

Building Better Island Communities

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For many entrepreneurs, business is local. It is where they find their ideas, business partners, customers, and employees. When communities thrive, so do local businesses. The opposite is also true: when small businesses thrive their communities do too.

When it comes to the contributions of small businesses, employing people in their local communities is often what comes to mind. While this is certainly true, small business owners see themselves as more than simply employers. When asked about the contributions they make to their communities, Island small businesses reported donating time and money to local charities and community causes, sponsoring local teams and events, and helping to promote charitable causes and events (see Figure 1). All these contributions help create vibrant communities.

Figure 1:

As a business owner, how have you contributed to your business' community?

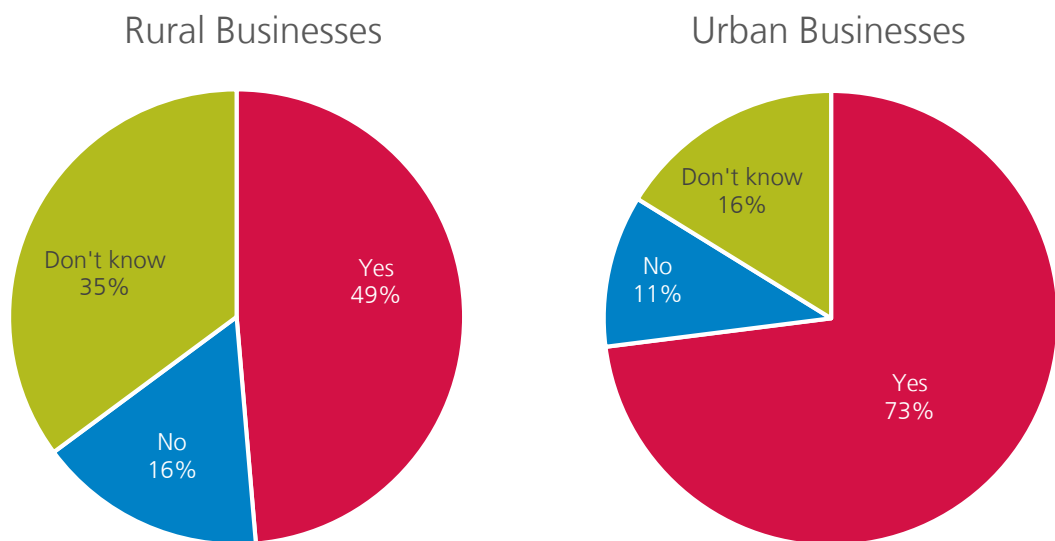


Source: CFIB, Building Better Communities survey, August-November 2017, n=84.

Generally speaking, small business owners on PEI are optimistic about the future of their communities. In response to a recent survey, 61 per cent of Canadian Federation of Independent Business (CFIB) members stated they see a positive future for the local economy of their community, though approximately a quarter of respondents expressed uncertainty about the future. It is important to note that while this optimism is more pronounced in urban areas, half of rural business owners still see a positive future for their communities. Rural business owners were, however, twice as likely as their urban counterparts to report being uncertain about their community's future (see Figure 2).

Figure 2:

Do you see a positive future for the local economy of your business' community?

