



**GREATER KITCHENER WATERLOO
Chamber of Commerce**

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**Speaking Notes for Chamber Manufacturing Action Group Network
(MAGNet)**

Presentation to

Region of Waterloo Council

Public Meeting on 2007 Regional Budget

February 7, 2007

Remarks by Terry Reidel

President/COO

Kuntz Electroplating Inc.

CHECK AGAINST DELIVERY

Good evening Council Members. My name is Terry Reidel, and I am President and Chief Operating Officer of Kuntz Electroplating. Our facility is located on Wilson Avenue here in Kitchener, where we employ over 600 people.

I am here tonight representing the Manufacturing Action Group Network, or MAGNet as we call ourselves, a recently formed committee of local manufacturers established through the Greater Kitchener Waterloo Chamber of Commerce.

As you and every elected official at all levels of government are aware, the local manufacturing sector is facing some serious issues as we begin a new year. A rising Canadian dollar and competition from low cost producers abroad force us to make difficult and challenging decisions on a daily basis.

In response to on-going concerns, the Greater Kitchener Waterloo Chamber of Commerce established a special committee of manufacturers with a vision to add to the community's success and prosperity through the attraction and retention of employment in our industry. In particular, I would like to emphasize that maintaining existing jobs is the critical and most challenging component of our mandate.

I will commence my presentation tonight with some important statistics related to our sector. Waterloo Region has the second most manufacturing intensive economy in Canada next to Windsor and Essex County. Local manufacturers represent almost 30 percent of the regional Gross Domestic Product and 26 percent of total employment. Across Canada, for comparison, manufacturing represents 17 percent of the national GDP and employs 15 percent of the total workforce. As you can see, we play a significant role in the prosperity of this community.

Furthermore, a recent study completed by Canada's Technology Triangle indicates that Waterloo Region manufacturers added more than \$7.2 billion in value to the local economy in 2003. Value added in this context is a measure of how much workers generate using the land and equipment employed in production, essentially including wages and the return from equipment utilized. This is the measure on which global investment decisions are made.

As you are all well aware, Waterloo Region's manufacturing sector is highly diversified. Over 60,000 people work in transportation equipment, fabricated metals, computers and electronics, furniture, electric equipment, and food processing. We also have also developed a strong dependence on exports, as shipments in 2003 totaled approximately \$17 billion.

Now that I have provided a profile of Waterloo Region manufacturing, I would like to move on to the focus of my presentation – the current tax ratios for the industrial property class.

As you are aware, in 1998 the Ontario government provided municipalities with the authority to establish tax ratios for each property class. Tax ratios distribute the tax burden between classes relative to the residential class ratio, which is equal to one. Therefore, under the current system, an industrial property owner in Waterloo Region pays 2.61 times the amount of municipal tax as a similarly valued residential property.

Our committee strongly and sincerely commends Council for their decision to adopt a five year strategy that will, if it remains in place, equalize the industrial, multi-residential, and commercial rates at 1.95 in 2010. This approach supports MAGNet's position that tax reductions for manufacturers – and here we are referring to all taxes, including municipal, provincial, or federal - are critical for providing a competitive environment with neighbouring municipalities across Ontario, and jurisdictions from around the world.

In reviewing documentation that Council received during last year's budget process, we are however concerned that perhaps the five year strategy may not be sufficient in addressing the level of industrial property taxation here in Waterloo Region.

In particular, I would like to refer to Report F-06-012, which is a document drafted by the Region's Finance Department dated February 22, 2006. On page 8, a chart is presented which compares 2005 tax ratios for selected municipalities across Ontario. Also included are the provincial averages for the multi-residential, commercial, and industrial classes.

We note that Waterloo Region is above the provincial average in all three of the aforementioned categories. For the industrial class, the ratio of 2.61 exceeds 2.3643. I should note that this differential is not large, however we are taxed beyond the provincial average.

Also, we note that some municipalities in relative proximity to Waterloo Region have implemented significantly lower industrial ratios. For example:

- **Barrie – 1.4411**
- **Mississauga – 1.5577**
- **Norfolk County – 1.6929**
- **North Bay - 1.4000**
- **York Region – 1.3737**

Our committee is somewhat concerned with the property tax ratios in Waterloo Region when compared to other Ontario municipalities. Our recommendation is that Regional Council consider a further reduction in property tax ratios for 2007 that will bring Waterloo Region to or below the provincial average for the industrial property class.

According to the Tax Policy Long Term Strategy, the industrial ratio for 2007 is scheduled to decrease to 2.4500. We recommend that, as a minimum, the ratio be further reduced to the 2005 provincial average of 2.3643.

We are aware that reductions in the industrial property tax rate may result in increases in other property classes, most notably the residential. However, within the current climate in which we operate, containing costs is a critical responsibility. Our manufacturers have to be competitive with operations in other areas of Ontario and Canada. There are a number of issues which we, as manufacturers, and you as local politicians, cannot control. However, the property tax ratio for the industrial class is an area where we seek your assistance and support in providing an environment that allows us to not only attract, but keep jobs here in Waterloo Region.

I would like to thank Regional Council for the opportunity to present our position tonight, and again express our gratitude for your past efforts in assisting local manufacturers. If there are any questions, I would be pleased to respond.