



**Town Council of Gander**

**Submission to the  
Government of Newfoundland & Labrador  
Department of Finance  
November 17<sup>th</sup>, 2005**

**Presented by:  
Town Council of Gander Finance Committee  
Deputy Mayor Zane Tucker, Chair**

Mr. Minister, first I would like to thank you for the opportunity to attend your 2006 pre-budget consultation. During your last pre-budget consultation your Government was involved in negotiating the Atlantic Accord and Council was very pleased that your efforts were rewarded and you were successful in obtaining a deal that would give our Province a fair share of the offshore revenues. This extra revenue is much needed in order for you to provide an acceptable level of service to the citizens of our Province.

Last year we requested that there would be no cuts to our Municipal Operating Grants because if we are to be competitive and provide good infrastructure to attract investment we need the support of your government through these grants. The policy on reducing grants continues and today we received notification from Municipal Affairs that we will receive a further reduction of \$68,000 . The Department of Municipal Affairs, in conjunction with the NLFM, has been reviewing the financial relationship with municipalities and we feel that the Department must be provided with the financial resources to implement a new deal.

Like most municipalities across Newfoundland & Labrador, the Town of Gander is struggling financially to meet the ever increasing demands for new and better services for its citizens. We find that our infrastructure is aging and requires more and more funding to maintain the present level of services and we are unable to finance any new programs.

Each year, for the past several years, we have been forced to operate at last years levels, even though there is a need, because of new legislation or by changing lifestyles, to introduce new services. For example, drinking water guidelines changed and we are required to build a new water treatment facility, also many of our citizens are expecting better recycling programs as they learn of the importance of protecting our environment.

We find ourselves in a situation where we are forced to run a balanced budget, municipal operating grants are being reduced and we have to choose between raising taxes or not providing the services. We live in a global economy and are competing for jobs and talent and increasing municipal taxes, failing to provide necessary services or investing in needed capital projects, are unlikely to help us attract the businesses and skilled workers that are needed for growth and prosperity.

Before the Grant cuts started in the early 1990's, taxes made up 57% of the Town's budget and Municipal Operating Grants comprised 21% of our Budget. Today Municipal Taxes are 80% of our Budget and Municipal Operating Grants are 4.8%. The cutting of MOG's result in downloading of taxes from one Government to another - the taxpayer does not benefit.

Property taxes are the backbone of our municipal finances and 80% of

Gander's revenue is based on property taxes. Property taxes are generally inelastic, that is they do not grow as the economy grows, and in addition they constitute a disincentive to invest in property as the more investment is made the higher the tax bill.

At the present time, studies conducted by the Federation of Canadian Municipalities concluded that the Provincial Government receives 42% of the tax dollar generated, the Federal Government 50% and the Municipal Government 8%. If municipalities are to become the economic engines for growth and prosperity there has to be a redistribution of revenues.

There are several areas where the Town Council of Gander feels that the Province should consider for revenue sharing or revenue redistribution:

1. Municipalities should be able to access a portion of the fuel taxes. The majority of the road systems are within municipalities and a share of the fuel tax should be directed to municipalities to help pay for maintenance and reconstruction of the municipal roadways. The Federal Government has announced that it will provide a portion of its fuel tax revenue to Municipalities and our Council is asking that the Province allow these funds to flow through to us without the Province reducing its contributions.
2. Accommodations Tax - the *Municipalities Act* should be changed to provide the authority to municipalities to levy a room tax on accommodations.

Municipal infrastructure and services are used by visitors and having access

to this new type of revenue would distribute the burden of taxes more fairly to all users of municipal services.

3. Exemption of Municipal Operations from HST - at the present time municipalities receive a 100% rebate on the Federal portion of the GST and the Provincial Government should exempt municipalities totally. If this policy were implemented, our Town would save \$275,000 on its operating expenses. An exemption from HST would also make capital expenditures more feasible. For example, Council is presently planning for a new water treatment plant at a cost of \$8,000,000. The HST makes up approximately \$1,000,000 of that cost.
  