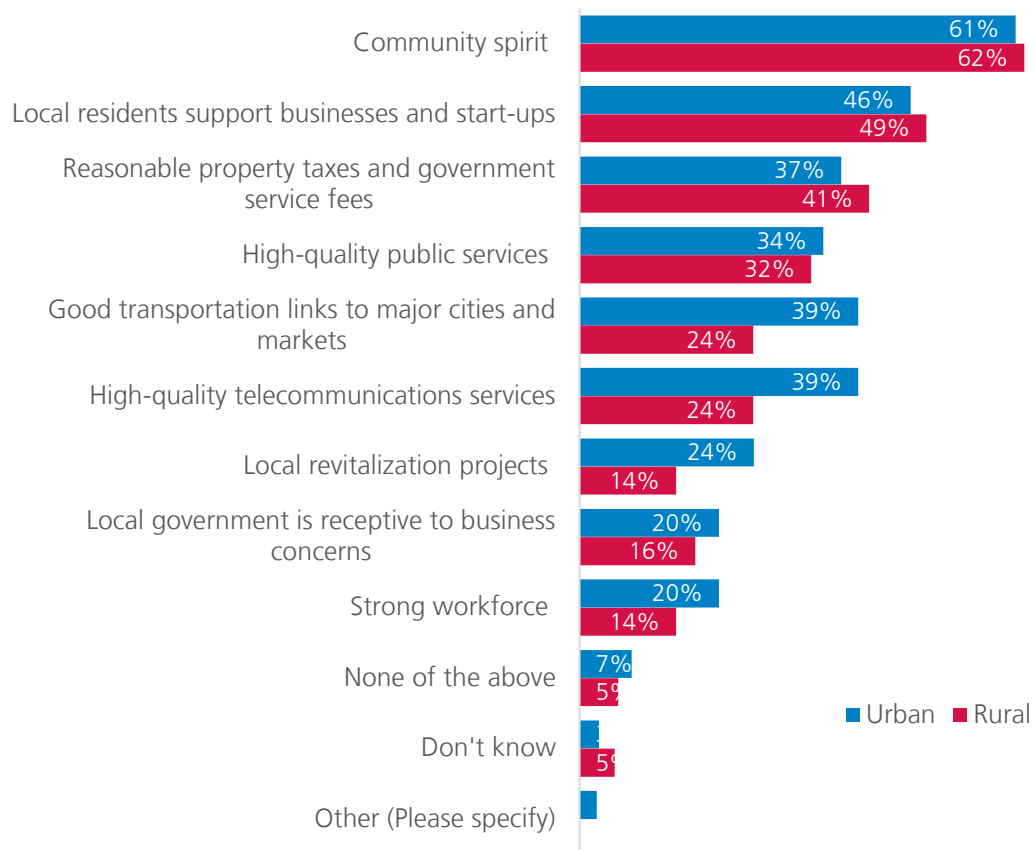


Source: CFIB, Building Better Communities survey, August-November 2017, n=84.

When it comes to their communities, community spirit is seen as a huge asset for entrepreneurs regardless of whether or not they are located in an urban or rural area. In CFIB's survey, 62 per cent of Island members identified community events and festivals as advantages that most positively affect the health of their businesses. In addition, 47 per cent of CFIB members noted that local residents are supportive of businesses and start-ups. One member commented there is a growing tendency for Islanders to support Islanders rather than going elsewhere if the job can be done in PEI (see Figure 3).

Figure 3:

What advantages does your business' community have that positively affect the health of your business? (Select as many as apply)



