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**Inclusive Cities Canada Conference**

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**How can the New Deal for Cities and Communities strengthen the social infrastructure of cities?**

I am pleased to participate in this panel, though my emotions in doing so are mixed. On the one hand, as a passionate advocate for a new urban agenda, I am happy to have any podium from which to make the case. On the other hand, I object on principle to the title of this session. We've been asked to address the question of what the New Deal for Cities and Communities can do to strengthen the social infrastructure of cities. My answer is that it can't do nearly as much as it should, now that its mission has been spread out over every town and hamlet in this country. Watering down the New Deal from its original focus on Canada's major cities is mistaken from many policy perspectives, including that of social inclusion.

The only way we're going to meet the challenge of social inclusion in our cities and city-regions is by having the courage to zero in on Canada's largest cities, where the challenges of social inclusion are most pronounced. (Issues of aboriginal inclusion are an exception, but even they are becoming increasingly urban in nature.) Whatever its political motivation, the decision to morph the original "new deal for cities" into a "new deal for cities and communities" represents a real turning away from this challenge.

The logic underlying this policy shift was summed up by Minister John Godfrey, (who I understand spoke to you this earlier today.)

*"Remember, if small and rural communities fail, their people will head for the big cities. If we don't want our cities to be overrun with the populations of collapsing communities elsewhere then we better pay attention to the hydraulics that exist between our urban and rural communities. The bottom line is that our communities large and small need each other to thrive and government policy must reflect that. That's why our New Deal is a new deal for all of Canada's cities and communities. And that's why we are offering to share federal gas tax revenues in a way that can benefit all sizes of municipalities in this country.<sup>1</sup>"*

So the government's view is that because all Canadian communities are connected, they are all equally deserving of investment funds and must all be treated the same way. But this logic is flawed:

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<sup>1</sup> [http://www.infrastructure.gc.ca/cgi-bin/printer-friendly.pl?page=/speeches-discours/20050228\\_e.shtml](http://www.infrastructure.gc.ca/cgi-bin/printer-friendly.pl?page=/speeches-discours/20050228_e.shtml)

- It's true everything is connected, but connectedness is no rationale for a one-size-fits-all approach to Canada's cities and rural communities.
- People are already leaving small towns for cities, and will continue doing so; that flow isn't reversible.
- Propping up flagging rural communities subsidizes inefficiency.
- Doling out federal gas tax funding on a per-capita basis ignores the reality that the needs, costs, fiscal capacity and expectations of our cities varies greatly from those of smaller communities.

Let me elaborate. Canada's population is and will be increasingly concentrated in three city-regions and 8 or 10 core cities. About 45% of Canada's population now lives in its six largest city-regions; and all of these cities (except Montreal) are growing much more quickly than the national average.

Rural Canadians are increasingly moving to urban centres. And as we all know, immigrants—who already constitute most of Canada’s population growth—are overwhelmingly choosing to live in the Greater Toronto region (which receives about half), Montreal, and Vancouver.

Along with these population trends come distinctly urban problems of social inclusion. Cities are where former rural-dwellers and immigrants are settling, and cities are where the challenges of diversity and poverty are being felt most keenly. Some years ago, I had the privilege of chairing a taskforce on homelessness. I learned that 47% of all shelter users in Toronto come from outside Toronto, 14% from outside the country. At the United Way, we did a study of incomes in the GTA by census tract, updated in a recent study called “Poverty by Postal Code”. What it showed is that within Toronto, as in other city-regions, the city cores contain the highest concentrations of poverty. So the level of need in our cities is already acute.

Turning to the economic realities, the fact is that Canada's 27 CMAs account for about two-thirds of both Canada's gross domestic product and employment. On average, half—and sometimes considerably more—of provinces' economic activity is driven by one or two CMAs. These trends will only increase with the growth of the service sector, free trade, and the urban-based information and communications technology industries.

So what do these two perspectives—demographic and economic—show? First, that to allocate federal infrastructure funds on a per capita basis is simply to ignore the growth and density issues unique to Canada's large cities, where infrastructure needs are different in both substance and magnitude. While a portion of Canada's huge infrastructure gap is related to the need to renew aging infrastructure, most of it is growth-driven—population and business growth (centred in Toronto, Vancouver, "Edgarey", and Montreal regions).

