

Empowering local entrepreneurs

A small business guide for municipal platforms, 2018

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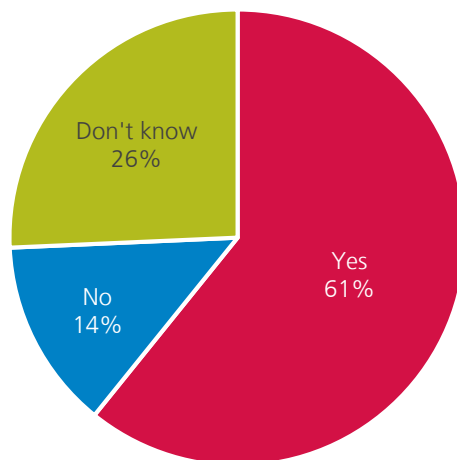
For many entrepreneurs, business is local. It is where they find their ideas, business partners, customers, and employees. When communities thrive, so do the small businesses that call that community home. The opposite is also true: when small businesses thrive, their communities do too.

With municipal elections set for November 5th across PEI, small business issues should be front and centre with any discussion of economic development.

Small business owners on PEI are generally optimistic about the future of their communities. In response to a recent survey, 61 per cent of Canadian Federation of Independent Business (CFIB) members on PEI stated they see a positive future for the local economy of their community, though approximately a quarter of respondents expressed uncertainty about the future.

Figure 1:

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



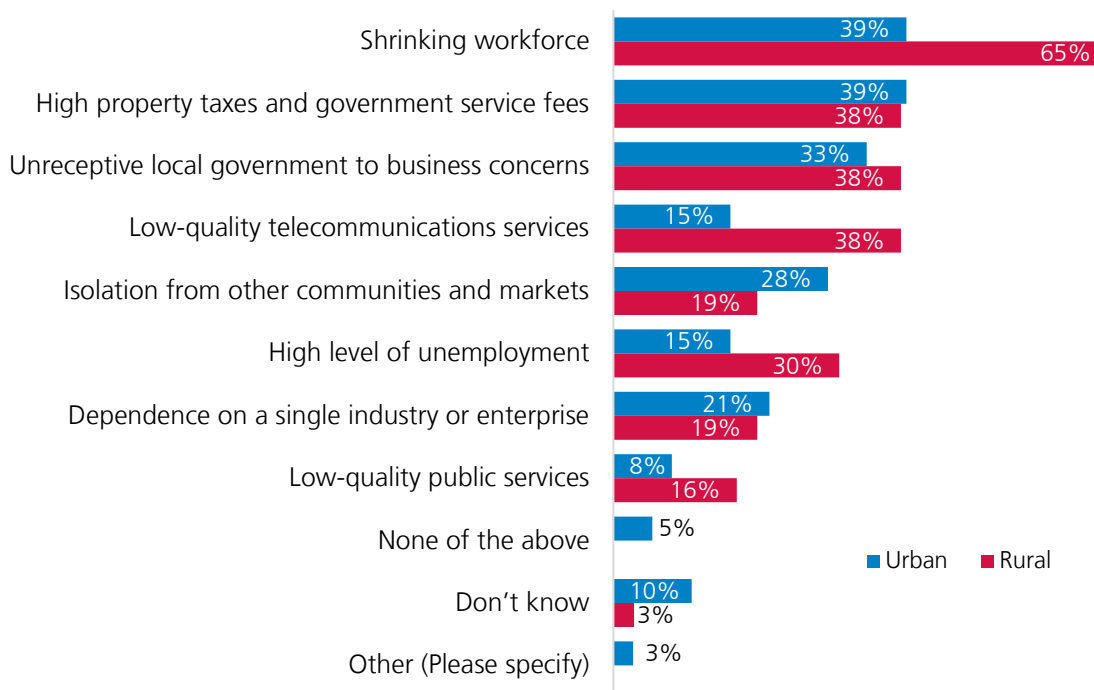
Source: CFIB, Building Better Communities survey, August-November 2017, n=84.

The greatest challenge 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 (see Figure 2).