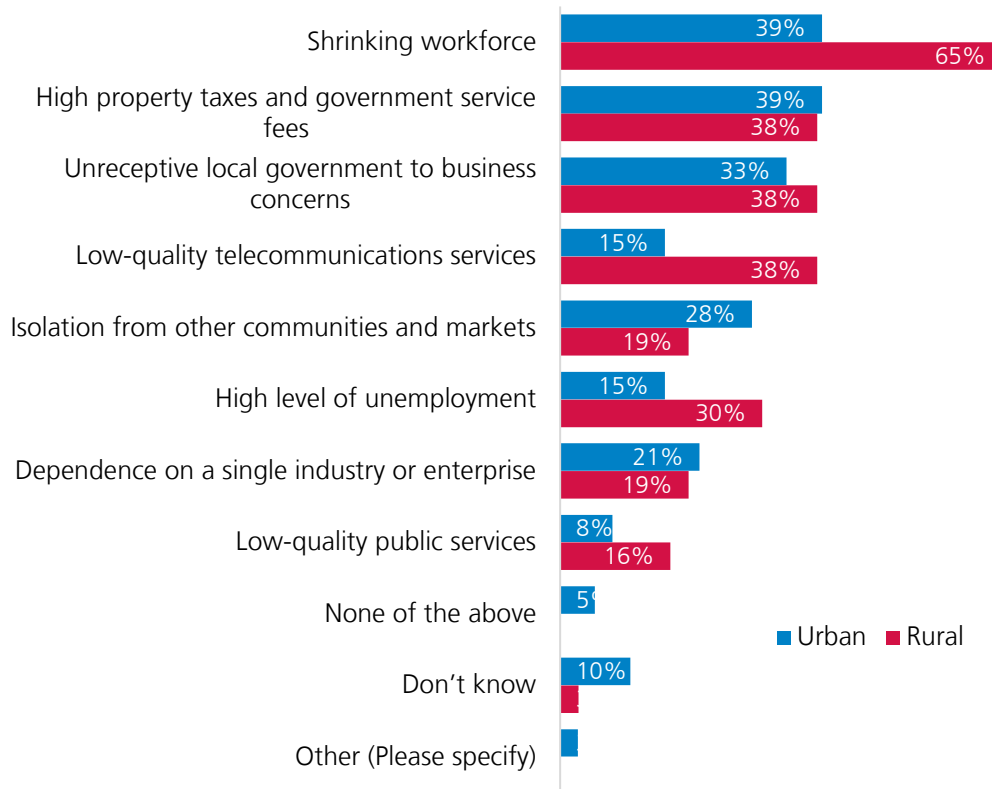
Source: CFIB, Building Better Communities survey, August-November 2017, n=84.

There is remarkable similarity between rural and urban areas when it comes to assessing the advantages in Island communities though urban businesses were more likely to report having good transportation links to major cities and markets and high-quality telecommunications as advantages.

When it comes to the disadvantages small businesses identify in their communities, many of the challenges are more pronounced in rural areas. The greatest disadvantage seen by Island small business owners is a shrinking workforce, though it is of greater concern in rural areas (65 per cent) than urban areas (39 per cent). Telecommunications also emerged as a key concern in rural areas with more than twice as many rural small business owners citing low-quality services as a challenge compared to their urban counterparts. High unemployment and low-quality public services were also more prevalent challenges in rural PEI than reported in urban areas (see Figure 4).

Figure 4:

What disadvantages does your business' community have that negatively affect the health of your business?



Source: CFIB, Building Better Communities survey, August-November 2017, n=84.

The Future of Island communities

The demographic realities of communities across the province are changing. An overall trend of urbanization, smaller families, and outmigration has left some communities struggling to cope with the realities of dwindling populations, including aging infrastructure and declining tax bases. In other areas, the reverse is true and communities are struggling to keep up with the demands of growing populations and strained infrastructure. As Table 1 shows, Charlottetown and surrounding communities such as Cornwall and Stratford have experienced substantial growth in the last 15 years. Populations in the First Nations communities of Scotchfort and Lennox Island have also shown considerable growth. On the other hand, there are fewer people in a relatively large number of communities in other parts of the Island, particularly in Kings County.

Table 1:

Population change, 2001 vs. 2016

	2001 Census	2016 Census	% change
<u>Counties</u>			
Queens County	71,620	82,017	+15%
Kings County	19,180	17,160	-11%
Prince County	44,495	43,730	-2%
<u>Communities</u>			
Scotchfort	105	200	+90%
Stratford	6,314	9,706	+54%
Lennox Island	261	323	+24%
Cornwall	4412	5348	+21%
Kensington	1,385	1,619	+17%
Miscouche	766	873	+14%
Charlottetown	32,245	36,094	+12%
Tyne Valley	223	249	+12%
Wellington	382	415	+9%
Kinkora	315	336	+7%
Brackley	358	372	+4%
Alberton	1,115	1,145	+3%
Montague	1,945	1,961	+1%
Summerside	14,654	14,829	+1%
North Rustico	637	607	-5%
O'Leary	860	815	-5%
Borden-Carleton	798	724	-9%
Morell	332	297	-11%
St. Peter's Bay	267	237	-11%
Tignish	831	719	-13%
Crapaud	382	319	-16%
Souris	1,248	1,053	-16%
Abrams Village	342	272	-20%
Miminegash	188	148	-21%
Georgetown	721	555	-23%
Murray Harbour	357	258	-28%
Murray River	435	304	-30%
Cardigan	382	269	-30%