Second, doling out infrastructure money to keep rural populations out of the cities is both ineffective and inefficient. People are moving from rural areas to cities for a host of reasons, and new gas tax money to small towns isn't going to stop that. Investing in communities strictly to keep them alive runs counter to a national productivity agenda, which must be aligned with the interests of Canada's major cities—more about that in a moment. Of course, policies to promote adjustment and transition are needed for faltering rural communities; and of course the needs of rural communities need to be addressed too; but the solution does not lie in a one-size-fits-all policy.

Now that I have, I hope, convinced you that extending the New Deal for Cities to include all towns and villages in the country is the wrong way to go, I want to speak to two propositions. The first has to do with the role that city-regions and hub cities are expected to play as the engines of sustainable prosperity for Canada in a global economy.

The second is what the priority issues are for a New Deal for Cities that would address social inclusion.

Around the world, there is a growing recognition that cities, and especially city-regions, are the drivers of nations' economic performance in a globalized, knowledge-based economy. Ten years ago next month, I submitted the Report of the Task Force on the Future of Greater Toronto. Our central thesis was that city-regions were the ascendant powers on the global stage. (Indeed we opened the report with this quote from Jane Jacobs,

*"Whenever and wherever societies have flourished and prospered, rather than stagnated and decayed, creative and workable cities have been at the core of the phenomenon." Jane Jacobs, 1993)*

Many are finally grasping the idea that Canada's future prosperity depends on the health of its large cities (this, I had thought was the insight driving the New Deal for Cities). With the growing focus on global supply chains, economists (like Don Drummond and Tom Courchene) are



advocating the case: because cities are now the platform for the export of high-value goods and services in a global economy, they are the platforms of regional and international integrative trade. Cities are the centres of knowledge and innovation, the places where the people, research and development, and high-value services are concentrated in close proximity. This density provides a sustaining environment for the creation and creative application of intellectual capital, an environment that cannot emerge in less densely-packed areas. Economically vibrant cities are home to what Richard Florida calls “the creative class”, without whom we cannot drive the innovation that will improve our productivity performance [reference *P&P*—slipping economy due to lagging productivity].

So these are the conceptual reasons for the new interest in cities—but there’s also hard evidence backing up these claims. As the Ontario-based Task Force on Competitiveness, Productivity and Economic Progress has found, a region’s productivity is highly correlated with its

urbanization (i.e., the proportion of its population living in city areas.) Research has also shown that innovation is also correlated with employment density: the number of patents per capita increases on average by 20-30 per cent with every doubling of employment density. In short, it is clear that firms located in cities “enjoy higher productivity, greater innovation and growth, and pay higher wages.”

These reasons are why cities around the world are competing with each other as destinations for investment and talent. On their success hinges the capacity of nations to provide for the well-being of all their citizens, urban and rural dwellers alike. This message hasn't gotten through as strongly as it should to Canadian politicians and voters, but it's well-understood in other countries.

Last month I took a study tour of urban revitalization in the United Kingdom, and wherever I went, I heard the same message:

*“Unless countries get hold of the urban agenda and understand the importance of place in macroeconomic, social, cultural, and environmental policies to deliver competitiveness, they won't be able to provide what's important to citizens' lives. City-regions are the building blocks of nations.”*

The cities of Manchester, Leeds, Glasgow, and London each face diverse challenges; but the visions, approaches, and strategies adopted by these cities are aligned.

And notwithstanding major differences in the political, economic, and social context in which these cities operate from that in Canada, the central themes sounded by leaders in these cities have great relevance for us here.

Cities in the UK are committing themselves to a comprehensive vision of what it takes to become competitive—from transportation, water, and telecommunications infrastructure to education, culture and

social inclusiveness. In each case the visions are remarkably broad, embracing all the types of capital—including "creative capital"—that contribute to economic growth. And these cities take it for granted that achieving their vision requires attention to income inequality. (The recent urban riots in France and neighbouring countries have only underlined that point.)

