



Fast

# FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

March 13, 2019

## The Big Squeeze

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**T**he City of Winnipeg budget is always affected by the provincial budget, but this year Mayor Bowman did his best to reverse that situation. Before, during and after the release of the city's budget, the mayor lobbied hard to explain the injustices of the premier's position, and to put his stamp on the provincial budget.

The mayor's complaints are not unfounded, and were highlighted in last year's *Alternative Municipal Budget*. Lack of provincial funding for transit, waste water treatment and other initiatives to deal with climate change is putting Winnipeg at a severe disadvantage. Reducing our \$6.9 billion infrastructure deficit requires a Herculean effort that the city alone cannot muster.

But it was not any of these existential issues that led the mayor to suggest that property taxes could be increased by an additional 7 per cent (a threat no one took seriously). In order to get his point across he tied lack of provincial funding to Winnipeggers' favourite knee-jerk issue: road maintenance. The 2019 road budget is reduced to \$86.4M from \$128.4M, and the mayor placed the blame for our shoddy roads squarely on the shoulders of the province.

It is true that the city is caught between the proverbial rock and a hard spot. On one hand it is reliant on a provincial government irrationally committed to

austerity. On the other, it is accountable to voters who - the administration fears - would revolt at the sort of tax hike (more than 7 per cent) that is required to make up for more than a decade of tax freezes by previous administrations.

The province's contention that Winnipeg receives more provincial money than other Canadian cities has been convincingly refuted. But it is true that increases to Winnipeg's property taxes have fallen far behind other Canadian cities. According to the budget documents, compound tax increases between 1998 and 2019 were 102% for Vancouver; 142% for Edmonton; 127% for Calgary; 122% for Saskatoon; and, 95% for Regina. In the same time period Winnipeg's residential property taxes have gone up 17%.

So when Provincial Finance Minister Fielding says that the city needs to get its spending under control, one has to wonder, especially because he used to be a city councilor and should understand the many challenges the city faces. If the mayor were to really bring in a substantial property tax increase - one that allowed it to deal with these challenges, the province would likely cut transfers based on its dyed-in-the-wool aversion to higher taxes.

That aversion came to fruition with the tabling of the 2019 provincial budget and its 1 per cent decrease in the PST. The

there is an alternative.

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cut will decrease provincial revenues by \$325M per year, so we should not be surprised that health and education spending will decrease in real terms, that infrastructure spending will go down by 2 per cent or that transfers to municipalities are under siege. Ironically this reduction was only possible because of the \$324M increase in federal transfers, money Mr. Pallister was loathe to accept when in opposition.

Minister Fielding took his government's tax aversion to new heights by claiming that the PST reduction would lead to 900 person years of employment and that wages and salaries will grow by \$50M/year, with nominal GDP to increase by \$90M. Even if we were to take these questionable estimates at face value, they would have to be netted out with the loss of jobs and higher-than-average wages that will result from the decrease in infrastructure spending, and the loss of spending power stemming from the public sector wage freeze.

We also have to consider the cost to Manitoba families of significant decreases and omissions in spending. With post-secondary funding being reduced by \$6M and capital funding frozen, students will be paying more in tuition. There is no money to match federal bilateral agreements, meaning that the province is leaving federal money for healthcare and housing on the table at the same time as it is consistently underspending on healthcare and social housing, leaving Manitoba's most vulnerable in limbo.

Minister Fielding pointed out that the PST decrease will kick in 6 years to the day that the NDP increased it. What he neglects to mention is that the increase was brought in to deal with the \$1B cost of dealing with the 2011 flood. It will be a great irony if costly flooding hits again, in the very year his government drastically reduces revenue.

The common dilemma arising from both budgets is one of tax and debt aversion, while claiming to maintain services. The city continues pandering to the business community by consistently reducing the

business tax despite the benefits businesses derive from city infrastructure, and the fact that Winnipeg is already one of the lowest-cost jurisdictions in North America in which to do business. It has yet to consider new sources of funding, such as a commuter tax, at the same time as it avoids increasing property taxes so we can climb out of the deep hole the tax freeze threw us in.

The province has also curried delight from business with the decrease in the PST at the same time as it implements a broad austerity agenda. This strategy does not prevent business from demanding access to a highly educated and healthy workforce, and decent infrastructure.

Advocates of ever-lower taxes are fond of pointing out that there's only one tax payer. By the same logic, there's only one voter: eventually that voter will figure out we can't have ever-decreasing taxes and pay for our coveted social programs, especially as the costs of dealing with climate change and income inequality really hit home.

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References available upon request.