Unshackling Potential

Lower Taxes -- Less Government

2009-10 Pre-budget Submission to the Manitoba Government

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ABOUT THE CANADIAN TAXPAYERS FEDERATION

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan, advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the *Association of Saskatchewan Taxpayers* and the *Resolution One Association of Alberta* joined forces to create a national taxpayers organization. Today, the CTF has over 60,000 supporters nationwide.

The CTF maintains a federal office in Ottawa and offices in the five provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. In addition, the CTF has a working partnership with the Montreal-based *Quebec Taxpayers League*. Provincial offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published four times a year. An issues and action update called *TaxAction* is produced each month. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationally.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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Part I: <u>Summary of Recommendations</u>

Tax Relief – Budget 2009:

1) Fully index Manitoba's tax brackets to the rate of inflation this year (including the basic personal exemption & spousal deduction)
2) Raise the basic personal exemption and spousal deduction to $9,000 in 2009 and to $15,000 by 2014
3) Phase-out the top personal income tax rate by 2018, beginning with a reduction to 16.9% for 2009
4) Begin ten-year phase out of school taxes
5) Phase-out the payroll tax by 2018
6) Continue phase-out of the capital tax
7) Commit to reduce the corporate income tax rate to 11% by 2012

Spending:

8) Freeze total spending at 2008 levels for 2009
9) Establish an all-party committee to identify areas for potential savings

Debt Retirement:

10) Establish a 15-year plan to eliminate Manitoba's debt.

Sustainability:

11 Formalize a goal of making Manitoba a "have" province by 2018.

Growth Opportunities:

12) Encourage private hydro development
13) Allow expansion of competition and choice in health care
14) Remove hog industry moratorium
15) Open up liquor industry
16) Open up vehicle insurance industry

Legislation & Reporting:

17) Amend balanced budget legislation to require a core government balanced budget every year.
18) Release quarterly economic statements that include detailed information on spending, revenues and other key economic data.

Part II: Introduction

The Manitoba office of the Canadian Taxpayers Federation (CTF) is pleased to present its recommendations for the 2009/10 Manitoba budget.

To begin, the CTF would like to commend the government for standing by its commitment to continue with previously announced tax relief despite economic uncertainty in the global economy. History has shown that tax relief can help fuel economic growth and facilitate economic recovery during economic slowdowns. By proceeding with previously announced tax relief commitments, Manitoba will be in a better position to weather the economic slowdown.

Fortunately, our province's economy is expected to be a top performer in Canada for 2008 and 2009. While the federal government and other provincial governments are busy debating stimulus packages with the hope of avoiding a prolonged economic slowdown, Manitoba is clearly not in the same position.

November forecasts by the *Conference Board of Canada* expect Manitoba's real GDP to grow 2.7% in 2008 and 2.4% in 2009 – 0.9% above the overall Canadian economy. Government growth projections released in the November 2008 Throne Speech also predict real economic growth in Manitoba for 2008 (2.1%) and 2009 (1.6%).

Tax relief for 2009 and the coming years could further bolster our province's positive economic outlook and improve our province's competitiveness.

While other provinces are coping with the economic slowdown, now is the time for Manitoba to play "catch up" and close existing tax gaps. As provincial budget documents from 1999-2008 have shown, tax rates can be reduced while overall tax revenues increase.

Providing meaningful tax relief will leave more money in the hands of Manitobans. In particular, entrepreneurial Manitobans will have more of their hard earned dollars to use for what they do best - drive our economy.

This document contains recommendations for both immediate tax relief measures and long-term tax relief goals.

Beyond tax relief, there are a number of measures that the government could initiate that would unleash private sector growth in the province. For example, by allowing the private sector to build hydro dams in Manitoba, our province could see a significant investment of private sector capital, job creation and an expansion of our tax base. This document includes similar examples for further expanding private sector growth.

On the expense side of the ledger, government spending has increased at a torrid pace since 1999. Had expenditures increased at the rate of inflation, accounting for population growth, the government would have saved $8.9 billion. That is more than enough to eliminate the province's debt and provide $2.5 billion in tax relief to Manitobans.

To address the spending situation, the CTF recommends creating an all-party committee to identify areas where the government can reduce spending and come up with ways to use existing dollars in a more efficient manner. Contracting out, P3s and asset sales are some initiatives that should be explored.

Finally, it is recommended that the provincial government amend the new balanced budget legislation to require an operating balanced budget every year. Future generations should not have to pay for the spending commitments of previous ones.

By proceeding with the recommendations in this document, Manitoba's potential can truly be unleashed. This plan will result in individual taxpayers keeping more of their hard earned dollars and more opportunities for private sector growth.

Most importantly, this plan will transform Manitoba from a "have not" to a "have" province.

Part III: The Economy

According to the 2008 Throne Speech, Manitoba's economy is expected to grow by 2.1% in 2008 and 1.6% in 2009. Both growth estimates are well above projections for the overall Canadian economy.

