CANADIAN FEDERATION
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Mayor and Council
City of Winnipeg
510 Main Street
Winnipeg, MB R3B 1B9

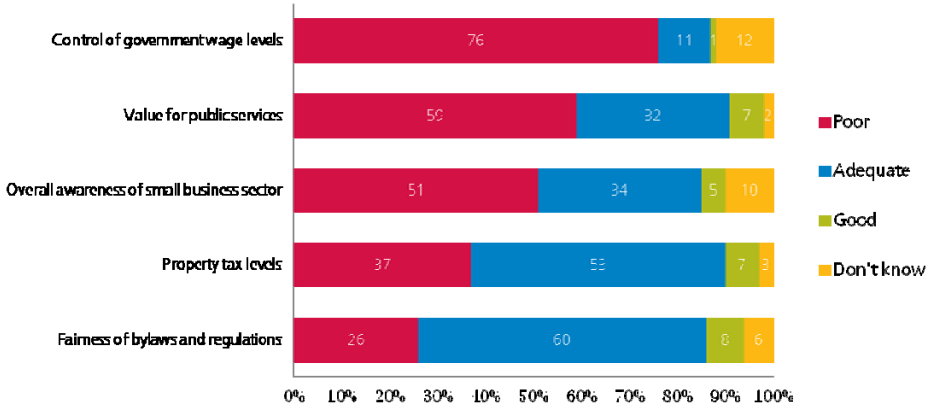
Dear Mayor and Council:

On behalf of the Canadian Federation of Independent Business (CFIB) and our small business members in Winnipeg, we would like to provide you with our views on the City of Winnipeg 2012 Preliminary Operating Budget.

According to CFIB's fourth annual report in October 2011, *Communities in Boom: Canada's Top Entrepreneurial Cities*, which measures Canadian municipalities' business-friendliness, the City of Winnipeg ranked 33rd. The results of this study demonstrate how challenging a good entrepreneurial performance rating can be to achieve and outlines how Winnipeg can improve on this performance (see attached).

Figure 1:

How do you rate your local government on the following business issues?



Source: CFIB, Our Members' Opinion survey No. 69, (Winnipeg responses) December, 2011

Property taxes

Winnipeg small business owners ***are very disappointed that the preliminary budget proposes to end the 14 year property tax freeze*** with a 3.5 per cent hike to residential and commercial properties. This increase is particularly concerning given that last year's budget introduced a property tax increase by another name with **increases to *frontage levies***.

Spending Levels Unsustainable

Winnipeg business owners have a strong interest in the finances of the City and the budgeting process that is used to govern their resources. They acknowledge the difficulties civic leaders have in balancing a number of conflicting demands and objectives. However, business owners work hard to live within their means and expect the same from all levels of government.

In particular, small businesses are troubled by the proposed increase of 6.2 per cent in operational spending to $900 million, an increase of $53 million over the 2011 operating budget. **This increase in spending is well above inflation and population growth** and small business owners question the sustainability of spending levels above this threshold. According to the 2012 City of Winnipeg Operating Budget, population in the City is expected to grow by 1.2 per cent over the next five years and inflation is expected to settle at 2 per cent. ***CFIB recommends the City limit year-over-year spending growth to a maximum of inflation plus population growth.***

CFIB also recommends that Council look more aggressively for opportunities to save money, particularly related to the size and cost of government to reduce the need for this increase. CFIB asked its Winnipeg members to rate Winnipeg's control of government wages and found an overwhelming 76 per cent of respondents said it was poor, 11 per cent said adequate and only 12 per cent cited it as good (see Figure 1).

While CFIB welcomes the City's plan to find savings this year by delaying filling vacancies in all departments, we would encourage the City to make this a permanent rather than temporary feature. Public wages are often a contentious and sensitive subject matter but, considering it is a large budget expense, it would be fiscally irresponsible not to analyze its impact. I would once again encourage you to take a look at CFIB's *Wage Watch* report available on our website at www.cfib.ca. Based on a detailed analysis of 2006 Census data of full-time earnings, the study compared salaries and benefits of public sector employees and similar positions in the private sector. When looking at City of Winnipeg employees and similar positions in the private sector in Winnipeg, the wage benefit is 14 per cent higher for municipal employees. When benefits are factored in, the public sector advantage skyrockets to just over 39 per cent. CFIB has long argued the public sector should follow, not lead, market based compensation trends because that is the fair and sustainable reflection of affordability. **It will take a long-term strategy, and public support, to align public and private sector wages. It is a fiscally worthwhile goal.**

Business Tax

The elimination of the business tax remains a top priority for our members. In fact, previous CFIB surveys of our Winnipeg members found that 94 per cent felt that the elimination of the business tax would have a positive impact on their businesses. Our members have indicated that the benefits of eliminating this tax include staying competitive, improving staff wages and training, expanding

production and enhancing their firm's appearance. In other words, the benefits of this tax elimination would stay in our community. Keep in mind that if homeowners faced the same type of double-taxation, they would pay one tax for owning their home and another for living in it.

