



**CANADIAN FEDERATION  
OF INDEPENDENT BUSINESS.**

4141 Yonge Street, Suite 401  
Toronto, Ontario M2P 2A6

December 2, 2013

**SENT BY MAIL AND EMAIL**

Councillor Frank Di Giorgio  
Chair, Budget Committee  
c/o Kelly McCarthy  
Committee/Council Administrator  
10th floor, West Tower, City Hall  
100 Queen Street West  
Toronto, ON M5H 2N2

Dear Councillor Di Giorgio:

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, close to 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 2014 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 lead the way as the City's main job creators, adapting to a fluctuating economy even cutting their own salaries, freezing wages and reducing overhead expenses where necessary. They rightly expect their local government to make the same difficult decisions they have made over the last five years. To that end, we are encouraged to see that the City of Toronto continues to take action in reducing expenditures, finding efficiencies in departmental 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 2014 budget calls for increases to property tax rates, we are encouraged that the City continues to follow its *Enhancing Toronto's Business Climate Plan* to shrink the gap between business and residential property classes.

Small businesses also support the City Council decision to vote against new taxes to fund infrastructure. While reducing gridlock, and expanding infrastructure and public transit is very important to business owners, sole reliance on new taxes would have a damaging effect on small firms, most of which are struggling with the current tax burden from all levels of government. Finding other channels to fund development (i.e. reducing spending, finding budget efficiencies, and reviewing public sector total compensation levels) will allow the City to compete more effectively with neighbouring municipalities for economic investment.

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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 costs the Canadian economy \$31 billion per year, leading 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* four years ago. To that end, we urge you to take advantage of CFIB's fifth annual "Red Tape Awareness Week" during the week of January 27, 2014 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. In addition to generous wages, public sector pension plans may have huge unfunded liabilities putting significant pressure on the public purse. Better disclosure and reporting of such liabilities are necessary for increasing accountability and transparency. The City should also look into phasing out early retirement provisions and implementing defined-contribution plans for new hires as a means to increase fairness to taxpayers and ensure the long-term sustainability of civil servant benefits.

In closing, we appreciate the opportunity to outline our members' priorities regarding the 2014 budget. CFIB remains committed to working with the City to address the needs and concerns of small and medium-sized businesses.

Sincerely,

***Original signed by:***

Plamen Petkov  
Vice President, Ontario

Nicole Troster  
Senior Policy Analyst