



**CANADIAN FEDERATION
OF INDEPENDENT BUSINESS.**

4141 Yonge Street, Suite 401
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December 7, 2012

SENT BY MAIL AND EMAIL

Councillor Mike Del Grande
Chair, Budget Committee
Toronto City Hall
100 Queen Street West
10th floor, West Tower
Toronto, ON M5H 2N2

Dear Councillor Del Grande:

As you are aware, the Canadian Federation of Independent Business (CFIB) represents the views and interests of 109,000 small and medium-sized member businesses in Canada. Of those, 5,000 are in the City of Toronto. On behalf of our members, we would like to thank you for the opportunity to comment on the City's 2013 budget. Given the critical role that small business owners play in creating jobs and economic growth, their views and concerns should be given careful consideration.

Toronto's small and medium-sized businesses continue to take on the challenge of being the City's main job creators, even if it means cutting their own salaries, freezing wages and reducing overhead expenses to deal with post-recession economic challenges. They rightly expect their local government to make the same difficult decisions they have made. To that end, we are encouraged to see that the City of Toronto is taking action in reducing expenditures, finding efficiencies in department budgets and better managing spending in line with revenue growth.

The most significant budget consideration that directly impacts small business is property taxes. CFIB's 2010 report entitled *A Tale of Two Tax Rates*, found that Toronto had the highest commercial to residential property tax ratio out of 200 Ontario municipalities. While the 2013 budget calls for increases to property tax rates, we urge the City to continue with the *Enhancing Toronto's Business Climate Plan* to shrink the gap between business and residential property classes. Progress on reducing property tax ratios has been made over the last few years, which is especially important given our members' desire to grow their Toronto-based businesses and compete more effectively with their counterparts in neighbouring municipalities.

The City's budget priorities should also focus on reducing the overlap and duplication in regulation and paper burden. Red tape is a "hidden tax" that leads to lost jobs and higher prices for goods and services. Regulatory relief initiatives would offer opportunities beyond cost savings for the City - they would give small businesses the ability to focus on creating jobs rather than completing costly government paperwork. Specific examples of regulatory relief measures could include streamlining the process for obtaining permits and licenses, and harmonizing reporting rules with those of other levels of government. Other relief measures can be drawn from work that CFIB did with City officials and other stakeholders under the *Toronto Prosperity Initiative* two years ago. To

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that end, we urge you to take advantage of CFIB's fourth annual "Red Tape Awareness Week" during the week of January 21, 2013 to announce any upcoming regulatory reforms. This week-long initiative aims to shine a light on the impact that excessive government regulations and paperwork have on small businesses.

In terms of reducing City's expenditures, public sector compensation is by far the largest cost item in the municipal budget (close to 50 per cent of spending). According to CFIB's *Wage Watch* report which compares public and private sector wages, Toronto civil servants enjoy a 12 per cent wage premium (36 per cent including benefits) over their private sector counterparts in matched occupations. It is important to note that positive steps were taken by Council earlier this year through collective bargaining to curb wage costs for municipal inside and outside workers.

However, aside from generous wages, public sector pension plans have also become a serious threat to the municipal budget. Currently, with no standard measure for public sector pension liabilities, the City has no handle on how much taxpayers could be on the hook for. Better disclosure and reporting of public sector pension liabilities would go a long way to increase accountability and transparency. The City should also look into phasing out early retirement provisions and converting costly defined-benefit pension plans to more sustainable defined-contribution plans for new hires. Addressing the private versus public sector wage and benefits gap would provide a win-win situation by reducing public expenditures and increasing fairness for all Torontonians, namely, small business owners who pay for the generous wages and benefits of civil servants, but cannot afford anything remotely comparable for their employees or for their own retirement.

In closing, we appreciate the opportunity to outline our members' priorities regarding the 2013 budget. CFIB will continue to work with Council and city staff to ensure the concerns of small and medium-sized businesses are fully considered.

Sincerely,

Original signed by:

Plamen Petkov
Director, Provincial Affairs, Ontario