Figure 2:

What disadvantages does your business' community have that negatively affect the health of your business? (% response)



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

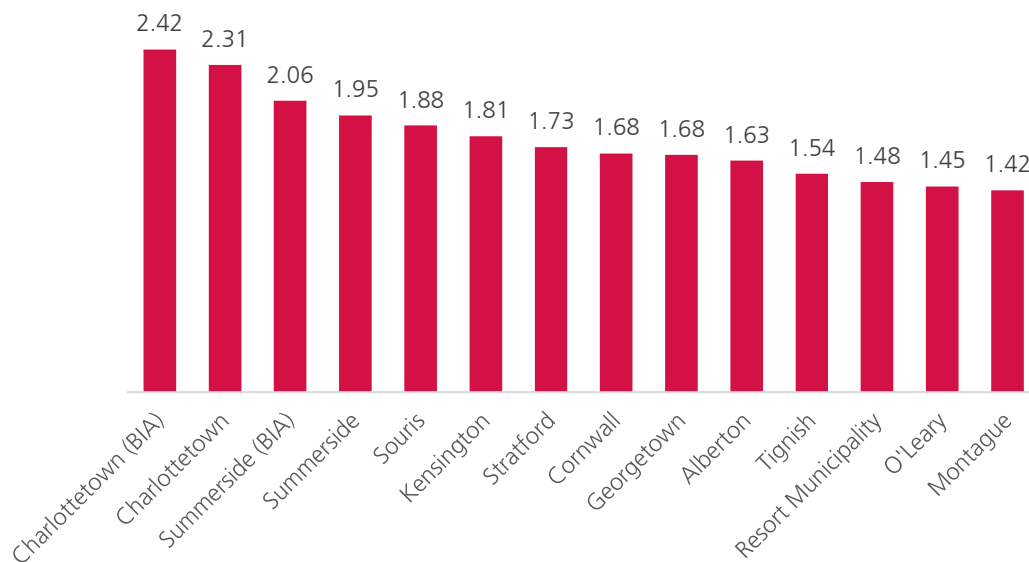
Significant in both rural and urban areas across PEI is concern about property tax rates and fees as well as concern that local governments are not as receptive to business concerns as entrepreneurs would like. With this in mind, prospective municipal leaders should look to act in three key areas for small businesses: tax burden, regulatory burden, and infrastructure.

Tax Burden

While there are variations across the province in terms of the property tax rates paid by non-residential property owners, one thing is consistent: non-residential (or commercial) properties pay higher taxes than residential properties (see Figure 3). This is in spite of the fact that businesses typically consume far fewer services than residents (e.g. recreational programs).

Figure 3:

Property tax rate gaps, residential vs. non-residential rates (cities and towns)



Source: Government of PEI *BIA= Business Improvement Areas where commercial property owners pay a higher tax rate specifically to help fund improvement initiatives.

As a matter of fairness, all municipalities should be focused on ensuring property tax rates are consistent with the value of services provided and that all classes of property are treated equitably. With the cost of running a business growing, including significant increases to Canada Pension Plan premiums being phased in beginning in 2019 and the potential remaining for carbon taxes, it is more important than ever that all level of government focus on keeping tax bills low.

Considerations for candidates:

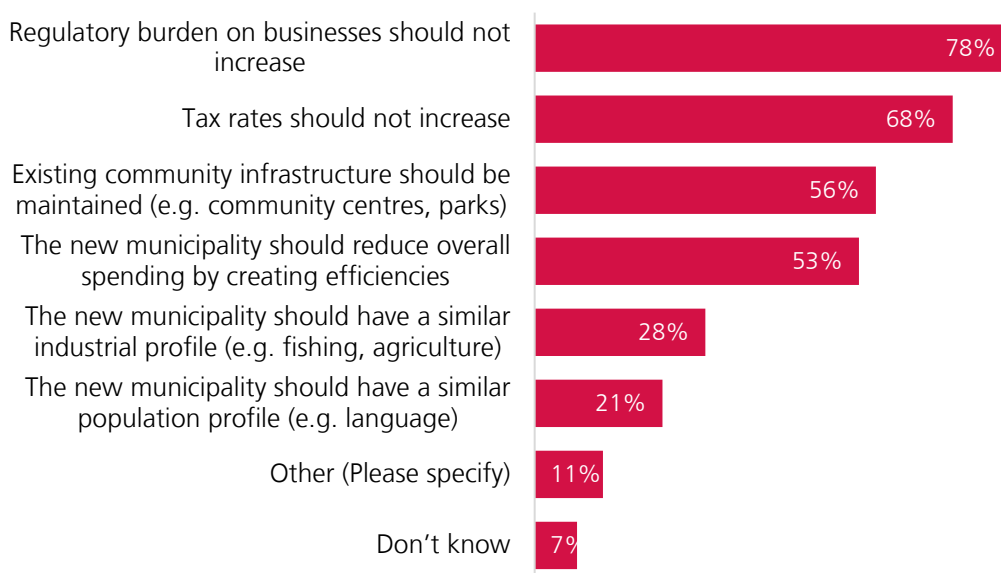
- If you are proposing new services or programs, how will they be paid for: higher taxes, funding from other levels of government, or cuts in other areas?
- How will you ensure equitable services for residents and the business community considering the gap between residential and commercial tax rates?
- What changes would you make to tax rates? Would those changes increase or decrease the gap between residential and commercial properties?

