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**Remarks by Michael R. Garrett CAO, City of Toronto
To the Canadian Club Monday, January 31 2000
The Royal York Hotel Second Floor Ballroom 12:00 noon**

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Audience and Speech Profile

The Canadian Club provides a forum for the discussion of business and social issues of the day. Speakers in 1999 included Joe Clark and Gerry Adams of Sinn Fein. Audiences range from 75-200 and generally include a majority of business people from the Toronto area, including senior executives from large, medium and small business firms.

This speech is titled Toronto: New City For A New Economy and looks at the strengths and weaknesses facing Toronto as Canada's economic engine.

Introduction

Thank you Henry/ Reverend Doctor Stirling/ distinguished head table guests/ ladies and gentlemen. It's a pleasure to be with you today, this last day of January. In fact, just saying the words "last day of January" is a pleasure for most of us. It was an even greater pleasure last year. We're still looking for the extra \$38 million to pay for last January's snow removal bill! This year's been better though. So far the Mayor hasn't had to call in the Army. In fact, last week he offered assistance to Premier George of Prince Edward Island. He had sent crews up to help us last year.

1 He thanked us but said they didn't need any help. I guess when you're hibernating, it doesn't matter how deep the snow is. Today, I'd like to speak to you about some of the business and social issues facing the new city of Toronto. But first, a retrospective. Toronto entered the 20th century with a kind of excited optimism. There was good reason. The mines of Northern Ontario were giving up their gold, silver and nickel by the ton. Factories to process the minerals and manufacture goods sprang up across Toronto.

2 Employment surged. The bustling city of 200,000 became known as more than the gateway to the West for immigrants to Canada. Now they called it the mining capital of North America. On the swelling tide of that reputation, Bay Street began to emerge as an important financial centre. The city was starting to feel and flex its growing economic muscle. As if to announce Toronto's new status and say goodbye to a century, the bell of the new city hall at Queen and Bay rang out for the first time at midnight in 1899. Revellers raised glasses of chilled champagne and toasted the New Year under the hall's impressive towers. One hundred years later, at the stroke of midnight 1999, the bell rang again. But this time, the party had moved south.

3 Down at the waterfront, a new city celebrated. Lasers, lights and fireworks were choreographed to ten centuries of music. The harbour skies exploded in a millennial symphony of fire that rivalled displays from around the world. At the end of another century, Toronto's optimism once again seemed boundless. (PAUSE) The question is, beyond the brilliant pyrotechnics and high spirits of New Year's Eve, is the optimism justified? Today, I want to answer that question with a qualified yes. I want to bring you one message from those of us who are charged with building the new Toronto.

4 Key Message

This new city will seize its place in the new global economy but it can't do it alone. Our Size and our Strengths Let's start by looking at the new city's size and its strengths. Then I'll look at some of the major challenges we're facing and what we are doing about them.

I'll close by looking at the future of the new Toronto and how you can help us get there. Today, this new city is the fifth largest city in North America, after Mexico City, New York, Los Angeles and Chicago. We have an operating budget of \$6.1 billion. That's larger than most provincial budgets.

5 We provide more than 40 major services. They are delivered daily by 45,000 employees of the City and its agencies. Those services include welfare, fire prevention, ambulance, police, homes for the aged, child care, hostels, supportive housing, parks and recreation, arts and culture, economic development, tourism and heritage, roads, waste management, water, transit and sewers. The scale is large by any standard. The new City operates out of 36 ambulance stations, 96 library branches, 870 recreation facilities, 80 fire stations. We have 1,500 parks and 27,000 housing units. We've got about 4600 kilometres of watermain and 10,000 kilometres of sewers.

6 We have 6,200 kilometres of roads enough to run from Nova Scotia to British Columbia. We have 10,300 streets and 401 bridges.

In short, we are big. We are big and we have an impact. Today, Toronto remains the engine of the Canadian economy, generating a GDP of \$128 billion in 1998. The City, indeed most of the GTA, is predicted to lead the country in growth between 2001 and 2004. 80,000 businesses employing more than 1.2 million people call this city home. 80 per cent of Canada's high-tech companies reside in Toronto. That's a huge plus in the new economy.

