



Redpath Sugar Ltd.

95 Queen's Quay East
Toronto, ON M5E 1A3

Friday February 6, 2015

Councillor Gary Crawford and Members of the Budget Committee
10th Floor West Tower, City Hall
100 Queen Street West
Toronto Ontario,
M5H 2N2

Re: Proposed Water Rates in the City of Toronto

Dear Councillor Crawford and Committee Members,

We are writing to express our concern regarding the proposed increases to the water and sewer costs in the City of Toronto. As a direct employer of more than 300 workers and a hub of the food manufacturing sector, we are requesting that water cost increases are held to the rate of inflation.

Redpath Sugar is the largest sugar refinery in Canada processing over 500,000 tons per year and has been operating on Queens Quay since 1959. The majority of Redpath's products are for customers close to the refinery making Redpath a hub of the local food manufacturing sector.

Redpath is also very efficient sugar refinery, comfortably the most energy and water efficient refinery in North America and one of the best in the world through continuous investment at Toronto. Over the last 5 years Redpath has reduced water consumption by 4% and energy by 3% every year.

Sugar refining is a highly competitive global industry and Redpath is a key member of the world's largest sugar refining company with eight sites worldwide. Return on investment in the Toronto site is compared to the other sites in North America to identify the best value for the company and keeping costs competitive in Toronto directly influences investment into the site. There is external competition to Redpath within Canada from refineries in Quebec, Alberta and BC with imports of refined sugar into Canada also increasing where the processing has taken place abroad. If Redpath cannot remain competitive then plant output will quickly be lost.

Examples of Redpath's customers include, the major grocery retailers, as well as industrial customers like Mondelēz, Weston Bakery, Nestle, Costco, and Give and Go. Cost increases to large customers are often absorbed by Redpath to keep the production volume. This issue is then compounded by large food manufacturers moving out of the area, typically moving their operations to the US or Mexico to take advantage of lower costs overseas.

Today, Redpath's water costs are \$1 million per year and this decision, if left standing, will cost Redpath an additional \$1 million by 2020 compared to the requested inflationary increases. Inflationary increases for water are important to Redpath to maintain our existing operations and

the operations of our customers. Further increases will impact our plans to expand product lines or develop new products in Toronto with the investment occurring elsewhere.

Out of our 5 plants in North America, Toronto has by far the highest water rates, in addition to high labour costs, property taxes and electricity costs

Redpath is doing its part to reduce its environmental impact and contribute positively to the city. However it has become increasingly difficult and expensive to conduct business here in the City of Toronto. Over the past 9 years, Redpath's water rates have increased by nearly 70%.

Redpath's recommendation is that water rates are held to rate of inflation price increases for the block 2 water users, who provide vital manufacturing jobs to the city of Toronto.

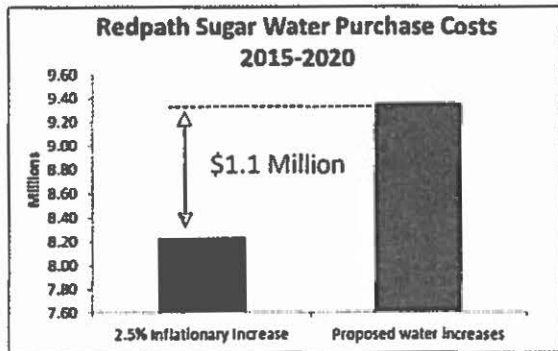
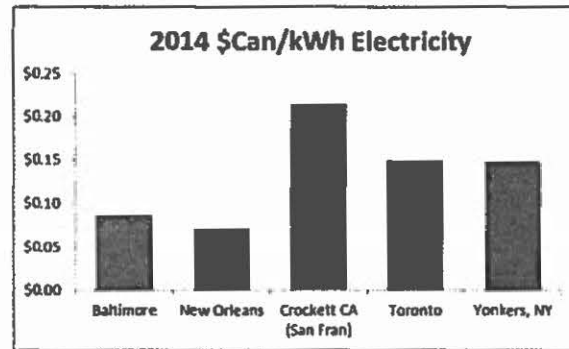
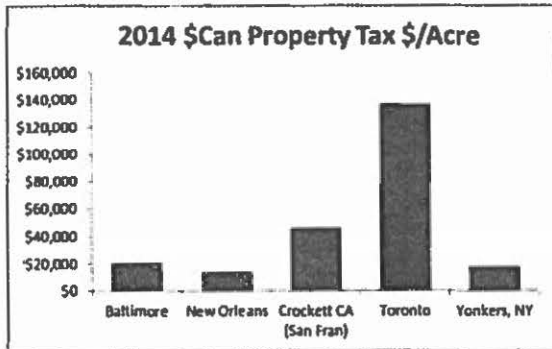
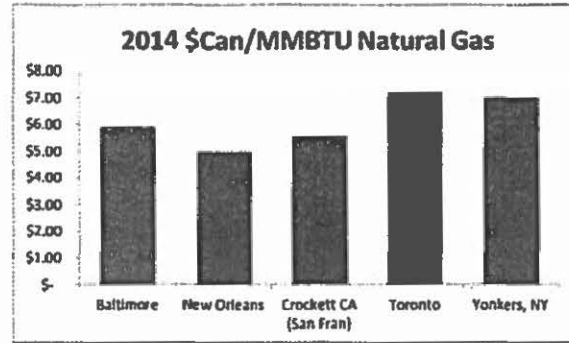
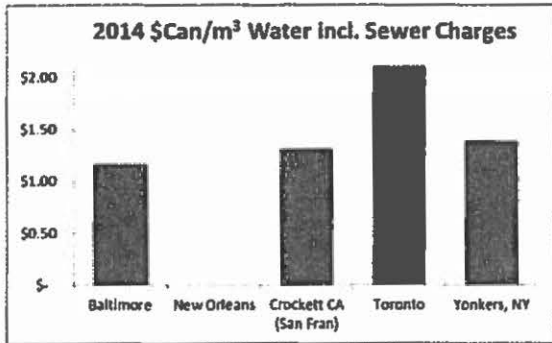
On behalf of Redpath and other manufacturers in the City of Toronto, thank you for the opportunity to raise our concerns to this committee. We hope that the Budget Committee considers the proposed water rate increases to encourage, not inhibit, growth in the manufacturing sector. We welcome any opportunity to meet to discuss this matter further.

Yours Sincerely,



George Carter
Refinery Manager
Redpath Sugar, 95 Queens Quay East, Toronto

Costs of Manufacturing in Toronto Compared to Other North American Sugar Refineries in Group



Labour

City of Toronto has the highest labour rates of the North American refinery locations for unionized employees.

Notes

Comparison with US sites for FY 2014 and use and average exchange rate of \$1 Can = \$0.9 US
 Redpath water costs 2015-2020 assume a 2% annual reduction in water consumption by Redpath

G. Carter
 Redpath Sugar
 January 2015