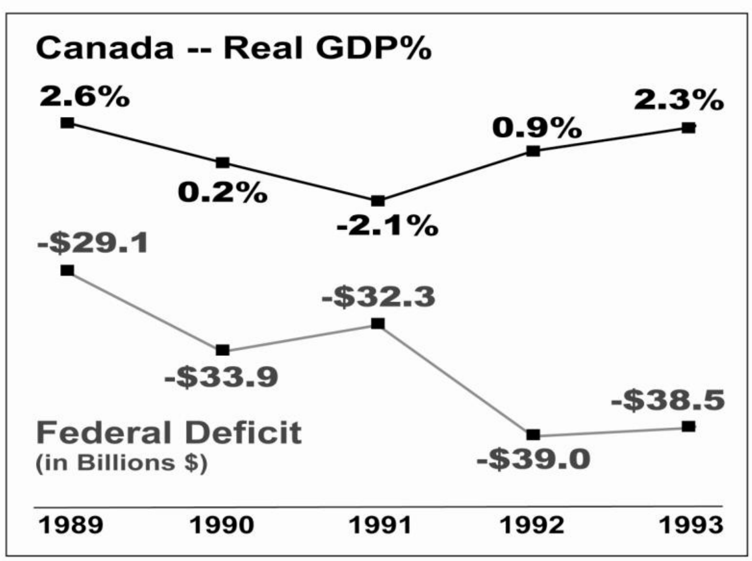
Our province's positive outlook is also supported by November, 2008 *Conference Board of Canada* estimates which project a real GDP growth rate of 2.7% for 2008 and 2.4% in 2009 – 0.9% above the rate for Canada as a whole.

While other provinces are looking at economic contraction, Manitoba is clearly in a different position.

Some critics are calling for government spending to spur economic growth even further. However, the only guarantee that deficit financing would provide is an increase to the province's debt.

Consider deficits run by the federal government between 1989 and 1993, and the nation's corresponding growth rate during that period:

Chart 1: Federal government annual deficits vs. Real GDP growth (1989-93)



Source: Federal budgets, Statistics Canada

Clearly, despite massive deficit spending, Canadians didn't receive the economic stability they were promised. Instead, future generations inherited $172.8 billion in new debt during that five-year period alone. Most notably, despite running deficits of $33.9 billion and $32.3 billion in 1990 and 1991 respectively, the economy grew by a paltry 0.2% in 1990 and actually contracted by 2.1% in 1991.

Not only are Canadians still repaying debt racked up during that period, the annual interest payments waste billions of tax dollars each year. Critics who are calling for government 'stimulus' spending need to consider the ill-fated results from the free-spending Mulroney era.

The Canadian Taxpayers Federation is pleased that Manitoba's 2008 budget projected core balanced budgets through 2011/12 and strongly recommends following through on that commitment. Now is not the time to stray from balanced budgets and debt repayment. Now is the time for careful spending and ensuring that our province is as competitive as it can be.

Part of improving Manitoba's competitiveness will require addressing our growing tax gap with other provinces.

Part IV: <u>Catching up with ~~the Joneses~~ SK, AB, B.C., ON, etc.</u>

Manitoba is a high-tax jurisdiction. Despite reducing most tax rates over the last decade, tax relief provided to Manitobans has not kept pace with relief provided in other provinces.

Personal Income Taxes

According to the CTF's 2009 income tax calculator, at the $20,000 income level, Manitobans pay more income taxes than individuals in any other province. At the $30,000 and $40,000/yr levels, Manitobans have the dubious "honour" of paying the second highest income tax levels in the country.

Table 1: Provincial income taxes payable at income levels of $20,000, $30,000 and $40,000

$20,000.00	$30,000.00	$40,000.00
$1,137.24 (MB)	$2,292.91(PQ)	$3,713.94(PQ)
$1,073.69(PEI)	**$2,145.10(MB)**	**$3,328.45(MB)**
$1,017.97(NB)	$1,988.22(PEI)	$3,223.40(PEI)
$939.04(NS)	$1,962.37(NB)	$3,220.86(NS)
$923.88(PQ)	$1,784.57(NS)	$3,136.87(NB)
$838.22(NL)	$1,619.97(SK)	$2,731.24(NL)
$593.45(SK)	$1,556.79(NL)	$2,646.49(SK)
$591.87(ON)	$1,156.46(ON)	$2,055.30(AB)
$254.12(BC)	$1,122.10(AB)	$1,818.76(ON)
$188.90(AB)	$942.32(BC)	$1,527.62(BC)

Looking at the tax rate table on the following page, it is easy to understand how Manitoba has earned the dubious reputation as being a high tax jurisdiction. Our lowest tax rate of 10.8% is the third highest rate in Canada and our second rate is higher than every province in Western Canada, with the exception of Saskatchewan.