7 We are one of the most advanced telecommunications centres in North America. Cutting-edge telecommunications are critical in the new economy. Toronto's combined wealth of creative talent and technical skills have fuelled explosive growth in information

technology and in content providers in the New Media sector. In computer services, for example, Toronto is far ahead of the average U.S. city in terms of capacity. We're considered Hollywood North by a film industry that spends close to 1.2 billion dollars here each year. We continue to rank high as one of the best places in North America to do business. We are currently ranked as the third best place to do business in the world.

8 This city is Canada's global business address and the country's gateway to the global economy. (PAUSE) All of these economic strengths lay the foundation that supports the high quality of life Toronto's citizens enjoy. And that quality of life, in turn, supports economic growth. Urban quality of life is now a "deal-maker" for many large investors from around the world. For Toronto, that quality of life has many components beyond economic growth. I'll mention just four. Most importantly, we are a city that is well-educated. Almost 60 per cent of this city's people have post-secondary education. This is the highest rate in North America, a significant plus in a knowledge economy, and a strong foundation for improving quality of life.

9 Secondly, we are a healthy city. Despite some current problems in the province's health care delivery system, our citizens have access to some of the finest health care in the world. The recent multiple organ transplant done at Toronto General Hospital for young Noah Kasper of B.C. illustrates the incredible medical expertise resident in this city. Thirdly, we are ranked as the safest city in North America. This is a major incentive, both for individuals and businesses, to call Toronto home. Finally, we are the most diverse city on earth. This is now recognized by business leaders as a distinct competitive advantage.

10 The idea is that you need cultural, artistic, social and economic diversity coming together to create a climate where new ideas can germinate. We have that diversity. The Threat to Quality of Life from Amalgamation Some skeptics might suggest that our high quality of life has eroded over the past two years of amalgamation. Let me address this. Recall that when amalgamation was announced in 1997 it was about as popular as root canal surgery. Almost 80 per cent of residents were against it. That opposition was understandable. This amalgamation was an unprecedented restructuring, the equivalent of the merger of Air Canada and Canadian Airlines and Canada Trust. Since those early days, there's been a major reversal in public perception.

11 In three studies done in 1999, an average of more than 70 per cent of citizens polled said that quality of life in the new city has been maintained and, in some areas, improved. From the public perspective, services have not been interrupted. The water came out of the taps. The garbage was picked up. The lights stayed on. Most Torontonians agree. Amalgamation was a non-event. I also think that you in the business community would agree that, with amalgamation almost complete, Toronto now has a more efficient governance structure. Instead of dealing with seven municipal governments, you can do business with one united city. Our initial goals have been

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reached. The targets set for amalgamation and stable governance have been achieved, or are on track to being realized.

12 Massive management restructuring has been successfully completed. That includes a 60 per cent reduction in executive management and a 34 per cent reduction in management overall. We've replaced seven telecommunication networks with one state-of-the-art system. We've reduced tax and water billing systems from 6 to 1. Seven general accounting and ledger systems are now one. Seven payroll systems are now a single system. Departments have been reduced from 52 to 6 and divisions from 206 to 37. In the area of governance, the role of the new community councils is defined. Council's standing committee structure is in place. The seat of government is in place at City Hall.

13 Much work is underway at City Hall. I'm sure all of you have seen the increased profile in the media of how the Mayor and 57 Councillors have taken the lead in so many areas of city life, be it waterfront development, policing issues, or smoking bylaws. I work closely with the Mayor and each Councillor. This can be challenging. It often strikes me that I may be the only executive in the city with a Board of Directors that meets every month for three days straight. But working together we've come a long way in these two short years. Amalgamation is working. The new city is working. Services that are the foundation of our high quality of life have been maintained or enhanced. Remember too that amalgamation did not happen in a vacuum. At the same time, the province transferred its former responsibilities in such areas as social housing and transit.

