Fast FACTS
CANADIAN CENTRE FOR POLICY ALTERNATIVES - MANITOBA

there is an alternative.

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IMPASSE BETWEEN WINNIPEG AND PROVINCE CALLS FOR BOLD ACTION

In recent months there have been demands from many quarters that the Manitoba government increase the provincial sales tax by one per cent and turn over the roughly $265 million in proceeds to local governments for infrastructure projects.

The City of Winnipeg's position is that it has a massive infrastructure deficit that it cannot address without the help of the province. The City is supported by the Association of Manitoba Municipalities, which hopes that it will get a 20 per cent or so slice of the pie for distribution to other municipalities. The City's bid is also supported by many other organizations including the Manitoba Business Council, Manitoba Heavy Construction Association, the Manitoba Federation of Labour and the editorial boards of the *Winnipeg Free Press* and the *Brandon Sun.*

Prior to the April provincial budget, Jim Carr, CEO of the Business Council and Chris Lorenc, President of the Heavy Construction Association, lobbied aggressively for a one per cent increase in the provincial sales tax. Lorenc called on politicians to conduct a province-wide referendum with the following question: **"Do you support an increase to the PST dedicated by legislation to municipal infrastructure, reviewable by the PUB?"**

The campaign floundered again because the Manitoba government assumes that it would pay a heavy political price for any increase in taxes, no matter how noble the purpose. The City doesn't want to raise city taxes for the same reason. A provincial government increase would certainly benefit the City. The Province would pay the political price for raising taxes; the City would reap the glory for improving infrastructure.

A resolution to increase the sales tax was debated at the recent NDP Convention in Winnipeg. Delegates referred it to the Executive for further review. However, it seems doubtful that it will show up at a future convention any time soon, so long at the provincial government believes that voters would punish them for increasing taxes. The government exaggerates this threat, especially when it comes to progressive increases in the personal income tax structure. This paralysis around raising taxes puts the province in a bind; because of the 2011 flood it is faced with a major infrastructure deficit across the province and fears getting hammered by critics for not doing enough to fix the rural infrastructure. Nonetheless it took only the most tentative steps in the recent budget to increase revenues, making it very difficult to fend off pressure from those who suffered from the flood and need help, and the municipalities who need access to rev-

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enue to fix their infrastructure.

This campaign for more revenues from the province was started by former Winnipeg Mayor Glen Murray. He initiated a campaign to get a "New Deal" for big cities across Canada. During the early stages of the campaign Murray apparently understood that senior levels of government could be persuaded to grant cities access to more elastic sources of revenue, like retail sales or fuel taxes. Eventually, however, the focus of the campaign was reduced to asking for a share of these revenues. The federal government did provide a share of fuel taxes. The province was asked to give a percentage point of sales tax revenues. This didn't happen.

If the province won't make a bold move to deal with this pressing issue, perhaps the City of Winnipeg and its allies need to resurrect the idea of getting the Manitoba government to grant the City the power to impose retail sales taxes.

According to Free Press reporter Mary Agnes Welch ("Rough Road To Redemption?" May 5, 2012), the annual infrastructure deficit of the City is $740 million. Budget estimates for this year indicate that the total take from the seven per cent retail sales tax will be about $1.82 billion. Each one per cent of sales tax generates about $260 million. How much Winnipeg would generate from implementing its own sales tax would depend on the percentage of sales captured by the Winnipeg market. If that share were 75 per cent, the take would be close to $200 million a year. This is still far short of the estimated short fall of $740 million but it's a start. Indeed, it may well turn out that the City needs to add two per cent to the sales tax in Winnipeg to make significant gains in dealing with the infrastructure needs.

Given that the money is needed to fix municipal infrastructure, it makes sense for the city to initiate and administer the tax. The majority of people would understand and support such a move; we all complain about the state of our roads, bridges and parks, so we would connect the dots between paying the extra money and seeing improvements.

But increasing the sales tax in Winnipeg might induce Winnipeggers to shop outside the city, especially for big-ticket items. That problem exists for a province-wide increase as well; in fact, with Alberta having no sales tax, the temptation is already there, but Saskatchewan and B.C. still have their sales taxes. Given that all municipalities are crying for more revenue, it would also make sense for some/all of them to also charge a sales tax. The Association of Manitoba Municipalities could perhaps coordinate the administration of such a tax for the rural municipalities (outside Winnipeg). Changes to the Province's cost-of-living tax credit could accommodate protection for low-income Manitobans.

The province should negotiate such an arrangement to establish a more collaborative relationship with the City of Winnipeg. This would compel the province to review the entire tax structure to identify reforms to increase revenues and equity.

We are all ready to have a conversation about how to increase revenues; the Province and the City of Winnipeg need to take the lead.

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