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New Deal: better, but not quite there

There is much that is positive in Winnipeg Mayor Glen Murray's revised New Deal, which was approved by Winnipeg City Council last week. And there are still some logical flaws. We are moving in the right direction. But we are not quite there yet.

The most important positive development is that there is a Part Two at all. After years of neglect by successive City Councils, we simply must invest public funds in infrastructure renewal, and the appearance of the New Deal Part Two keeps alive that possibility. The Mayor is to be congratulated for this.

In sum, the New Deal Part Two is simpler, fairer, and more balanced in its proposed sources of additional revenue.

There is much else that is positive about the New Deal Part Two. The Canadian Centre for Policy Alternatives-Manitoba argued in our response to the first version that the New Deal was far too complicated for what it proposed to achieve. (*Riding Off in All Directions: An Examination of Winnipeg's New Deal* by Hugh MacKenzie and Todd Scarth, Winnipeg: CCPA-Manitoba, February 2004. This report is available on the CCPA website.) The revised New Deal is simpler, and the better for that.

The elimination of the proposed user fees is particularly positive. The proposals for a sales tax, liquor tax, natural gas and electricity tax, 911 phone fee and garbage user fees contributed significantly to the regressive character of the first New Deal. Using the City of Winnipeg's own calculator, the CCPA calculated that the lowest income families would be worse off as a result of the first New Deal. Higher income families would benefit from the changes, with the greatest benefits going to those with the highest incomes. Winnipeggers were well-advised to oppose so vigourously such a regressive tax package.

The elimination of the proposed 50 percent cut to property taxes and the proposed elimination of the business tax is also very positive. For cities, the property tax is the worst tax, except for all the others. For all its faults, the property tax is an appropriate tax for the financing of civic services, and a massive shift from the property tax to user fees, as proposed in the New Deal Part One, would have been a regressive step. We also argued that there is no compelling case, only a self-interested case, for the elimination of the business tax.

Bringing the federal government into the picture in the New Deal Part Two is also an important step forward. The first New Deal would have placed the bulk of the financing burden on the province. It was not at all surprising that, as a consequence, the province rejected the package. Seeking a share of the federal GST also eliminates the prospect of retailers and shoppers fleeing the City to avoid the proposed City of Winnipeg sales tax.

In sum, the New Deal Part Two is simpler, fairer, and more balanced in its proposed sources of additional revenue. And, most importantly, the New Deal Part Two keeps alive the quest for additional tax dollars to pay for much-needed infrastructure renewal. For all these reasons the Mayor is to be congratulated.

We Are Not Quite There Yet:

Yet there is still some distance to go in devising a New Deal that meets Winnipeg's very real needs. The city continues to suffer not only from an infrastructure deficit, but also from a large and growing services deficit. The CCPA identified this problem in our 2003 *State of the Public Services Report*. Our soon-to-be-released 2004 *State of the Public Services Report* finds that the problem persists, and had indeed worsened. Yet the New Deal Part Two makes no mention of this services deficit.

The Mayor's own documentation provides evidence that Winnipeggers want additional tax dollars to be invested not only to solve the infrastructure deficit, but also to meet the deficit in public services. The New Deal Part Two documentation includes a statement from Prairie Research Inc., which concludes that respondents to a survey about the New Deal "not only support the transfer of provincial and federal tax revenue (current gasoline and sales taxes in particular) to the city, they also support an increase in these taxes if the money is designated for infrastructure *or key services*." [Emphasis added.] Yet there is no mention in the New Deal Part Two of the need for increased tax dollars for needed and desired investments in key services.

On the contrary, the New Deal Part Two proposes a 4 percent property tax cut in the first year followed by an additional five years of property tax freezes. This amounts to an on-going cut in property tax revenues in real terms, while also calling for "efficiencies from reorganizing City facilities" of $10 million.

This part of the New Deal Part Two represents more of what has in recent times become the status quo, despite the fact that the City's public consultations are reported to have found that the first theme arising from discussions with Winnipeggers is that "something has to change; the status quo is not working." Further property tax cuts do not represent change; they represent what has come to be the status quo in Winnipeg, as it is in the country as a whole. The 2000-01 federal budget proposed tax cuts of $100 million, most to the benefit of corporations and upper income Canadians, while health care and education continue to struggle, public sector workers are once again being laid off, and more burdens are off-loaded to the provinces and ultimately the cities. This is a treadmill that we simply must get off. The very reasons that lead Winnipeggers to express their support for more public investment to solve the infrastructure deficit, are the same good reasons leading them, by the City's own admission, to call for more public investment in our equally important City of Winnipeg public services.

If the City's argument is that property taxes are already too high, then the logical solution is for the province to abandon its reliance on property tax as the means of funding such a large part of public education. As we argued in our analysis of the first New Deal, it is the province that should move off the property tax, since it, unlike the City, has access to progressive alternative sources of tax revenue.

The New Deal Part Two represents a large step in the right direction. Many of the recommendations made in the CCPA-Manitoba response to the first version of the New Deal have been adopted. Winnipeggers have said they are prepared to pay more in taxes if the money is invested in key City of Winnipeg services. The coming discussions between Winnipeg City Council and the federal and provincial governments over the New Deal should recognize that willingness to pay fair taxes to rebuild our city's physical and social services.

Jim Silver

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