The Winnipeg Chamber of Commerce
City of Winnipeg
2008 Operating Budget Submission

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Executive Policy Committee
March 17, 2008

The Winnipeg Chamber of Commerce, with its close to 2,000 corporate member companies, is a private sector driven, membership based organization that has been in existence for 135 years. The mission that is behind everything that we do is "to create an environment in which Winnipeg business can prosper". A thriving community is contingent upon a thriving business community, and we accept the responsibility to bring forward recommendations on behalf of our membership that we believe defines a business climate that will allow our local businesses to grow, create jobs, and provide incomes for the citizens of Winnipeg. It is in the spirit of partnership and collaboration that we offer our suggestions for change to the draft 2008 budget.

The Winnipeg Chamber of Commerce recognizes the financial challenges that face our City in both the short and long terms. This means that there is increasing importance that good decisions are being made that will set us on a positive course. The Chamber adheres to the following principals when evaluating the decisions that are made in the draft budget for 2008.

A. Business Confidence - there is no more important element to a thriving economy than the level of business confidence in both the short and long term in the City.

B. Cost Containment - the business community is not in a position to take on more cost. Through the escalation of the value of the Canadian dollar, increasing fuel costs, upward pressures on salaries and wages due to a tight labour market, additional monies coming out of employer pockets are resources that can't be re-invested into the organization for growth.

C. Competitiveness - the world is increasingly competitive and organizations are forced to invest in regions that allow them to compete internationally in the long term.

D. Quality of Life - The level of quality of life in any city will contribute to its ability to grow economically. Individuals will increasingly assess the quality of life aspects of a city prior to moving there. Priority investments that will enhance our ability to attract and retain people should be made.

Recommendations

1. Develop a Multi - Year Balanced Budget

It is difficult to establish confidence when there is a significant projected loss over the next 2 years. There is no clarity on elements of taxation or expenditure past this year and thus it creates an environment of uncertainty. This will not stimulate business investment and in fact will do just the opposite.

2. Layout a Business Tax Elimination Strategy by Re-Convening the Economic Opportunity Commission

We are very disappointed that the City has not begun to implement the good work that was completed by the Mayor appointed Economic Opportunity Commission. The final report was a blueprint for action that possessed the real opportunity to instill confidence within the business community. The draft budget sets us back in that not only does it not begin the process of elimination, it also provides no clarity on when the ultimate "tax grab" will be eliminated. In fact the projected flat revenue projection over 2009 and 2010 assumes that there is no intention in making any moves towards competitiveness any time soon. This is a major setback. As most other centres across the country have already eliminated the tax or at least have identified a timeline for elimination, we continue to provide reasons for companies not to invest in Winnipeg.

We support the city's action on the elimination of home based business licenses as was recommended in the Red Tape Commission Report, but it was only recommended as a first measure that would be followed by complete elimination of the tax for the rest

of the business community. By not eliminating the tax overall, the effect of the home based business license fee elimination will be to create another reason for home based businesses to resist taking the next natural step in the business cycle and move to a rentable space.

A. Establish a Commission on Civic Efficiencies

As recommended in The Chamber's "Re-Inventing Civic Government Report", the establishment of a commission to develop comprehensive listing of areas of potential and real cost savings will serve to provide not only a starting point for efficiency pursuit, but will also identify the real potential for cost savings that remain in the city's operation. A Commission provides a collaborative environment that allows for creative approaches to civic service delivery which respects both the civic employees and the taxpayer.

B. Establish a new Standing Committee that will replace the Alternative Service Delivery Committee

The ASD Committee is an inadequate vehicle for real change in city operations. This important activity requires the strength of a full standing committee if we are going to make significant headway in our pursuit for efficient government. The establishment of this standing committee will ensure public accountability for results and will end the debate as to what is possible when it comes to the finding efficiencies.