Table 2: Provincial Income Tax Rates

Province	1st Rate	2nd Rate	3rd Rate	4th Rate	5th Rate	Surtax
BC	5.06%	7.98%	10.5%	12.29%	14.7%	
AB	10.0%					
SK	11.0%	13.0%	15.0%			
MB	**10.8%**	**12.75%**	**17.4%**			
ON	6.05%	9.15%	11.16%			20.0/36.0
QC	16.0%	20.0%	24.0%%			
NB	10.12%	15.48%	16.8%	17.95%		
NS	8.79%	14.95%	16.67%	17.5%		10
PEI	9.8%	13.8%	16.7%			10
NL	8.2%	13.3%	16.0%			

The high tax rate trend is especially dominant in the top tax bracket as Manitoba's rate is higher than every province west of Quebec and even surpasses PEI and Newfoundland. Most disappointing about the rate is the low threshold for which citizens must pay the tax. As the 17.4% rate applies to income above $67,000, it is incredibly punitive when compared with Saskatchewan's rate of 15% which doesn't kick-in until $114,609. The difference becomes even more startling when compared with Alberta's rate of 10% on all income levels.

Basic Personal Exemption

In terms of the basic personal exemption, Manitoba's level of $8,134 now trails Saskatchewan ($13,269), Quebec and B.C. ($9,373) by significant margins.

Table 3: Provincial Basic Personal Exemptions

Province	Basic Personal Exemption
Alberta	$16,775
Saskatchewan	$13,269
Quebec	$10,450
British Columbia	$9,373
New Brunswick	$8,605
Ontario	$8,881
Manitoba	**$8,134**
Nova Scotia	$7,981
PEI	$7,708
Newfoundland	$7,778

Most notably, Albertans can now earn twice as much as Manitobans can before paying provincial income taxes.

Bracket Creep

Perhaps most troubling about Manitoba's personal income tax system is the fact that it has yet to be indexed to inflation. As Department of Finance officials are well aware, failing to index Manitoba's tax system to the rate of inflation, means that taxpayers are secretly taxed millions of extra dollars each year.

In fact, Manitoba, PEI and Nova Scotia are the only provinces that have yet to index their tax system for inflation.

Table 4: Non-Indexed and Indexed Provincial Tax Systems

Province	Indexed to Inflation
British Columbia	YES
Alberta	YES
Saskatchewan	YES
Manitoba	**NO**
Ontario	YES
Quebec	YES
New Brunswick	YES
Nova Scotia	NO
PEI	NO
Newfoundland	YES

Payroll Tax

The payroll tax is nothing short of a tax on jobs. Applicable on payrolls above $1.25 million, the tax serves as a disincentive for companies looking to expand and hire more workers in our province. After all, Manitoba is the only western province to levy a payroll tax.

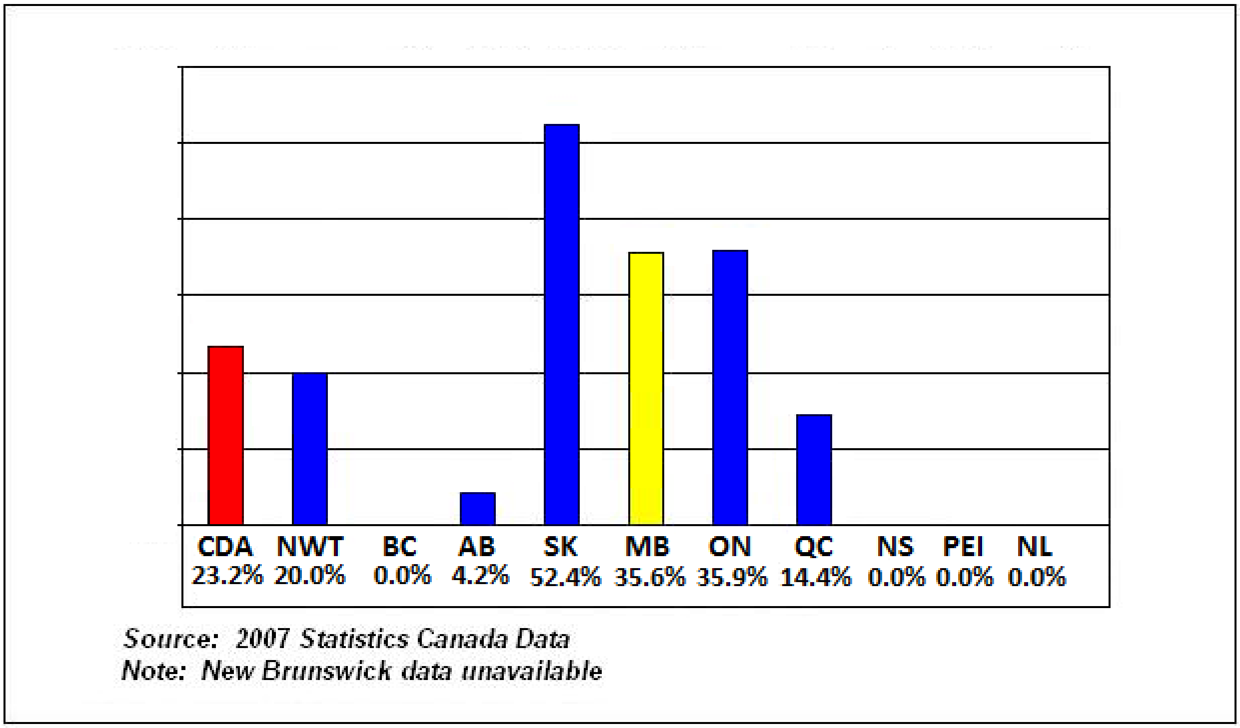
Table 5: Payroll Taxes in Western Canada

Province	Payroll Tax
British Columbia	NO
Alberta	NO
Saskatchewan	NO
Manitoba	**YES**

School Taxes

According to Statistics Canada data, Manitobans pay the third highest proportion of school taxes in the country, just behind Ontario (despite the province's school tax credits).

