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The Toronto Industry Network

February 2, 2015

PRESENTATION TO THE BUDGET COMMITTEE – BU3.1 – RATE SUPPORTED BUDGETS – TORONTO WATER

Thank you for allowing the Toronto Industry Network the opportunity to appear before you.

Our Ask

TIN's ask is that your Committee recommend to Council that the Block 2 water rate increase for 2015 going forward be limited to the rate of inflation and that the motion by Councillor Layton to charge for all four parameters under the Sewer Surcharge Agreement be turned down.

Our Rationale

As you just heard from Brian, if an 8% annual increase is applied to the Block 2 rate after many years of brutal 9% increases, the compounding effect will push Toronto's industrial water price above many of its competing cities. We have to ask why Toronto Water is not allowed to debenture some of its capital costs so today's ratepayers are not stuck with paying the bills for infrastructure that will benefit future generations.

Competition is what it is all about. How the water rate pie is sliced is secondary. Toronto thinks it is an important place in the world and it has many fine attributes to offer as attested by the recent ranking in *The Economist*. However, Toronto must continue to up its game so it will not be perceived as a backwater with high costs and limited opportunities. We have to find better ways to compete with the United States and the rapidly growing manufacturing ability of Mexico.

In our view, growing Toronto's competitive position is a critical message that the City's political leadership has to repeat over and over within the City's government, to its citizens and businesses and to other governments. We must work together to make Toronto more competitive.

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Signals indicate Toronto and Canada are in for a rough ride. Canada's economy compared to the United States is sluggish, unemployment is high in Toronto and we are faced with a declining dollar which while helping exports, is counter-productive for many manufacturers who import raw materials, machinery, etc. Falling oil prices are hurting a number of our manufacturers who supply the oil business.

Manufacturing accounts for just over 10% of Toronto's employment base or about 110,000 jobs that provide job diversity in our economy. Importantly, these jobs support another 300,000 jobs indirectly amongst customers and suppliers as well as in the service and financial sectors. A study carried out by Malone Parson Givens in 2012 for Toronto's planners shows that while most councillors may not have manufacturing in their wards, many people living in wards across the City depend on industrial jobs to pay the mortgage.

Manufacturing is very sensitive to costs which are often driven by world-market forces. A number of manufacturing facilities here have sister plants or direct competitors elsewhere. Many of our plants here are bench-marked against other facilities. Head office really doesn't care if Toronto is a nice place to live. It wants to know what the cost of doing business is. If a company exports a majority of its production to the United States, what is the continuing rationale for staying in Toronto with its higher costs?

Typically, input costs (except for electricity here) for manufacturers reflect the inflation rate. It is difficult to pass increases in costs along to customers who are demanding price reductions these days. This squeezes margins which in turn forces internal efficiencies that may include reducing complement.

Toronto's new administration is embarked on a major initiative to increase employment and encourage investment. This is a good message. The Mayor and Council need to send strong signals that Toronto is a competitive place to do business and the City's industrial water rate is part of that messaging.

Thank you.

Paul Scrivener