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Pattison Outdoor Advertising/CBS Outdoor

The City of Winnipeg
City Council
510 Main Street
Winnipeg, MB R3B 1B9

Dear City Council member:

We are formally requesting your assistance to repeal by-law 62/2009 which repealed Section 2 of Advertising Signs Business Tax By-Law Number 6928/96. By-law 62/2009 amended the rate for the Billboard Tax in lieu of Business Tax, which was approved by City Council on March 24, 2009.

We are concerned, not only regarding the substantial tax increase, but also the manner in which the increase was passed by City Council. Based upon the history of this tax issued thirteen years ago, proposed changes should have necessitated a discussion prior to the implementation of the amended by-law.

Members of the advertising sign industry were not informed of the proposed changes to the by-law and official notification arrived in May 2009 with the taxation bill (due June 30, 2009). . Budgets have been already set for 2009 and the timing of this increase has caused undue stress during these tough economic times and impossible to recoup costs under existing contracts. Our misgivings regarding a Tax rate of $1.50 remain the same as they did in 1996:

- The outdoor advertising industry has been targeted under specific by-law when other industries remain unaffected
- The tax rate is an arbitrary rate which is not linked to a specific formula or calculation
- the rate is extremely high compared to the Business Tax

In 1996, a rate of $0.34 was agreed as reasonable by both the City of Winnipeg Executive Policy Committee and the Industry. Schedule A is a comparison of the original recommendations of the Ad Hoc Committee to the calculation supported by the Advertising Industry in 1996. This revised calculation was passed into law, as documented in the preamble for the proposed by-law in 1996 (Business Tax Rate - Advertising Signs and Billboards File FL-1 (Vol. 10) 164-14.).The following issues were raised in 1996 while discussing the original by-law:

- The rental costs put forwarded by the Industry is based on actual costs being experienced by the Industry in a very competitive marketplace. We are prepared to supply detailed financial documents to support our figures.

- The capital cost component makes the assumption that our advertising structures are Real / Fixed property. However, due to the transportable nature of Ad signs they are actually classified as Personal Property. We are advised by our council that the city assessor does not assess signs either as real property or as personal property. The City of Winnipeg, while having the power to access Personal Property under its Act, has not assessed a tax on personal property.
- The maintenance and electrical costs in most case are costs incurred to provide service to our advertisers.
- The Annual rental value adjusted for the product occupancy is necessary as our products are not sold 100% of the time. Approximately 30% of the time when the space is not sold to paying advertisers; it is donated to public service organizations

Review of the Business Tax rate since 1996 reflects a *decrease* in the rate from 9.75% (1996) to 7.75% (2007). The new Billboard Tax rate is an increase of 341%. (See Schedule B). By applying the formula from 1996, which was used to calculate the final tax rate, and factoring annual rental value increases, the current fair value would be at most $0.54 per square foot (See Schedule C). This is in line with the compounded annual increase of 3%.

In closing, it is our request to the Executive Policy Committee and City Council members to amend the billboard tax increase of $1.50 per square foot. Our request to lower the tax figure should be based on assessment formula which was agreed upon by both the City of Winnipeg and the Outdoor Advertising Industry used in 1996.

Thank you for your support,

Kindest Regards

Rob Sedgwick, Pattison Outdoor Advertising

Phoebe Bosc, CBS Outdoor

Schedule A

Component	Ad Hoc	Industry
Annual Rental of Land upon which the sign is located	$ 3,600.00	$ 2,000.00
Capital Cost of Sign $15,000 (rate of return 10%)	$ 1,500.00	$ 0.00
Maintenance Costs (Weed cutting, minor repairs)	$ 300.00	$ 0.00
Electricity Costs	$ 500.00	$ 0.00
Annual Rental Value	$ 5,900.00	$ 2,000.00
Annual Rental Value Adjusted for Product Vacancy (30% industry standard)	$ 5,900.00	$ 1,400.00
Business Tax Assessment at 9.75%	$ 600.00	$ 136.00
Business Tax per Square Foot based on 200 sq. ft	$ 1.50	$ 0.34

Schedule B

Year	Business Tax Rate	Actual % Increase	Billboard Tax Rate	Actual % Increase
1996	9.75%		$0.34	
1997	9.75%	0%	$0.34	
1998	9.75%	0%	$0.34	0%
1999	9.75%	0%	$0.34	0%
2000	9.75%	0%	$0.34	0%
2001	9.75%	0%	$0.34	0%
2002	9.75%	0%	$0.34	0%
2003	9.75%	0%	$0.34	0%
2004	9.75%	0%	$0.34	0%
2005	9.75%	0%	$0.34	0%
2006	9.75%	0%	$0.34	0%
2007	7.75%	-20.5%	$0.34	0%
2008	7.75%	0%	$0.34	0%
2009	7.75%	0%	$1.50	341.5%

Schedule C

Component	1996	2009
Annual Rental of Land	$ 2,000.00	$ 4,000.00
Capital Cost of Sign	$ -	$ -
Maintenance Costs	$ -	$ -
Electricity Costs	$ -	$ -
Annual Rental Value	$ 2,000.00	$ 4,000.00
Annual Rental Value Adjusted for 70% Occupancy	$ 1,400.00	$ 2,800.00
Business Tax Assessment at 9.75%	$ 136.50	
Business Tax Assessment at 7.75%		$ 217.00
Business Tax per Square Foot based on 200 sq ft	$ 0.34	
Business Tax per Square Foot based on 200 sq ft		$ 0.54
Percentage Increase over 1996 Taxation		**59%**