

MANITOBA PRE-BUDGET SUBMISSION

OCTOBER 2018

Prepared By:

Todd MacKay - Prairie Director

tmackay@taxpayer.com

306-582-7717

Presented On: **Oct. 25, 2018**

Taxpayer.com

ABOUT THE CANADIAN TAXPAYERS FEDERATION



Canadian Taxpayers Federation

265-438 Victoria Ave E
Regina, SK S4N 0N7

Phone: 306-582-7717

Email: tmackay@taxpayer.com

Website: taxpayer.com

Todd MacKay

Prairie Director – Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, not-for-profit citizen's group 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 137,000 supporters nationwide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (Sask. and Man.), Ontario, Quebec and Atlantic Canada. Regional 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, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change. Each week CTF offices send out Let's Talk Taxes commentaries to more than 800 media outlets and personalities across Canada.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive issue and Action Updates. Financial supporters can additionally receive the CTF's flagship publication The Taxpayer magazine published four times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2014-15 the CTF raised \$4.7 million on the strength of 30,663 donations. Donations to the CTF are not deductible as a charitable contribution.

TABLE OF CONTENTS

Introduction	1
No Tax Hikes	1
No New Spending	1
No Corporate Welfare	2
Investigate Financial Debacles	3
Conclusion	3

INTRODUCTION

Manitoba is making progress on the province's finances and now is the time to keep that progress going.

The deficit is going down. Credit ratings are stable. Taxes have stopped rising. These are remarkable accomplishments.

But challenges remain.

While it's going down, the deficit is still adding hundreds of millions to the debt. Spending is still rising. There are still no explanations for financial debacles at Manitoba Hydro, Investor's Group Field and elsewhere. And, worst of all, interest charges on the debt are set to hit \$1 billion per year.

The Canadian Taxpayers Federation is offering simple recommendations:

- **No tax hikes;**
- **No spending increases;**
- **No corporate welfare; and,**
- **Investigate financial debacles.**

Manitoba is proving it's possible to get a province's finances back on track. But the job isn't done. Taxpayers can't afford tax hikes and the province can't afford to keep increasing spending and debt.

RECOMMENDATION ONE:

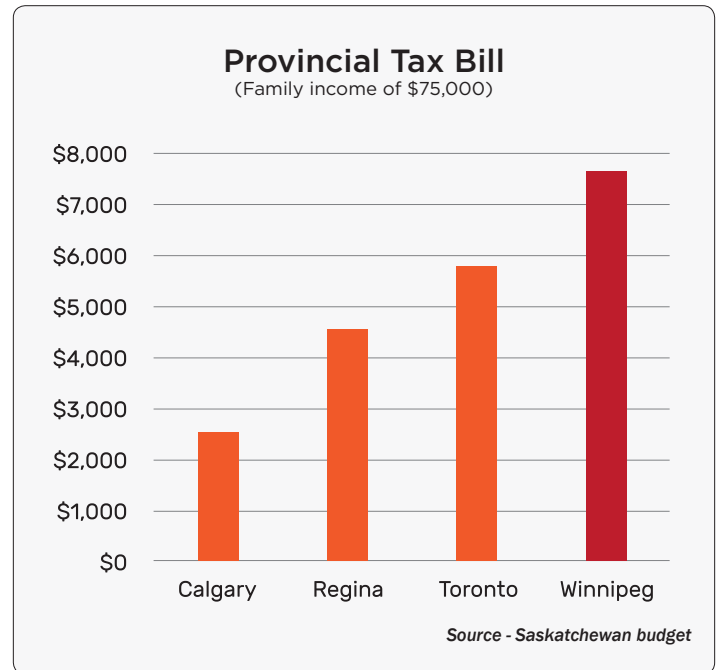
NO TAX HIKES

Manitobans are paying too much tax, but taxpayers are relieved that they've been given a reprieve on provincial tax hikes.

Taxpayers are cheering Manitoba's decision to reject the carbon tax. The federal government is clearly not interested in considering different ways to reduce emissions, Ottawa is simply determined to increase taxes. The Canadian Taxpayers Federation is standing with the Manitoba government to oppose the federal carbon tax.

While taxpayers are grateful for the reprieve from tax hikes, it's important to recognize the heavy burden Manitobans continue to carry. Consider a family with an income of \$75,000 - in Winnipeg, the provincial tax bill would be [\\$7,692](#), but here's what that family would pay in other cities:

- **Calgary - \$2,543;**
- **Regina - \$4,572; and,**
- **Toronto - \$5,796.**



Taxpayers are looking forward to the government's promised PST cut, but, in the meantime, they can't afford any new taxes.