In Canada too, agendas for city competitiveness and national prosperity must attend to all the elements, including the social ones. An economically vibrant city requires infrastructure to move goods and people efficiently, to support modern information and communication technology; and to have safe water and sanitation. This infrastructure is what supports high-value industries, attracts investment, and creates the conditions for innovation to take place. To this must be joined an educational system capable of generating highly-skilled workers and research; a clean and culturally vibrant city capable of attracting and keeping a talented work force; and a social environment that contributes to a healthy, educated

and mutually trusting citizenry that's capable of planning and working strategically toward a common urban future. And arguably, most important of all, is suitable affordable accommodation for the low-income households in our cities—without a doubt, housing sits at the crossroads between social welfare and participation in urban life.

Only when all these elements of competitiveness and national productivity come together is it possible for cities and nations to muster the fiscal resources needed to directly tackle problems of social inclusion. Only through a healthy tax base is it possible to keep libraries and community centres open and to fund the broad network of community support services. Only if our cities are economically vibrant will they provide opportunities for immigrants to succeed.

Ottawa must get serious about the urban agenda if it's to get serious about tackling social inclusion. And that means overcoming the current anti-big city bias—the taboo, as Tom Courchene puts it, against "privileging" our major city-regions.

Let me conclude by giving you my sense of the priorities for a New Deal for Cities, as seen through the lens of social inclusion. The two priorities that stand out for me are public transit and affordable housing. Keeping goods and people flowing efficiently through downtown cores and across metropolitan regions is crucial to Canada's prosperity. Saturday's *Financial Post* (November 26, 2005, p. FP6) described the shipping gridlock now paralyzing Canada's goods movement. Within cities we've also reached the saturation point and costly gridlock will deter investment, as well as make life unpleasant.

Transit speaks directly to social inclusion: now that downtown housing prices are driving the working poor into the inner suburbs, and more jobs are moving away from downtown to the suburbs, it's becoming increasingly difficult to commute by public transit from one suburb to another. And with job mobility being what it is today, the idea of living near workplaces no longer makes the sense it used to. So big-city transit systems that made cross-suburb

commuting easier would do much both for the whole city economy and for the job prospects of lower-income workers.

The second priority is social housing. Ever since the federal government withdrew support for social housing in 1993, followed by all provinces except B.C. and Quebec, the problem of homelessness has skyrocketed in major cities. When poor people are paying over one-third, or even half their income for housing, as happens all too often in our major cities today, the barriers to participation in society are obvious. Furthermore, we know that the quality of social life is directly linked to health. The housing market simply does not work for the poor.

Its worth noting that large proportions of the homeless population consists of Aboriginals and immigrants, two groups for whom the federal government has a special responsibility.

In highlighting public transit and social housing, I am not intending to deny the importance of investing in cultural institutions; again, the important point is that we must not starve our major cultural institutions because they're located in cities—just the opposite. Cultural institutions in our major cities have economic spinoffs of a wholly different magnitude than those in smaller towns, and federal funding of the arts needs to recognize this fact.

A New Deal for Cities was not intended to constitute an entire urban agenda, nor was it intended to constitute an entire agenda for social inclusion. To develop a policy agenda for social inclusion writ large would require tax policies to break down the welfare wall; it would require changes in education, policing, social programs, etc.

The New Deal for Cities was originally intended to be about power, money, and infrastructure—to allow cities the powers they need to run their affairs; to give cities a seat at the table when senior levels of government discuss matters of direct relevance; above all, to address the current



mismatch between their responsibilities and fiscal resources.

At the Conference Board, we believe that the future of Canada's cities will determine the future of our country. We believe this so strongly, in fact, that we've identified cities as one of three major themes in the Canada Project, a multi-year research project aimed at promoting sustainable prosperity in Canada. The project will be published next fall, and I hope you'll read it to see how deeply the well-being of all our citizens, including the least advantaged, depends on keeping our cities healthy and vibrant.

But I hope that Ottawa won't wait that long to get serious about a cities agenda in this country. It is here that the real answers to social inclusion will be found.

Thank you.