14 This downloading swallowed any savings from seven governments coming together as one, savings that could have gone into such areas as infrastructure improvement. In summary, we have come through the most complex municipal restructuring in North American history and we have come through with this City's quality of life intact. Challenges Ahead The Economic Challenge I have spoken about our strengths as a city. Now I'd like to focus on some of the challenges facing us. NAFTA and the recession of the early 1990s changed Toronto's economy forever. The City is less competitive in mass production, but now faces a larger and growing market for high-value manufacturing and knowledge services.

15 The key question now is: what is the path to a more advanced knowledge economy and thus to a sustainable quality of life in the new Toronto? As a city we need to know, like any good hockey coach, what Team Toronto is good at, how we compare to others and what we need to do to improve. During 1999, the City has been engaged in a benchmark competitiveness study and the development of an economic plan. We wanted a better understanding of globalization and the role of cities and of the new Toronto in the world economy. We wanted a better understanding of city competitiveness (to guide policy, programs, research, investment decisions and public and private partnerships).

16 As part of the exercise, we took a good, hard look at our key economic areas, or clusters. These include aerospace, autos, financial services, food and beverages, tourism, biomedical and biotechnology, business and professional services and media. Our understanding of these clusters and what they need to grow and thrive has increased significantly. Knowledge becomes opportunity and, in the words of the Chinese philosopher Sun Sue, "Opportunities multiply as they are seized." For example, we know from our research that international mergers are creating global companies in the business and professional services cluster. This benefits Toronto by increasing export opportunities. That kind of knowledge is a competitive advantage for the new city.

17 We understand that innovation, design and specialized skills are the key to a higher value-added Toronto economy. From that understanding, some clear priorities emerge. We must stimulate entrepreneurship, the touchstone of innovation. We can do that with financing. We can do it by providing business and market know-how and by setting up facilities to help entrepreneurs. Our Enterprise Toronto operation was launched last September to do just that. We are improving the links between research, educational and cultural institutions and the private sector. We are aware of, and investigating how we can reduce, the skill gaps that are affecting all the city's business groups.

18 It's an ambitious program. We can't do it alone. We need something that our policy folks call a strategic alignment of intent between all three levels of government and the private sector. That means our priorities are clear and they are linked. That means we are all after the same result. That kind of alignment can also help us face the other critical challenges facing the city. I'd like to address three of these major challenges. The Social Challenge Homelessness is one of the top five priorities for the Mayor and Council this year. It is a daily reminder to all of us that no matter how big this city gets, it will be a city without a heart if it fails to pay attention to its most vulnerable citizens.

19 With some pride I can tell you that Toronto has already spent more time and money on homelessness than any other municipality in Canada. The City acted on all the major policy and financial issues directed its way by the Mayor's Homelessness Action Task Force report, (better known as the Golden report). It did so within a few short months of its release early last year. But for the most part, the City acted alone. Although laudable initiatives were announced by both the federal and provincial governments recently, they fall short of what is needed to create sustainable solutions. Last October, Toronto made a submission to House of Commons Standing Committee on Finance on the Federal Budget for the year 2000.

20 The City's submission sets out the full scope of the social problems confronting Toronto, the scale of poverty and affordable housing issues. These problems go well beyond the federal government's commitment to homelessness in January. The same need for a "strategic alignment of intent" is evident in the city's increasing difficulty providing services to immigrants and refugees to this city. Toronto receives 56% of all newcomers to Ontario and 42.3% of all newcomers to Canada. These newcomers are

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vital in shaping the diverse social, cultural, political and economic landscape of Toronto that fuels our capacity to grow. But there are costs.

21 While we received 270,000 immigrants between 1996 and 1998, our share of federal settlement resources is disproportionately low, compared to Montreal and Vancouver. Montreal receives almost as much as we do in such federal resources, despite having about 75 per cent fewer immigrants. To this day there is still no federal commitment to share Toronto's significant costs of emergency shelter, social assistance and public health for newcomers. We're not going to stop providing those services, of course. As a key destination for newcomers to Canada, it is critical we maintain vital lifelines of initial support. But we need the federal government to ante up and help maintain those lifelines.