C. Establish a Target for Efficiencies with Every Draft Budget

Declaring a target for efficiencies that is part of the draft budget annually will provide the new standing committee with it's objective and will ensure an annual focus on finding value for taxpayer dollar.

3. Defer the Decision to Implement the 5% Hotel Tax

The Winnipeg Chamber supports the concept of implementing a tax that will be dedicated to tourism marketing much like exists in most other major metropolitan centres in North America. The inadequate investment in marketing in comparison to other Canadian cities has to end. A charge on hotel bills that is largely collected from tourists, in either a hotel tax or a destination marketing fee, is the best way to enhance tourism marketing investment.

The implementation of both is unacceptable. Adding 7% to hotel bills will bring total tax to 19% and will be above what we would consider to be reasonable. We strongly believe that this will have a detrimental effect on tourism as well as meeting and convention business.

We strongly believe that the City of Winnipeg and the Manitoba Hotel Association must support the same strategy. The fact that both parties want to execute their own fees signals a failure in both parties coming together around one fee.

A. The City of Winnipeg and the Manitoba Hotel Association Enter into Discussions Immediately

The Winnipeg Chamber offers whatever support is necessary to facilitate discussions between the two parties to begin to establish a path forward. Implementation of a fee should not be initiated until consensus has been reached.

B. Incremental Dedicated Resources

All amounts collected must be incremental to current spending. The proceeds should not be used to replace current marketing expenditures. As well, the proceeds must be dedicated to tourism related marketing and this must be committed not only in the short term but also in the long term.

C. Strategy with Clear Deliverables and Measurements

The incremental investment that such a fee would garner must have a measurable return in the way of tourism investment. The strategy should be long term, collaborative, with a clear line of accountability.

D. Competitive with Other Jurisdictions

The fee must be at a level and accumulate a level of investment that will allow us to compete with other jurisdictions.

E. Implementation Process that Respects Existing Contracts

It is very important that the implementation of a new fee would not disrupt or challenge existing tourism contracts that are already in place.

4. Tipping Fee Increase Should be Deferred until it's Impact is Fully Understood

A 50% increase in tipping fees would create a dramatic cost increase to commercial users which the entire business community would have to absorb. Estimated cost increases in the $3 Million range would take more money out of the hands of businesses at a time when resources are needed to address some other cost pressures. Previous discussions at committee suggested an increase that would be offset by a Business Tax reduction. This proposed budget sees the tipping fee increase from $22.50 to $33 per tonne but does not recommend any reductions on business tax. The local business community has no capacity to absorb such an exorbitant fee increase.

We also question the impact that this increase will have on city revenues. It appears that the assumption is that the competing landfill will increase its tipping fee to the same rate but if that in fact does not happen then the city will inevitably lose substantial revenue.

We also question the impact that an increased tipping fee will have on the environment. Environmental stewardship as it relates to recycling in a commercial setting is largely driven through a new corporate culture which has seen increased recycling performance. A tipping fee increase will likely do very little to increase recycling and will only have a financial impact on those that either pay directly or through their leases.

The Winnipeg Chamber is not adverse to an increase in the tipping fee, but it should be based on cost, and it should not be an excessive one time escalation.

5. Downtown Development

The draft budget indicates a dramatic decrease in the operating funding for CentreVenture, Winnipeg's downtown development agency. We are not sure of the logic behind this decrease in a time when downtown revitalization must be a priority. We also

hope that this does not indicate a lack of political support for CentreVenture itself. The Winnipeg Chamber has established a strong relationship with this organization and has recognized its rejuvenation. We have recently seen a new sense of optimism and momentum in downtown investment, and a new collaborative spirit amongst all of the organizations involved in downtown Winnipeg.

Conclusion

The Winnipeg Chamber of Commerce is committed to working with civic government to create an environment in which Winnipeg business can prosper. We commend the City for some of the excellent work that has gone into the document and its commitment to hold the line on property taxes. We also recognize the fiscal challenges that the City faces and we remain committed to working in partnership to help set the City on a positive track forward.