanced by our Chamber and other business organizations related to the elimination of barriers for foreign trained employees.

Recommendations

To enhance the integration of immigrants into the Waterloo Region community and workforce, we recommend that the Ontario government:

1. Continue to support and provide funding for certification, licensing, and accreditation of internationally trained professionals and trades people and further encourage and support co-operative programs.
2. Collaborate with the federal government and provincial business community to assist in making businesses aware of the World Education Service and other credentialing services, and encourage their use.

2.8 Funding Post-Secondary Education

Waterloo Region, as a leading centre of higher learning with two world class universities and Ontario's top community college, considers post-secondary education as a local and provincial priority.

Higher education is one of the best strategic investments a government can make for improving economic growth. Post-secondary graduates are future leaders and vital to a workforce dedicated to creating and building. They provide talent, skills, knowledge, creativity and adaptability.

Without the enhanced strategic funding of colleges and universities, as well as investment in broader skills training and apprenticeship programs to meet labour market and student needs, the quality of education will decline dramatically. A highly skilled and educated workforce will impact innovation, productivity, social benefits, and our future economic competitiveness and prosperity.

Recommendations

1. Post-secondary institutions should be given greater flexibility in setting tuition fees. Rates should not be capped.
2. A system should be established that would provide improved access to and enhanced financial aid programs that reflect real rising costs incurred by students. These programs must be reviewed and adjusted regularly to ensure they remain current.
3. Enhance funding for post secondary institutions to develop relevant research to create new technologies and knowledge to drive innovation in business.
4. Provide enhanced investment in and wider student access to broader skills training and apprenticeship programs.
5. Increase the current Ontario Co-operative Education Tax Credit from \$1,000 to \$2,500 per work term for each co-op student and raise the eligible expenses from 10 percent to 25 percent to provide greater incentive for employers to hire and mentor more students.
6. Our Chamber strongly supports the proposed expansion of Conestoga College, which includes increasing the College's capabilities in health care education, apprenticeship training, and skilled trades. The proposed expansion is crucial for addressing short and long-term workforce issues in Waterloo Region.

Section 3: Strategic Investments in Infrastructure

3.1 Waterloo Region Rapid Transit

Rising demands in the absence of increased investment cannot continue without jeopardizing the operating ability of Ontario's public transit systems. Traffic congestion impacts our ability to attract and secure new jobs, as businesses report that access to roads and public transit are key factors in their business location and expansion decisions. Shifting from personal vehicle use to public transit is important in reducing congestion. Strengthening and expanding public transit networks will reduce gridlock, ensure a cleaner environment, manage urban growth, and provide economic returns.

As noted earlier, Waterloo Region is one of the fastest growing communities in Canada with anticipated population growth from 500,000 to 729,000 over the next 25 years. In 2003, Region of Waterloo Council unanimously adopted the Regional Growth Management Strategy (RGMS), a long-term strategic framework that identifies where, when, and how future residential and employment growth will be

accommodated. This strategy identifies rapid transit as a key element that will help shape the future of the community.

Building and widening roads alone is not a practical solution to meet the transportation demands of a growing urban population. A rapid transit system linking Cambridge, Kitchener and Waterloo, accompanied by enhanced conventional transit services, will benefit the entire Region.

The Region of Waterloo is currently working on an Individual Environmental Assessment for the development of a rapid transit system within the Region's Central Transit Corridor. In July 2006, Regional Council approved Phase 1 and selected the Rapid Transit Initiative as the preferred transportation strategy. Public consultations on Phase 2 are now progressing to select the appropriate technology, route, and station locations.

Recommendation

Given the importance of Waterloo Region as one of Canada's fastest growing urban centres, investment in the Region's transportation strategy is critical. While we appreciate that the Ontario government committed to a joint federal-provincial investment in technical studies and an environmental assessment for a Rapid Transit project to serve the area, we urge you to:

1. Make a further commitment, subject to the outcome of the technical studies and environmental assessment, to the Region of Waterloo's transportation strategy which includes investment in the Rapid Transit Initiative.

3.2 Highway #7 Expansion between Kitchener Waterloo and Guelph

For more than thirty years, our Chamber, local municipalities and citizens groups have been advocating a better transportation link between Kitchener Waterloo and Guelph. A new four lane route connecting these increasingly important urban centres is required not only for economic but safety reasons. The number of traffic accidents which have occurred in recent years demand immediate attention on the part of the provincial government. Furthermore, the new Highway #7 is needed to relieve congestion on Highway #401 and alleviate air pollution.

Waterloo Region business leaders and municipal officials are becoming increasingly concerned with the lack of any significant progress on this critical issue. We were particularly alarmed this past year when the *Places to Grow* Growth Plan for the Greater Golden Horseshoe contained a map outlining proposed future growth patterns. There was no acknowledgement of the existing Highway #7 or the proposed new route. Although a conceptual arrow indicates a transportation link between Guelph and Waterloo Region, the arrow stops at Guelph. Earlier versions of the same map, however, were extended to Waterloo Region.

