



November 12, 2013

Councillor Di Giorgio
Chair, Budget Committee
10th Floor West, City Hall
100 Queen Street West
Toronto, Ontario
M5H 2N2

Attention: Ms. Kelly McCarthy

Dear Councillor Di Giorgio:

Re: Rate Supported Budgets Impact on Industry

I would like to provide an economic context for your consideration of Rate Supported Budgets. The City, through the Economic Development Committee and the Economic Development and Culture Division, has introduced many positive initiatives designed to retain and attract industry. Why?

Industry provides higher value jobs to a large, diverse segment of the population, including many newcomers who would otherwise struggle to survive economically. Industry is a key economic driver and wealth generator with high economic and employment multipliers. Our efforts to support industry pay economic and employment dividends that go well beyond the actual industrial jobs involved.

While industrial employment in Toronto has declined over the past few decades, it remains a critical component of Toronto's economy, employing nearly 120,000 people (about 9% of total jobs in the city). Productivity continues to increase, driven by competitive pressures.

In an increasingly competitive global market, all companies need to continually innovate and effectively manage their costs. Of the utmost importance to these companies is a stable and competitive operating environment.

Consider how water rates impact industry. Full cost recovery is a good approach to residential and many commercial properties where water usage results from the needs of people. For process water users, however, it is an essential part of their environment. These users, which are

some of our largest industries, compete daily with lower cost companies in the US and abroad. For these firms, the competitive balance is delicate, and any cost increases can significantly impair their competitiveness.

To survive, many of these industries will be forced to go where water is cheaper – often to far-flung jurisdictions offering lower business costs. Many international companies (some of them major employers in Toronto) have excess production capacity in the U.S. and are looking for less competitive plants to close. Escalating water rates can be the tipping point that leads them away from Toronto.

Yours truly,

Michael Thompson
Chair, Economic development and Culture Committee
Councillor, Scarborough Centre
Ward 37

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