Regulatory Burden

In many smaller municipalities, red tape is often less of a concern for local businesses. Bylaws tend to be minimal, if any exist at all. In the coming years, this reality will change as local governments move to comply with the provincial government's new *Municipal Government Act*. Over the next five years, municipalities will need to have a greater administrative presence (e.g. the adoption of new bylaws and land-use planning, etc.) which in turn has the potential to create a greater regulatory burden for local businesses. The new act also has municipalities considering amalgamation and/or annexation. When it comes to the considerations local small business owners want to see on the table during such discussions, issues around regulatory burden come out on top (see Figure 4).

Figure 4:

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.

For larger municipalities, bylaws and red tape are already considerations for local businesses. Reducing red tape can lift constraints on private sector development, foster economic growth and attract new entrepreneurs. Red tape reduction does not have to be a bureaucratic or onerous process. For instance, the Halifax Regional Municipality has adopted a *Charter of Governing Principles for Regulation* with a business impact assessment tool as part of its efforts to reduce red tape.¹ This is an approach that could be easily adopted.

¹ More information about the red tape reduction efforts of the Halifax Regional Municipality, including its Charter of Governing Principles for Regulation can be found at <https://www.halifax.ca/business/doing-business-halifax/reducing-red-tape#actionplan>

Considerations for candidates:

- How would you apply the requirements of the *Municipal Government Act* while keeping red tape for businesses to a minimum?
- If amalgamation and/or annexation are a consideration, what are your priorities for negotiations with surrounding communities? Is there a common vision for the local economy?
- Would you champion red tape reduction and service improvement by committing to enact a red tape reduction charter to ensure new regulations are properly challenged and keep the regulatory burden from growing?

Infrastructure

Maintaining quality public infrastructure ranks 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. This is especially important for communities dealing with demographic shifts.

Considerations for candidates:

- Looking at your community's infrastructure, what are your priorities in the short-, medium- and long-term? How will your community pay for those priorities?
- Are there assets or needs in your community that are the responsibility of other levels of government? How will you approach negotiations with those levels of government?
- How is the population of your community changing? Does this change the needs of local businesses and residents?

Other economic considerations

Not only do small businesses employ people in their community, they frequently donate time and money to local charities and community causes, sponsor local teams and events, and help to promote charitable causes and events (see Figure 5). All these contributions help create vibrant communities.

Figure 5:

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



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

Small business owners want to see their businesses and communities succeed. Unfortunately, small business owners often feel as though different levels of government do not understand their needs and realities when policy decisions are made.

Considerations for candidates:

- Thinking about the businesses and industries in your community, what are your priorities to help them thrive?
- When it comes to economic development, what role do you want to see your community council play?

Methodology

The CFIB survey, *Building Better Communities*, was conducted in Prince Edward Island, August 9 to November 21, 2017. 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 tax gap for each municipality is calculated by dividing the mill-rate on non-residential property by the mill-rate on residential property. It is not an indication of the level of taxation, but rather the distribution of the property tax burden on commercial property owners versus residential property owners.

About CFIB

The Canadian Federation of Independent Business (CFIB) represents 110,000 small- and medium-sized, independently-owned firms in Canada with 1,000 located in Prince Edward Island. CFIB takes its direction from its members through a one-member one-vote policy.