

A proportional response

St. John's and the province have largely avoided an economic downturn, but we are part of the national and global community and that means we can't put our heads in the sand and hope things keep going the way they have. Staying on the right track means taking some good steps forward today. And that requires a good environment for business to support investment in growth and jobs, in new markets and innovative products, and much more.

Let me talk a little about what a vibrant business community contributes to a city. The private sector brings money into an economy, part of which of course ends up in government coffers. Governments at all levels are major employers and investors. They pay the salaries of health care and education professionals, for instance, and deliver many services such as roads and waste collection. Governments require a lot of money to operate. That money has to come from somewhere. The more broad the private sector, in terms of industries, consumers, end markets, etc, the more resilient it is and therefore the more resilient the tax base is. The link between a strong business community and strong governments is, well, strong.

The link between a vibrant business community and a prosperous society is also strong, though maybe overlooked or misunderstood sometimes. Employment – particularly sustained employment – is more robust when there is a vibrant business community. Businesses also get involved in the community and contribute to the quality of life of residents. Arts, recreation, volunteerism – all a part of business life.

In the long term, a vibrant business community can create knowledge and opportunities that outlast oil money. In the long term, we can make sure that what we have to sell to the world continually creates wealth and jobs. High employment rates attract investment, more jobs, new industries and companies, money for research and development, and many more benefits. It's a continuous cycle of prosperity.

A major public issue lately has been increased assessments for residential and non-residential taxpayers. Mil rates have very much been a public issue since assessments were mailed out in late summer and early fall. This could have a major affect on people and businesses in this city, and the decision on mil rates remains to be made by St. John's City Council.

Maintaining existing service levels in St. John's would cost more in 2010 than in 2009. Costs in many areas are going up; we all recognize that. There is an infrastructure deficit for instance that needs to be addressed. While we need infrastructure investment because it supports businesses and jobs and in some cases the environment, we have to be cautious about the growth rate of our spending and the effect that will have on tax decisions now and in the future. We are in a competitive position and have to keep an eye to staying that way, to avoid a solution more painful than we're willing to stomach.

The Board recently asked a committee of St. John's City Council to consider the issue of mil rates as an immediate financial priority. There are a couple of different categories of mil rates, and we concentrated on residential and non-residential (i.e. business) realty tax rates. Our view is that whatever the percentage decrease residential taxpayers get should be the percentage decrease the business taxpayers get. Proportionate reductions for both groups is fair because it will support job growth and wealth creation and further shield us locally from economic troubles faced elsewhere.

Currently, taxes are competitive, but we all understand that development, investment and jobs move with the tax bill. We are avoiding the loss of jobs and investment now in no small part because we

currently have competitive municipal taxation. We can avoid this in the future by ensuring taxes remain competitive, and this means reducing residential and non-residential realty tax rates in lock-step.

Supporting business by continuing to tax at a competitive level will support City revenues for many years. And it will support the community as a whole because it will act as an incentive to invest within St. John's. It will encourage employment, innovation, and small business, which are the growth engines of our economy. As business and community leaders, we have a collective responsibility to residents to provide them with job and wealth creation opportunities. Keeping a strong business community in the city through continued competitive taxation is the way to do that.