Chart 2: School Taxes as a % of Total School Tax and Provincial Spending



School taxes revenue as a percentage of total revenue raised by school taxes and dollars spent by the provincial government on K-12 education, is the second highest in Manitoba. At 35.6%, Manitoba's rate is significantly higher than Alberta (4.2%), B.C. (0%) and most Maritime provinces.

Part V: <u>Tax Rates Down, Revenues Up: A Snapshot of 1999-2008</u>

There is a common misconception that reducing tax rates will absolutely reduce the revenues that governments have for providing services to its citizens.

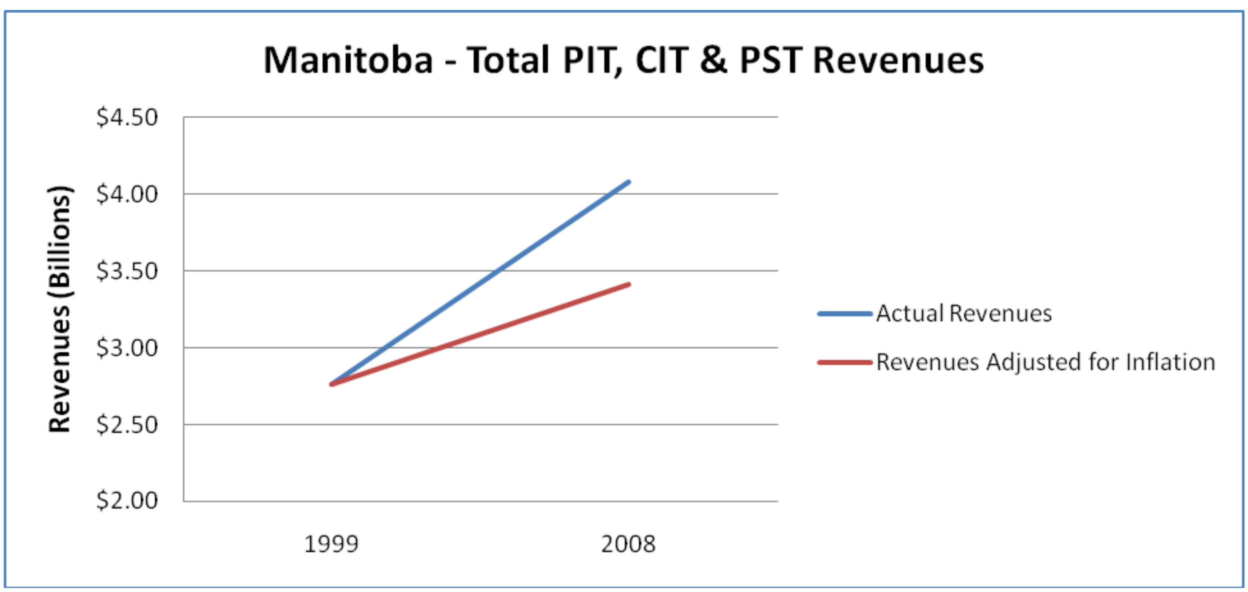
Manitoba's provincial government has joined the long list of jurisdictions to dispel the myth that revenues can't increase while tax rates are reduced.

Consider the following quote from the 2008 Manitoba provincial budget speech:

"Since 1999, our government has delivered the largest personal and business tax cuts in Manitoba history. Mr. Speaker, with today's budget the tax cuts we have delivered since taking office will save Manitobans more than $1 billion in taxes annually by 2009."

Despite providing tax relief to Manitobans over the last nine budgets, total income tax and sales tax revenues have *increased* by over $1.3 billion.

According to figures from the province's own budget documents, total revenue from personal income taxes, corporate income taxes and sales taxes increased from $2.76 billion in Budget '99 to $4.08 billion in Budget '08. Once adjusted for inflation, revenues from those three areas of taxation increased by $670 million <u>above the rate of inflation</u>.



