

March 9, 2005

Neil Everson
Executive Director,
Economic Development
City of Hamilton
One James Street South, eighth. Floor
Hamilton, Ontario
L8P 4R5

Dear Neil:

RE: BUSINESS TAX REDUCTION PROGRAM (“BTR”)

The purpose of this letter is to reiterate our position regarding the critical importance of the City's commitment to the BTR to the long-term sustainability, indeed viability, of this community. First, I must congratulate the City on the BTR initiative itself. To reduce the tax burden on Hamilton businesses by almost \$65 Million per annum over the last three years has been a tremendous achievement. However, we can not rest our laurels, and the task does remain incomplete, as I am sure that you are well aware.

The ability of this community to attract new businesses, and to retain existing business, hinges on completing the BTR on schedule. Any significant weakening of Council's resolve to BTR at this stage, in our view, would have very real negative consequences to the effectiveness of this community to retain its residual business base. As a minimum, it would significantly undermine the creditability of Council's previous assertions that economic development is indeed your “ Number One Priority” .

As you are well aware, notwithstanding the substantial progress that has been made over the last three years, the ratio of business to residential tax rates (the “ Range of Fairness”) still remains much higher in this Community than the provincial average. This is particularly true for the Industrial Property Classes, where the Range of Fairness in 2003 was 3.34:1 (3.91:1 for Large Industrial) a provincial threshold of 2.63:1. To the best of our knowledge, despite the good progress made to date, our business tax rates, particularly industrial, remains, in fact, amongst the highest in the province. This is particularly significant when one considers that neighboring jurisdictions, such as Halton, generally enjoy Range of Fairness ratios that are **well below** the average.

Simply put, a business can enjoy all of the same advantages of a Hamilton business (e.g. quality of life, access to well trained work force, etc.), and pay far less in business taxes (plus have about the same effective, or better access to the international transportation grid) by locating in say Burlington. To re-emphasize the same point from another aspect, a little more than two decades ago 60% of the City's assessment revenues came from business, now less than 40% comes from this source. This is not because businesses are paying less. On the contrary, business taxes rates have increased considerably over the years. This is because business has indeed simply left this City, as we all well know.

In short, while in the immediate sense, it may seem a politically more attractive option to leave a disproportionate tax burden on business, in the end, this would be counter productive, and the benefits to residential rate payers illusionary.

The inevitable result of uncompetative and unfair business taxes, when neighboring regimes are in fact so much lower, will be to place a much heavier tax burden on residential rate payers in the longer term.

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Further, it is, in fact, small to mid size enterprises, which drives the bulk of private sector employment growth in this economy right now. Small businesses are immensely "portable", in terms of their relative quick ability to make location decisions. I would remind you of the Canadian Federation of Independent Business ("CFIB") did a survey of Hamilton entrepreneurs last year. This survey indicated that the overwhelming majority of their members who responded were of the opinion that municipal taxes in this City were unfair and uncompetitive. Consequently, well over **one third of respondents were actively considering leaving this City**. The unavoidable reality is that a business decision by an entrepreneur to remain in this city is indeed a fragile commodity.

Let me provide just one small concrete illustration. Last year, the long time, loyal, community oriented Hamilton employer, Foxcroft Group of Companies, decided to relocate their headquarters to a nearby city. Now, just last week they have announced that they reversed that decision because of their perception of a change of "political culture" here; i.e. the indications were that we were finally becoming a City in which it may make, once again, sense to locate their business here. This conclusion was, in part, due to the City's commitment to BTR. This means that full time jobs and the business tax assessment commiserate for large industrial property, that would otherwise definitely otherwise have gone elsewhere, will remain Hamilton's. This is but one example. There are many others, many of which never enter venues of public knowledge.

I mention this just to highlight to you the quick, but long term, impact that these kinds of decisions can have in determining our ability to attract and retain businesses on an ongoing basis. I would hope that you agree with the assertion that to maintain a sustainable community we need to attract and retain business in this City. As long as business taxes remain uncompetitive provincially and vis-à-vis our neighboring jurisdictions, we need continued substantial commitment to BTR.

We would be happy to enter more extensive dialogue with you and/or any member(s) of City Council regarding this crucial matter. Please contact our CEO, John Dolbec, if you wish to explore this matter further, and/or if we can be of any further assistance.

Yours Very Sincerely,

Rebecca Wissensz B.A., LL.B.
President

CC: All members of the Hamilton Chamber's Board, including Ancaster and Dundas Division Chairs, and all members of the Chamber's Government Affairs Committee

Presidents of the Stoney Creek * and Flamborough Chambers of Commerce

All BIA's in Hamilton.

* Note: Please be advised that we have reviewed the contents of this letter in detail with the Stoney Creek Chamber and they have asked me to advise you to consider this letter as, in effect, endorsed by them. We have not yet had an opportunity in the short time available to us to enter similar dialogue yet with the Flamborough Chamber.