Population increasing

Population decreasing

Source: PEI Statistical Review, 2016.

When it comes to further developing the economies in their local community, both rural and urban business owners were consistent in their view that competitive taxation is key. This is not surprising as small businesses often cite lower taxes as the best way for government to help them grow and allow them the opportunity to reinvest in their businesses. Small business owners also feel promoting the quality

of life in their community to attract new residents is a good approach. This is also not surprising considering they reported community spirit and the support of local residents as being key advantage in their community (see Figure 5).

Figure 5:

Which of the following are the best approaches to help the local economy of your business' community? (Select as many as apply)



Source: CFIB, Building Better Communities survey, August-November 2017, n=84.

Infrastructure

Maintaining quality public infrastructure also ranked strongly with small businesses as a means of helping the local economy. Beyond basic considerations, future investments in infrastructure across the Island need to use a forward looking lens to ensure that public funds are being allocated in ways that meet, not only current needs, but also future needs. There are a number of examples where this type of planning does happen. For instance, projections around future enrolments are factored into infrastructure and zoning decisions for the education system.

Particularly in rural parts of the Island, it is not uncommon to see public infrastructure that is officially under-utilized and at risk of closure. In recent years, smaller schools have been a subject of such conversations as urbanization, smaller family sizes, and aging populations have left many areas with fewer children. From a purely business perspective, the threat of losing public infrastructure and services can cause real anxiety around the future of the local economy, particularly if it makes it harder to attract and retain residents and other businesses. Communities

(both political leadership and area residents and business owners) should be engaged in local discussion around how best to leverage under-utilized or under-capacity infrastructure. There are a wide range of examples from both PEI and other jurisdictions where this has been successful. Converting unused space into community hubs where additional public services or programming can be offered or turning entire buildings over to municipalities, community groups or private businesses are among options that can and should be considered.

Amalgamation & annexation

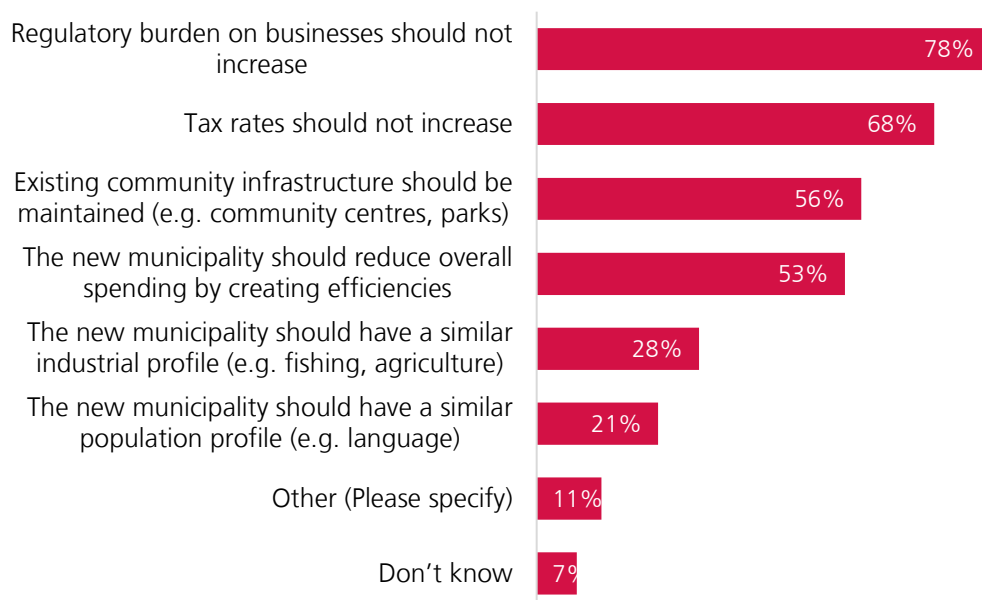
While small business owners in PEI are optimistic about the future of their communities, there is uncertainty as well. Recently, the government adopted a new *Municipal Government Act*, which places greater responsibilities on municipalities. Over the next five years, municipalities will need to have a greater administrative presence (e.g. a municipal office that is open to the public a minimum of 20 hours each week, the adoption of new bylaws and land-use planning, etc.), which for many Island communities will mean a greater reliance on paid staff.