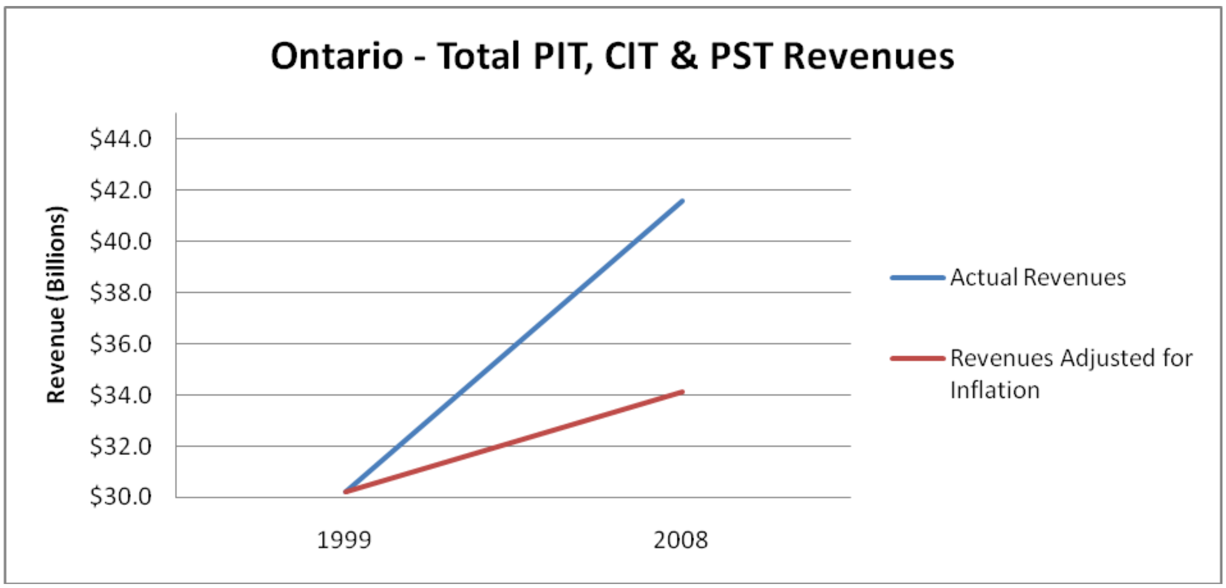
Some of the tax relief provided by the provincial government since 1999 include:

- Cut the small business tax rate from 9% to 2%
- Cut the corporate income tax rate from 17% to 12%

- Reduced the middle income tax rate from 16.6% to 12.75%
- Raised the basic personal exemption, spousal deduction and both tax thresholds.
- Reduced the capital tax and payroll taxes
- Eliminated the residential education support levy

From 1996 to 2001, Ontario taxpayers benefited from larger tax cuts while their provincial government benefited from larger increases in tax revenues. Ontario tax relief during that period included:

- Personal income taxes reduced from 58% of the federal rate to 38.5%
- General corporate income tax rate cut from 15.5% to 14%
- Manufacturing tax rate cut from 13.5% to 12%
- Small business tax rate cut from 15.5 to 6.5%



To the chagrin of high tax proponents, budget documents indicated that total revenues increased from $30.2 billion to $41.6 billion – a 37.7% increase in revenues in just six years. Not only did the Ontario government allow Ontarians to keep substantially more of their hard earned income, they were able to increase annual revenues available for social programs and public infrastructure by over $10 billion.

In short, Ontario tax cuts created jobs and helped fuel economic growth.

Clearly, the provincial government can make our tax rates competitive with other provinces while continuing to increase revenues for necessary government programs.

Part VI: Tax Relief Recommendations

1) *Bracket Creep*

Indexing our personal income tax system to the rate of inflation is the CTF's number one priority for the 2009 budget.

The cumulative effect on taxpayers of our non-indexed system is staggering. Had our system been indexed ten years ago, the CTF estimates Manitobans would save over $66 million in income taxes annually. Below is a table that depicts how Manitoba's tax brackets have not kept up with inflation.

Table 6: Tax Thresholds – Adjusted for Inflation

	Inflation	Basic Personal Exemption	Lower Bracket	Upper Bracket
1999	2	$6,794	$29,590	$59,180
2000	2.5	$6,930	$30,182	$60,364
2001	2.7	$7,103	$30,936	$61,873
2002	1.5	$7,295	$31,772	$63,543
2003	1.8	$7,404	$32,248	$64,496
2004	2	$7,538	$32,829	$65,657
2005	2.7	$7,688	$33,485	$66,970
2006	2	$7,896	$34,389	$68,779
2007	2	$8,054	$35,077	$70,154
2008	2.1	$8,215	$35,779	$71,557
2009	-	$8,387	$36,530	$73,060
Actual Levels		$8,134	$31,000	$67,000
Difference		$253	$5,530	$6,060

Table 7: The Effects of Bracket Creep

Income	2009	2009 (Adjusted)	Difference
$10,000	$129.38	$102.06	$27.32
$40,000	$3,328.45	$3,193.29	$135.16
$75,000	$8,143.69	$7,726.74	$416.95

Dollars that should stay in the pockets of Manitobans to help them cope with inflation are unfairly taken by the government each year. As "bracket creep" is one of the most stealth and dishonest forms of taxation, the CTF has fought for years to end it across the country.

The federal government and most other provinces have listened, and have adjusted their tax systems accordingly. The CTF strongly recommends Manitoba follow suit in 2009.

Recommendation: Eliminate bracket creep by immediately indexing the basic personal exemption, the spousal deduction and Manitoba's tax brackets to the rate of inflation.

2) *Basic Personal Exemption & Spousal Deduction*

The recent increase of Saskatchewan's basic personal exemption and its spousal deduction to $13,269 created a huge tax gap with Manitoba's rate of $8,134.