4. Reinstate the municipal operating grants - the present municipal operating grant program was introduced several years ago and provided a mechanism whereby municipalities could benefit from new housing construction and through funding for water & sewer and roads. However, Government placed a ceiling on the total amount of municipal operating grants that it would pay in any given year which resulted in the larger municipalities receiving a greater portion of the grants than the smaller municipalities which were not experiencing growth.

Had the ceiling not been put in place municipalities would have received a share of revenues that are derived from the Provincial Government through residential construction.

Economic development occurs in municipalities and not in the Provincial and Federal Governments, yet the Province and the Federal Government derive the greatest benefits from an expanding economy and municipalities should be able to participate in an increase in revenue that is derived from our increase in economic activities in our municipalities. Our Council has invested heavily in economic development and our Town is beginning to see the results of these investments. This year, we have seen 64 housing starts which generated approximately \$850,000 to the Provincial Treasury from this new residential construction and contribute another \$40,000 annually to the Province from its' share of the HST collected on household expenditures. Council is of the opinion that our Town should share in this increase in revenue and a new financial deal with the Municipalities should be implemented immediately.

5. Taxation of government-owned buildings - the cost of providing municipal services to Government properties must be addressed. The Provincial Government, unlike the Federal Government, does not pay municipal taxes or a payment in lieu of taxes on Government owned property. The cost of providing services to these properties is borne exclusively by the municipal tax payer, a tax burden that is neither fair nor equitable. Council urges the Provincial Government to pay municipal taxes to address the inequities which exist in the present system.
  
6. Crown Lands within a municipality's planning boundary should be transferred to any municipalities which has the capacity to manage and develop these lands. Funds derived from the sale or lease of these lands would help finance a municipality's infrastructure.
  
7. Federal Payment in Lieu of Taxes (PILT) - Presently Newfoundland & Labrador receives \$3.8 Million from the Federal PILT which is .87% of the total funding available. As a % to population the province's share is 1.6% and population to spending is .54%.

These percentages are among the lowest in the country as can be seen by the following graph:

Province	\$ Millions	%of Total	% of Population	Population to Spending Ratio
Northwest Territories	2.2	0.50%	0.10%	5.04
Yukon	1.3	0.30%	0.10%	2.98
New Brunswick	18	4.12%	2.40%	1.72
Nova Scotia	20.7	4.74%	2.90%	1.63
Prince Edward Island	2.8	0.64%	0.40%	1.6
Nunavut	0.6	0.14%	0.10%	1.37
Manitoba	20	4.58%	3.70%	1.24
Ontario	192.7	44.12%	38.80%	1.14
Quebec	106.1	24.29%	23.60%	1.03
Saskatchewan	10.8	2.47%	3.10%	0.8
British Columbia	37.5	8.59%	13.10%	0.66
Newfoundland & Labrador	3.8	0.87%	1.60%	0.54
Alberta	20.3	4.65%	10.00%	0.46
<b>Total PILT</b>	<b>436.8</b>			

Government should explore methods by which Municipalities can obtain its fair share of this Federal program. Newfoundland and Labrador is the only province which has a business occupancy tax, which is a tax on which the Federal Government does not pay PILT.

## **Other Considerations:**

1. **Government Service Centre** - Gander is the headquarters for the Central Newfoundland Government Service Centre and the number of government services that has been offered to the central area residents have been increasing and the residents appreciate the fact that the service is more accessible and that it is less costly. At the present time there is a deficiency in the services being provided by the Motor Registration Division as a portion of the service is provided in Gander and the remainder through the Grand Falls-Windsor sub office. Residents who are served through the Gander office cannot obtain a vehicle transfer nor their Driver's License through this office. We have met with several Ministers and bureaucrats in the past and discussed this situation and have been advised that it is the mandate of the Department to provide these services through Government Service Centres but lack of funds have prevented this from happening. We are requesting that you provide the necessary funds to establish a full Motor Registration service in Gander, which will service not only our residents, but that of the outlying areas.

