



MEDIA RELEASE

For immediate release

Monday, December 14, 2009

Mixed reaction to City budget, mil rate: Board

The St. John's Board of Trade has mixed reaction to the City of St. John's budget and mil rate. The Board had advocated for a proportional, or equal *percentage*, mil rate reduction for residents and businesses while the City implemented a decrease of 0.9 mils for both categories of tax payers. The Board also expressed some concern over the growth of the budget over the past decade.

"While we welcome a mil rate decrease for both residents and businesses, we are disappointed that the reduction was weighted unequally," said Board Chair Bruce Templeton. "That said, we very much welcome the City's efforts in 2010 to examine the Board's idea of proportional taxation as a long term policy. The reason the Board pushed hard for a proportional mil rate reduction is because a balance in the tax burden between residents and businesses keeps our city competitive for businesses."

The Board's position that tax rates be reduced by the same percentage, not just the same mil rate, for both residents and businesses is based on fairness and balance being applied across the tax system. Maintaining a balance between the contribution residential taxpayers make to the City and the contribution businesses make is essential to the long term health of the local economy.

"Shifting the burden to business will erode our competitiveness over time," said Mr. Templeton. "The consequence is that it erodes our tax base over time and we need to not only protect our base but allow it to flourish. Burden shifting is something that the business community has to resist because we already face challenges such as transportation costs, distance to larger markets and continual aggressive tax reductions in places like Nova Scotia and New Brunswick. Businesses are the economic engine of St. John's and we have to keep the engine humming."

The benefits of a competitive business sector accrue over time. A competitive business climate means higher employment rates, attraction of investment, jobs, new industries and companies, money for research and development, and many more benefits. In the long term, a vibrant business community that features competitive and fair taxation will create knowledge and opportunities that outlasts resource revenues. Such an environment ensures long-term prosperity.

"New business growth provides a broader, more diverse and resilient tax base, and that's good for every taxpayer, whether resident or business," said Mr. Templeton. "But the climate has to be there. A new business looking to set up shop is going to want to see that the local government

allows everyone to benefit in good times and makes sure everyone pulls their weight in bad times. This is the image that we want to project to maximize every job and growth opportunity.”

The Board recognizes that local infrastructure challenges are creating pressure to increase spending, particularly in the short term. Infrastructure is often a long term investment and there is recognition of the costs of building and repairing public infrastructure. While the make-up is needed, the Board’s position is that this make-up may be achieved through public-private partnerships and other creative ways. Growth in spending needs to be brought down from its current pace because a reduction in spending growth today will significantly reduce the chances that more drastic, and counter-productive, corrective measures are needed in the future.

“The city has some costly challenges, we recognize that,” said 2010 Board Chair Derek Sullivan. “A lot of that has to do with infrastructure. But that is a shared challenge and when new infrastructure is put in place it will be a shared benefit. We want to make sure that businesses and residents pay their fair share and that they benefit equally both now and into the future.”

“There is a reality that a competitive business sector contributes to all other facets of city life, including a vibrant arts community, active volunteers, and other contributions,” said Mr. Sullivan. “People won’t always view business in that light, but it doesn’t make it any less true. Keeping a balance in what we all have to pay really does support the community as a whole.”

Balance is something the Board will continue to advocate for in 2010 as the City re-visits its municipal plan. The Board welcomed the City’s forward thinking to undertake this initiative and strongly supports this process. Human and financial resources have been allocated within the Board’s 2010 budget and workplan for being a part of this initiative.

“We feel that the 750 plus members of the St. John’s Board of Trade can add significant value and insight into the City’s planning process and we are committed to being a productive part of the discussion,” said Mr. Sullivan. “We have said before in private and in public that we will be a solution-based organization. That means that we will always work towards a better community as a whole, of course supported by a strong business community. Our resources are available to the City as it undertakes development of a plan that will build a greater St. John’s.”

The St. John’s Board of Trade is a non-partisan, business advocacy organization that is the principal voice of business for over 750 members in the St. John’s area. Its mission is to improve the local business climate, enhancing its members’ ability to do business through advocacy and member services.