As noted earlier, Manitoba's basic personal exemption and its spousal deduction rate are also significantly lower than Alberta, B.C., Ontario and Quebec. Our tax exemption levels have also not kept pace with the federal government, which raised its exemptions to $10,320 for the 2009 tax year.

Raising the basic personal exemption would not only allow Manitobans to keep more of each pay cheque, it would remove thousands of low-income Manitobans off the tax rolls completely.

Recommendation: Raise the basic personal exemption and spousal deduction to $9,000 in the 2009 budget, with a legislated schedule to increase the levels to $15,000 by 2014.

3) *Top Income Tax Rate*

When one considers top marginal tax rates, Manitoba's rate of 17.4% sticks out like a sore thumb. Not only is it one of the highest rates in Canada, at $67,000, it is applied at one of lowest income thresholds.

With a top tax rate of 15% and a threshold of $114,609, Saskatchewan has blown Manitoba away in this category. Not surprisingly, Alberta, B.C. and Ontario also offer significantly lower rates and higher thresholds than our province.

Considering the positive correlation between the marginal propensity to save and income earned, Manitoba's high tax rate is especially punitive to citizens trying to save or invest their hard earned dollars.

Not only would reducing this rate allow Manitobans to keep more of their earnings, it would provide them with more resources to support local businesses and potentially start up their own entrepreneurial enterprises. Obviously this would spur economic growth.

Further, phasing out the top tax rate would not only give Manitoba a tax advantage, it would further simplify a tax system which has become incredibly complex and punitive.

Recommendation: Begin a ten-year phase-out of the top income tax bracket by reducing the third rate from 17.4% to 16.9% in the 2009 budget

4) *School Taxes*

School tax relief continues to be one of the top priorities for CTF supporters in Manitoba. As property taxes don't take into account a taxpayer's ability to pay, they are one of the most punative forms of taxation in this province.

2007/08 CTF Supporter Survey

Which ONE provincial tax should the Manitoba branch of the CTF focus on eliminating/reducing?

Income Taxes	34%
School Taxes	28%
Payroll Taxes	14%
Gas Taxes	13%
Property Taxes	11%

In order to catch up with Alberta and B.C., the CTF recommends moving forward with a ten-year plan to eliminate school taxes in the province of Manitoba.

Recommendation: Begin a ten-year phase-out of school taxes.

5) *Payroll Tax*

While the government has made positive progress on the job-killing capital tax, the other leading job-killing tax, the payroll tax, remains alive and well. As noted earlier, Manitoba is the only western province to levy a payroll tax.

At $344 million of revenue in 2008, the CTF understands that the tax cannot be eliminated overnight. However, if the government announces plans to eliminate this tax, it would be a positive signal to local businesses and those looking to locate in Manitoba.

The CTF recommends establishing a legislated schedule for the elimination of the tax by 2018.

Recommendation: Begin a ten year phase-out of the payroll tax.

6) *Capital Tax*

The CTF is pleased that the capital tax is on its way out. Most notably, the CTF commends the government for not wavering on its commitment to reduce the rate again in 2009.

As the tax is applied to the balance sheet, it is extremely harmful to businesses as they must pay the tax whether they've turned a profit or not. Continuing with the elimination of this tax will have a positive effect on our province's economy.

Recommendation: Continue phase-out of the capital tax.

7) *Corporate Income Tax*

The Canadian Taxpayers Federation welcomes the government's announcement to reduce the 13% general corporate income tax rate from 13% to 12% on July 1, 2009. Further, the CTF commends the government for publicly stating a goal of reducing the rate to 11%.

Recommendation: Reduce the corporate rate to 11% by 2012.

Part VII: Spending

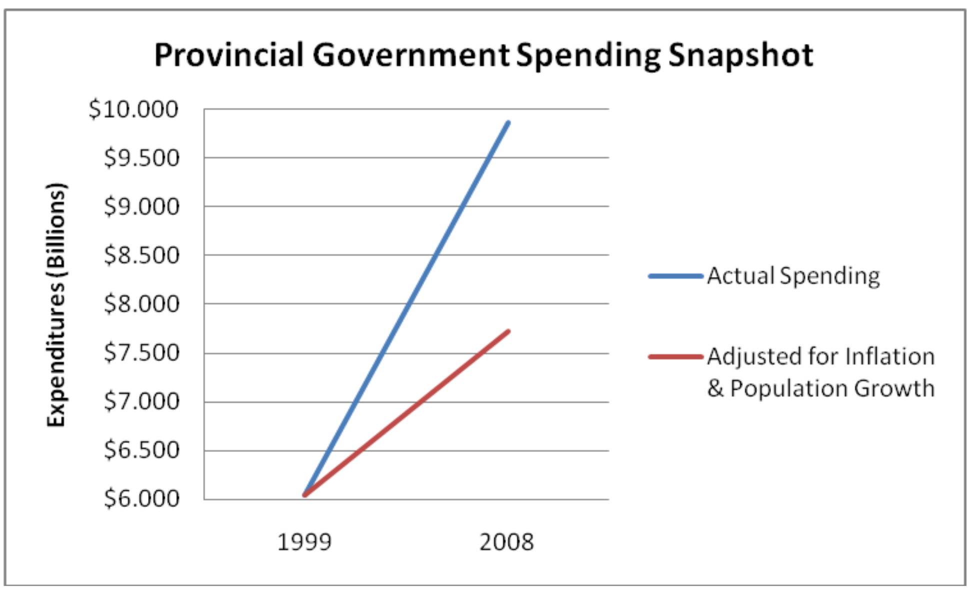
Since 1999, government spending has increased at a torrid pace. Beginning in 1999, had spending increased at the rate of inflation, accounting for population growth, spending for this year would be $2.1 billion below current levels.