22 That should not be a problem, especially considering that federal revenues are in good shape, up 30 per cent since 1993. The Infrastructure Challenge The last major challenge I want to deal with today is the need for support in infrastructure. Last May, Toronto City Council reviewed a report prepared for the Canadian Urban Institute called Reinvesting in Toronto: What the Competition is Doing. It compares Toronto to the fourteen major U.S. cities that represent our chief economic rivals. We are investing less than 20 per cent of the average amount invested in the downtown and waterfront sections of those American cities.

23 Underfunding the renewal and expansion of our physical infrastructure has a direct impact, not just on Toronto's competitive position. It also affects the long-term economic vitality of the entire urban region. In transit, for both TTC and GO, the property tax payer is now footing the bill for 100 per cent of the costs. (PAUSE and look at audience) Nowhere else in the world is transit paid for solely from the property tax base. The City has made the case for fair funding for cities to the province and the feds many times. The Board of Trade has backed us. The Federation of Canadian Municipalities is behind us. If senior levels of government won't make direct funding available for infrastructure renewal and expansion, they must give municipalities the tools to raise necessary funds from other than the property tax base.

24 This is made even more critical by the City's high debt burden. This is largely due to downloading of funding responsibilities from senior governments. It is a burden expected to grow in the next few years. We cannot solve these challenges without a renewal of support from both Queen's Park and Ottawa. If we want to play in the global economy we need to improve how our governments work together. We need to be mutually supportive, to play as an effective, focused team. In a global economy where nation states are no longer the main players, cities like Toronto matter and they matter more than ever.

25 The Administrative Challenge and Response

While we require a renewal of support from our politic

al partners, we also need to commit ourselves to revitalization in the way we run this new city. This is important. If we are to be an advanced centre of innovation in a knowledge economy we need a municipal government that is strategic, fast, flexible and responsive. Only then can we create, within our own city, a strategic alignment of intent that can foster the climate crucial to innovation. I can tell you that this revitalization is underway. The year ahead will be a landmark year for the new city. This summer the City's first Strategic Plan will be released.

26 It is the culmination of all our economic, social, infrastructure, environmental and land use thinking. It will guide us through the first decade of this century. It will steer us forward and help ensure an environment in which the new economy can thrive. This kind of integrated strategic planning is crucial to our city's long-term success. Of course, as Churchill wryly pointed out, "However beautiful the strategy, you should occasionally look at the results." We intend to, constantly. In the short-term, we in the City administration have much to do. We must complete consolidation and the harmonization of all services. We are strengthening customer service in all our departments.

27 We're building an operating framework that will ensure a fiscally sustainable future for the city. For all our services, we're finalizing business plans that look to the future. We are shaping a new, performance-based corporate culture that will support the emergence of an advanced knowledge economy. We've begun measuring performance of individual staff and of the corporation as a whole in precise and continuing ways. Simply put, we must become the change we want to see. The goal is clear. Innovation in the public sector in Toronto will become the way we do business.

28 Conclusion

We have faced some tough challenges as a city. There are many more ahead. But this new city will succeed in the new economy. Of this, I am confident. From Toronto's role in 1900 as mining capital of North America, to the year 2000 and its dawning identity as a vibrant centre of the knowledge economy, one principle has guided this city and its people.) Never stop getting better. This new city must follow that same principle if it wants to seize its rightful place in the new economy.

29 Never stop getting better means knowing who we are and what we want to become. It means being the best at what we do well. It means superior relations between governments. It means excellence in local governance and administration. But it also means the commitment of people like you. No matter what we in the public service of this city do to forge strong foundations, a new city requires every single citizen to make it work. I ask you to be ambassadors for the new Toronto. Get involved in its future. Stay involved. Speak up. Be heard.

30 George Bernard Shaw has the last word, as he so often did in life. He wrote, "I am a child of this community, a favored child, and it is my duty, indeed my privilege, to do for it what I can." Thank you.