An Environmental Assessment Study commenced in 1989 and a report was subsequently forwarded to the Ministry of Environment in 1997. The Ministry of Transportation has articulated not only local transportation and safety needs, but also natural environmental issues, agricultural impacts, and business interests. The process has been long and related consultations have been extensive.

The urgency for addressing local concerns is compounded by the fact that approvals are taking considerable time, and, along with property acquisition, it will be another three to five years before the new highway construction is started.

Recommendation

1. The Ontario government should budget for and implement a focused design and construction program for a new Highway #7 between Kitchener Waterloo and Guelph. The Greater Kitchener Waterloo Chamber of Commerce urgently anticipates an announcement, in the 2007 Provincial Budget or sooner, on the schedule.

3.3 Establish GO Train Service into Waterloo Region

In January 2002, Waterloo Region submitted an application under the Golden Horseshoe Transit Improvement Plan (GTIP) for a GO Transit Rail Link between Waterloo Region and Toronto, connecting at the Milton GO Station. This transit expansion project will play a significant role in enhancing our local economy.

Waterloo Region and surrounding municipalities provide the strongest growing market for commuter rail service in the Greater Golden Horseshoe. The proposed sixteen kilometre Milton GO Transit rail link with Waterloo Region is an excellent fit with the Growth Plan for the Greater Golden Horseshoe. The proposal not only addresses inter-regional congestion and growth pressures using existing infrastructure, it provides an attractive and financially viable alternative to automobile use. Under our Regional Transportation Strategy, this initiative would be integrated with region-wide transit services and ultimately have a direct connection with our Region's Central Transit Corridor.

Our Chamber was pleased that a recent news release from the Ontario Ministry of Transportation (December 20, 2006) noted that "the feasibility of providing new and additional GO bus service extensions to support Peterborough, Niagara Falls and Kitchener/Waterloo/Cambridge/Guelph is being studied by GO Transit. Results of the study were tabled at September's GO Transit Board meeting... In 2007/08 GO will consider projects towards implementing the first phase of extended bus services west towards Waterloo Region through the introduction of a park-and-ride lot in the Guelph area. GO would extend the service area of the Milton corridor to Guelph, making connections between Waterloo Region and Mississauga/Toronto more convenient."

Recommendation

1. Enhance the economic potential of Waterloo Region by approving the Golden Horseshoe Transit Improvement Plan application for GO Transit Rail Service.

3.4 Improving Canada-U.S. Border Infrastructure and Addressing the Need for Open Borders

The United States and Canada share the largest trading relationship in the world. An estimated \$US 1.2 billion in trade crosses the US-Canada border daily, with over 40 percent of it at the five international, land-border crossings in the Detroit/Windsor Region. However, growing trade volumes and an aging infrastructure have placed heavy pressures on the system. If no improvements are made by 2030 to border crossing capabilities in the Detroit River area, losses could total 70,000 Canadian jobs and combined U.S./Canadian annual production of \$CAN 19.4 billion.

In Ontario and Waterloo Region, the success of our exports is highly dependent upon a "just-in-time" delivery system. With annual exports in excess of \$12 billion, approximately \$10.7 billion of which is to the United States, Waterloo Region's economy relies heavily on the effective functioning of border crossings.

Recommendation

We recommend that the Ontario government work in cooperation with the federal government to:

1. Continue with infrastructure improvement projects at the Windsor-Detroit Gateway to ease capacity and reduce congestion impeding efficient movement of commercial traffic and travellers.

Conclusion

The Greater Kitchener Waterloo area makes a significant contribution to Ontario's economy. Growth in its performance over the past decade has led the nation and it is now one of the three pre-eminent technology centres in Canada. The strength and diversity of this region can play an even larger role in improving the province's economy with some specific and strategic actions.

Strategic provincial investment will reap the most economic benefits if built upon a strong fiscal foundation. Government must, first and foremost, be accountable to taxpayers in ensuring public funds are spent and invested wisely and effectively. It is critical that a debt management plan be put in place so that future generations can also prosper, and that program spending and corporate tax reform can be addressed.

In addition, if Ontario and the Waterloo Region are to move forward on a path of renewed productivity growth and prosperity, strategic investment in initiatives that enhance innovation, remove barriers for foreign trained workers, expand public transit, improve health care and build cross border infrastructure is required. Productivity growth promotes prosperity and allows urban centres such as the Waterloo Region to thrive and become more globally competitive.

In summary, the Greater Kitchener Waterloo Chamber of Commerce is confident that these strategic actions can position our region as a prominent example of success in Ontario and beyond. Our optimism for the future does not minimize the challenges that face Ontario in establishing priorities for the upcoming year. We therefore encourage the provincial government to use the 2007 Budget as an opportunity to set Ontario on a rejuvenated course of productivity growth that will strengthen our community.