In fact, according to CTF research, if government spending had have increased at the rate of inflation and population growth, a surplus of $8.9 billion would have accumulated over the last ten years. That's enough to not only pay off our province's $6.4 billion debt, $2.5 billion would be left over.

Given the province's high level of dependency on equalization and federal handouts and the current economic slowdown, the CTF recommends a freeze in spending at 2008 levels.

Recommendation: The CTF recommends freezing spending at 2008 levels for 2009 and 2010.

Below is a graph that depicts actual spending levels and a projection what present day levels would be, had spending increased at the rate of inflation and population growth.



To address the province's high level of spending, the CTF recommends the formation of an all-party committee to look at areas for reducing expenditures.

Specifically, the CTF recommends exploring the following options:

- Identifying appropriate government services that could be contracted-out to the private sector and non-profit groups;
- Utilizing P3's for upcoming capital projects;
- Conduct a government-wide review of potential assets to sell;
- Conduct a government-wide review of employee salaries;
- Eliminate all corporate welfare (i.e. grants and loans to businesses); and
- Eliminate non-essential programs and expenditures – for example:
    - *Unnecessary government advertising;*
    - *The Vote Tax;*
    - *Promotional items; and*
    - *Unnecessary trips, meals and other perks.*

Recommendation: The CTF recommends striking an all-party committee to identify areas where the government can reduce costs.

Part VIII: Debt Repayment

At $6.4 billion, Manitoba's provincial debt costs taxpayers hundreds of millions each year in interest payments. Down from $6.8 billion in 1999, core government debt is heading in the right direction.

However, the slow pace of debt repayment means that Manitobans will pay billions of dollars in debt servicing costs alone over the coming decades.

The faster the debt is paid-off, the more dollars the government has for providing core services or reducing taxes.

As noted in the spending section of this report, had the government held spending to the rate of inflation and population growth over the last <u>ten</u> years, the debt could have been paid-off with $2.5 billion left over.

By capping spending at the rate of inflation, there is no reason why the government could not pay-off the debt within the next <u>15</u> years.

Recommendation: Pay-off the debt within 15 years.

Part IX: Sustainability

Since 1999, Manitoba has become even more of a "have not" province. Equalization payments as a percentage of government revenues have increased from 16.1% in 1999 to 20.9% in the 2008 budget.

Table 8: Equalization Payments as a % of Government Revenue

1999	2008
16.1%	**20.9%**

Source: 1999 & 2008 Manitoba Budgets

From a sustainability perspective, this is a troubling trend. Provincial governments should strive to stand-up on their own, not become more dependent on other provinces' prosperity.

Table 9: Dependency Index – Federal Transfers & Equalization Payments as a % of Total Revenue

Province	1999	2008	% Change
PEI	39.3%	41.1%	1.9%
NB	39.4%	37.1%	-2.4%
MB	**28.2%**	**36.7%**	**8.5%**
NS	42.7%	36.0%	-6.7%
NL	44.8%	28.0%	-16.8%
QC	15.3%	21.7%	6.4%
ON	9.6%	17.0%	7.5%
BC	11.7%	15.1%	3.4%
SK	19.7%	14.8%	-4.9%
AB	8.2%	9.8%	1.7%

**** Based on respective 1999 & 2008 provincial budgets***

As table 11 shows, when comparing handouts from other governments as a percentage of total revenues, Manitoba is now the third most dependent province. Most notably, since 1999, no province has grown more dependent on transfers from Manitoba.

If the provincial government were a business, it would have gone bankrupt without the handouts. The Canadian Taxpayers Federation recommends turning the "S.S. Dependency" around.

To begin, our province should establish a ten-year goal of becoming a "have province". Not only is it a wise move from a sustainability perspective, it would have a positive effect on the psyche of Manitobans to know that their province is heading in the right direction.

Making debt repayment a priority would help free-up hundreds of millions of dollars that are annually used to service the debt. This would further assist with reducing dependence on equalization payments.

Recommendation: Formalize a government goal of making Manitoba a "have" province by 2018.

Part X: Growth Opportunities

The private sector is the driving force behind any successful jurisdiction. Unfortunately there are many barriers that prevent businesses from expanding or locating in Manitoba.

Below are some industries that are being held back by government "policy handcuffs" and, if given the opportunity, could provide billions of dollars in private sector investment, taxes and thousands of new jobs.