CFIB is very supportive of the City of Winnipeg's efforts to truly reduce this tax and pleased to see the proposed rate decrease from 6.39 per cent to 5.9 per cent and a small bump in the value of the Small Business Tax Credit to $22,680 (4,933 or 41 per cent of all businesses now exempt). As you know, other communities have eliminated the tax by simply shifting the revenue requirements to non-residential property tax. While one tax is certainly better than two, this approach doesn't actually lighten the tax load that our small business members face. For example, last year Edmonton completed its 4-year elimination of the business tax. Yet Edmonton did this simply by shifting the business tax revenue to non-residential property tax.

While our members are very supportive of eliminating the tax, and willing to be patient for its true elimination, we are concerned about the pace. ***We strongly encourage Council to update and communicate the timetable for elimination to provide certainty to business owners in Winnipeg***.

To fund the true elimination of the business tax, ***we encourage Council to again look more aggressively at opportunities to save money through reducing the size and cost of the bureaucracy as mentioned earlier, as well as adopting more of the recommendations put forward in the Economic Opportunities Commission***. Getting rid of City owned money losing golf courses is just one move our Winnipeg small business members would support towards this end.

Red Tape

As you may know, 2012 marked CFIB's 3rd annual Red Tape Awareness Week. This is a week set aside to highlight the impact of government red tape and what governments can do to provide meaningful and sustainable relief. During the week, many governments also made announcements about their intention to lighten the regulatory load. We were pleased the Federal Red Tape Reduction Commission released its report which had a number of interesting and important recommendations. Perhaps most important is to have the Auditor General of Canada review and report on the government's progress in reducing red tape. The Committee also recommended introducing "one for one" legislation that eliminates one existing regulation and its associated costs for every new regulation introduced.

It wasn't long ago when Winnipeg was the leader in pursuing municipal regulatory reform. In fact, when the City of Coquitlam announced an internal red tape review, they were encouraged to utilize Winnipeg's model as a reference and a resource. While many of the 30 recommendations contained in the Final Report of the Mayor's Red Tape Commission have been implemented, **the key recommendation of creating a model for permanent tracking and reducing red tape has yet to be achieved.** Further, the last recommendation stated that when a 'red tape budget' was created, Winnipeg would pursue a 15 per cent reduction before June 30, 2011. While programs like BizPaL and efforts to improve processing times on permits are welcomed, small business owners are looking for a true reduction in the regulatory burden. ***CFIB therefore urges Council to get re-engaged on reducing unnecessary red tape as a low-cost way of saving small business owners in our community both time and money***.

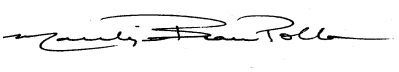
Recommendations:

1. **Limit year-over-year spending growth to a maximum of inflation plus population growth.** As mentioned above, a 6.2 per cent proposed increase in operational spending is well above inflation and population growth.
2. **Continue to review current programs and services with a view to identifying programs and service areas that can be eliminated, streamlined, contracted out to the private sector, or sold.** CFIB commends the City of Winnipeg for announcing a plan to identify efficiencies on City service contracts. CFIB believes the City of Winnipeg should focus on delivering core services (roads, sewers) and continue to look for ways to deliver these services more efficiently and effectively.
3. **Introduce a plan to reduce the size and cost of the municipal civil service.**
    - **Introduce a plan to reduce the size of the civil service (primarily through attrition).** As you may know, the 2010 Saskatchewan Budget introduced a plan to reduce the size of the provincial civil service by 15 per cent over four years through attrition. CFIB welcomes the City of Winnipeg's proposal to reduce the size of staff through attrition but believes that this should be a long-term practice to bring down the costs of the municipal civil service.
    - **Develop a long-term strategy to narrow the wages/benefits disparity (39%) between public and private sector employees.** It is a fiscally worthwhile goal. Some will say that every efficiency has been identified at the City of Winnipeg and that every stone has been turned. However, one missing part of the debate is the costs associated with public sector wages and benefits.
4. **Address the City of Winnipeg's unfunded liabilities for pension and benefit plans.** CFIB is encouraging all levels of government to take stock of and action on unsustainable public sector pension plans. We urge Council to address Winnipeg's unfunded pension liabilities and consider moving all new hires to defined contribution plans as one solution towards this end.
5. **Recommit to red tape accountability by implementing the remaining recommendations in the Mayor's Red Tape Report and regain Winnipeg's status as a municipal red tape reform leader.**

We thank you for considering the views of Winnipeg's small business community as you deliberate and work to finalize the 2012 Operating Budget in the coming days.

As you know, small businesses are the backbone of the City and the local economy and property tax hikes impact a business' ability to grow and create jobs. If you have any questions please do not hesitate in calling our office at 204 982-0817.

Respectfully submitted by,



Marilyn Braun-Pollon
Vice-President, Prairie and Agri-business

Enclosure