## 2. **Economic Growth and Development -**

### **A. Centres of Excellence**

Success in developing a competitive manufacturing base has been achieved globally by governments that focus on development of a core industrial competency, which may be manifested as “Centres of Excellence”. More than an aggregate of sector specific industries, Centres of Excellence foster a creative and cooperative business environment where mutually beneficial relationships precipitate continued economic growth.

This approach would work well in Newfoundland and Labrador where there are often well-defined regional interests and expertise. In Gander’s case, the development of a “Centre of Aerospace Excellence” would be a logical choice. With an existing, small but active industry base, as well as a world class aerospace training institution, Gander is well on it’s way to global recognition in the sector.

The Provincial Government must allocate the appropriate human and financial resources necessary to support and market Gander as a “Centre of Aerospace Excellence.”

## **(B) Investing in Education**

In a new technology based economy, manufacturers demand human resources with both education and a technical savvy. Nothing better helps to meet these needs than a well-established technology focused training institution. In Gander, the College of the North Atlantic develops and delivers world-class aerospace training programs that have been recognized and availed upon by aerospace companies around the world. With a looming shortage of skilled Aircraft Maintenance Engineers (AME) and a burgeoning airline industry, the College of the North Atlantic is poised to capitalize on its outstanding reputation and technical expertise.

College and community officials have recognized this opportunity and are working together to advocate the expansion of the aerospace training programs and capabilities.

Such an expansion will offer valuable economic gains for the community and will contribute to the overall credibility of Gander as a “Centre of Aerospace Excellence.”

As an institution of the provincial government, the province must give serious consideration to the opportunities afforded by the expansion of the Gander campus of the College of the North Atlantic and invest in the future of aerospace training in the province.

3. **James Paton Memorial Hospital** -a regional referral hospital, has been under reconstruction for many years, and in last year's budget a decision was made to again delay its completion.

We feel that this project must be completed in a timely fashion because the delays have resulted in an increase in the construction costs. The James Paton Memorial project has been ongoing for many years and many other projects in the health care field has been started and completed and Council feels that it is time that this project be completed.

4. **Downsizing the Civil Service** - there has been much speculation on the possibility of downsizing the civil services, and also many statements by both the Federal and Provincial Governments on the need to stimulate growth in the rural areas. In the early 1990's the Federal Government reduced the size of its civil service and military personnel which resulted in a negative economic impact on rural Canada, and especially Newfoundland and Labrador. From 1992 to 2002, the civil services in Canada was reduced from 402,300 to 366,910 or an 8.8% reduction whereas the reduction in Newfoundland and Labrador is 30%, from 9900 to 6900. The military was reduced by 23.5% in Canada and 34% in Newfoundland and Labrador.

At the present our Town has approximately 60% of its workforce employed with the Provincial Government and should our Provincial Government follow the example of the Federal Government and centralize its service into St. John's, the rural Newfoundland will once again experience a negative economic impact.

Council is asking our Government to protect rural Newfoundland and Labrador and decentralize its services should a decision have to be made to downsize the civil service.

5. **MRI** - Council supports the position of having a mobile MRI available to service the residents of Central Newfoundland. The MRI is not only important to provide the service to the patients but it is also instrumental in attracting Physicians to our area. Council urges the Provincial Government to follow through on the implementation of the Program.
  
6. **RCMP** - Our area has seen a substantial increase in break & enters in the past year. We have met with the Minister of Justice who has indicated that his department is very receptive to the placement of additional RCMP officers in our Town to help combat this crime. We request that funds be provided in this year's budget to increase the level of enforcement.

We would like to thank you for the opportunity to have input into Government's financial decision making process and we hope that our comments and suggestions will be of benefit to you and your colleagues as you deliberate on your upcoming budget. If you require further information on any of the issues presented we would be very pleased to meet with you at your convenience.