Private Sector Hydro Development

Manitoba Hydro has a virtual lock on hydro development in the province. While Manitobans have heard for decades that hydro development is our equivalent to "Alberta's oil", development has been quite minimal over the last twenty years.

By encouraging private sector development of potential dam sites, the provincial government could see a massive investment of private sector dollars, the creation of hundreds of new jobs and millions in annual taxes. Further, as other provinces have done, the government could charge the companies "water rental fees" for the right to use our waterways.

Recommendation: Allow private companies to build hydro dams in Manitoba while charging firms for the right to use provincial waterways.

Increase Private Health Care

Allowing private sector health care firms to deliver more services in Manitoba would help the provincial government and its citizens in many ways.

First of all, each year thousands of Manitobans head to the United States and other jurisdictions to access health care. They do so because they are either not satisfied with the services offered by Manitoba's public system or the potential for waiting many weeks for such services. Each visit means that thousands of dollars unnecessarily leave Manitoba and support other communities.

While some like to fear monger and claim that allowing the private sector to deliver health care services will destroy the public sector, it is important to note that the private sector already delivers a number of health care services.

Chiropractors, physiotherapists and dentists are already providing private health care services alongside the public system.

Allowing the private sector to expand delivery of health care services would not only mean more jobs and an increase to our tax base, it would help take the strain off a public system that continues to be a black hole of government spending.

Further, the Supreme Court of Canada made it perfectly clear that the private sector should not be feared, but embraced. The court declared that:

"democracies that do not impose a monopoly on the delivery of health care have successfully delivered…services that are superior to and more affordable than the services that are presently available in Canada. This demonstrates that a monopoly is not necessary or even related to the provision of quality public health care."

Recommendation: Allow the private sector to deliver the same health care services as the public sector.

Open up the Liquor Industry

Alcohol sales in Manitoba truly are a mixed cocktail. The Manitoba Liquor Control Commission generally has a lock on the sale of spirits and wines in large urban centres. However, smaller communities can generally sell such products in private stores. Across the province private beer stores are permitted to sell only beer products and a handful of private wine stores are allowed to sell wine.

While the government urges Manitobans to reduce their "carbon footprints", the province's bizarre set of rules which govern liquor sales ironically force citizens to make separate trips to purchase their groceries and choice of alcohol.

Reducing the government's control in this area, and allowing private alcohol stores to expand freely would not only improve the selection of products available, it would improve convenience for citizens and potentially increase the government's bottom line through income taxes, sales taxes and alcohol taxes.

Recommendation: Open up the liquor industry by allowing private stores to sell the same products as the MLCC.

Opening up Vehicle Insurance to Competition

Some Manitobans love Manitoba Public Insurance, while others are not so fond of its service. Unfortunately for those that would rather purchase their automobile insurance from another provider, they cannot.

MPI's monopoly on providing vehicle insurance is detrimental for Manitobans as the state-run provider does not face the forces of competition and innovation.

By opening up this industry to competition, Manitobans would be given choice when purchasing vehicle insurance. Further, MPI's customer service levels would be forced to improve or it would face the threat of losing its customers.

Recommendation: Allow private providers to compete with MPI.

Hog Barn Moratorium

During the spring of 2008, the province's billion dollar hog industry was blindsided by the announcement of a legislated moratorium on hog producers throughout most of southern Manitoba.

The CTF recommends lifting the ban immediately. As the government's own scientists noted, some hog farms require improvements to their disposal practices, while others are fine. The government should work with those who need improvement instead of unfairly punishing the entire industry.

By allowing the industry to expand in a responsible manner, the government could boost its own bottom line, without compromising the health of the environment.

Recommendation: Lift the moratorium on new hog barns and work with farmers on operations that require improvements.

Part XI: <u>Legislation/Reporting</u>

Strengthen Balanced Budget Legislation

The Canadian Taxpayers Federation was one of the first organizations in Canada to advocate for balanced budget legislation. We were a vocal proponent of the legislation that was passed in Manitoba in 1995 and are pleased that most other provinces in Canada have introduced similar legislation.

Just like families must spend within their means, so must governments. Expenditures from the government's core operations (health, education, transportation, debt servicing, etc.) should not exceed the revenues raised to support them.

In June, 2008, Manitoba's balanced budget legislation was watered down by introducing a four-year rolling average 'balanced budget' within a summary budget format. The CTF opposed those changes at public committee meetings for Bill 38.

Failing to balance the budget on an annual basis simply increases debt that future generations have to pay. Allowing the government to balance its books based on a four-year average, is like telling a grade school student that they can fail three years in a row, but do well during the fourth year.

It simply doesn't work.

Recommendation: Restore the requirement for a core government balanced budget each year.

Provide Detailed Quarterly Updates

The Alberta government regularly shares its financials with its taxpayers through detailed, quarterly updates. As "shareholders" in the government, taxpayers deserve to know exactly what is happening with their tax dollars.

Alberta updates include growth projections, revenue estimates, spending estimates, resource forecasts as well as the operating balance.

Recommendation: Review other provincial quarterly fiscal updates and develop a more comprehensive quarterly report to taxpayers.