Given the burden of the new responsibilities, many municipal leaders, especially in smaller municipalities, are considering amalgamation with neighbouring communities or annexation of unincorporated areas. To date, community efforts around amalgamation and/or annexation have ranged from informal conversations to detailed proposals created with the help of professional consultants.

When it comes to the considerations local small business owners want to see on the table during amalgamation and/or annexation discussions, issues around regulatory burden and taxation come out on top (see Figure 6).

Figure 6:

If your municipality were to amalgamate with others to create a new, larger municipality, which of the following principles should apply?



Source: CFIB, Building Better Communities survey, August-November 2017, n=84.

With this in mind, CFIB recommends that small business owners are included in any discussion or consultation process on amalgamation/annexation to ensure the appropriate environment for future economic and business growth, with a focus on, but not limited to, the following:

1. **A clear identification of what challenges the current communities are facing and how the proposal addresses those challenges.** Those making the proposal should also identify any alternatives that were considered.
2. **A clear identification of the benefits and services that would be expanded** throughout the new proposed municipality and any differences that businesses in different areas of the municipality may experience.
3. **A thorough costing of what the new proposal would mean for local taxpayers- both residential taxpayers and commercial taxpayers.** This should include any new fees that may be applied. Such details will ensure all classes of taxpayers will be able to determine if they feel the proposals provide them with good value for any additional services that would be provided.
4. **A thorough analysis of any regulatory implications for businesses.** Red tape costs businesses both time and money and can make doing business in a given community uncompetitive compared to neighboring communities. The regulatory burden being imposed should not be an afterthought for community leaders.

While these are mainly expectations of municipal leaders, given that many small municipalities have few financial resources and are essentially run by volunteers, it is also imperative that the provincial government play a close and supportive role in this process. This could range from providing financial support for professional consulting services to direct support of expertise and information.

Conclusion

In such a small economy, it is not a cliché to state that small businesses are the backbone of the economy, but also key contributors to the social fabric of their communities. In all parts of the province, small businesses have a significant stake in its future direction.

With change on the horizon for many Island municipalities, it would be wise for both municipal and provincial leaders to ensure that discussions around the future of local communities are not separated from the importance of local economies. Preserving local community spirit is important but small businesses are also clear that regulatory and tax competitiveness and well-maintained infrastructure are key factors of local success. And if we want local communities to thrive, even in the face of change, then thriving small businesses are vital.

Methodology

The CFIB survey, *Building Better Communities*, was conducted in the fall of 2017 in Prince Edward Island. The survey period was from August 9th to November 21st. A total of 84 owners of small- and medium-sized businesses participated, which corresponds to an overall margin of error of ± 10.69 per cent, 19 times out of 20. Of the respondents, 38 were classified as “rural” and 46 were classified as “urban.”

The survey asked CFIB members about their perspective on their communities, the role of government in helping to develop their local economy, and priorities for amalgamation or annexation discussion.