RECOMMENDATION TWO:

NO NEW SPENDING

Manitoba is making great progress to reduce the deficit, but it still can't afford to keep increasing spending.

First, it's worth taking a moment to look at the province's progress.

Last year's [deficit](#) came in \$145 million lower than budgeted at \$695 million. For too many years, too many governments across Canada have reported deficits higher than budgeted. Manitoba is reversing the trend and making real progress toward balancing the budget.

People are noticing. A few years ago, Manitoba was hit with a string of credit rating downgrades. That's changed.

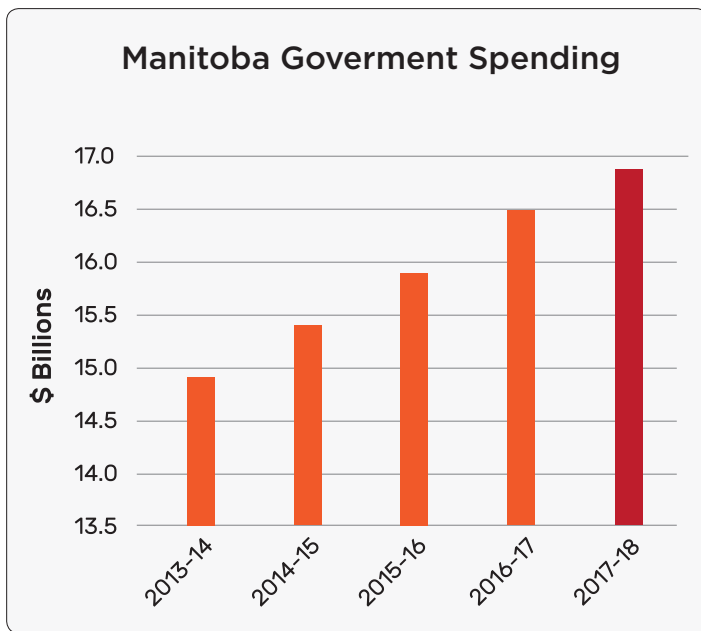
"The stable outlook reflects our expectations that, in the next two years, the government will continue to make progress toward achieving fiscal balance," [stated](#) S&P Global in July.

However, it's too soon for champagne.

Manitoba will pay \$1 billion to cover interest charges on the existing debts this year. The [deficit](#) is projected to be \$521 million this year. Despite their optimism, analysts are also raising warning flags.

"[Deficits] and the continued high borrowing requirements of [Manitoba Hydro], will propel further growth in what is already the highest debt burden of any Canadian province," stated S&P Global.

The Manitoba government [spent](#) \$16.9 billion in 2017-18. That's \$2 billion more than the province spent in 2013-14. Even after accounting for inflation, that's a spending hike of 6.4%.



Manitoba needs to spend less money not more. Obviously, controlling and reducing spending isn't easy. But consider the alternative: Manitoba will already pay \$1 billion every year to cover interest charges on the existing debt until it's paid. The province has a choice: either make difficult choices to control

spending to balance the budget and pay down debt; or, make tougher choices to make deeper cuts to pay ever-increasing interest payments.

RECOMMENDATION THREE: NO CORPORATE WELFARE

Corporate welfare is the most obvious place to cut spending. The best way for government to create opportunity is to provide tax relief so that entrepreneurs can reinvest in their businesses and hire Manitobans. The worst thing for government to do is pick winners and losers by doling out corporate welfare.

Unfortunately, Manitobans recently witnessed a case study in the wastefulness of corporate welfare. Luxury coat-makers [Canada Goose](#) recently got \$1.5 million from the Manitoba government to hire and train "sewing machine operators." The company sells thousand-dollar coats; it spent \$15.8 million on its new factory; and, its market capitalization shows the multinational is worth billions. The involuntary donation from Manitoba taxpayers wouldn't even register as a rounding error on Canada Goose's bottom line.

But what's the big deal? Does \$1.5 million really matter in the context of the billions the province spends every year? Look at it from the taxpayer's point of view. It took all of the provincial taxes from 195 average Manitoba families to cover the corporate welfare for Canada Goose.

Further, it's important to remember the government is ultimately spending borrowed money as long as it runs deficits. In this case, Manitobans will pay about \$45,000 to cover the interest charges on the \$1.5 million borrowed for Canada Goose (that's the total provincial tax bill for almost six average Manitoba families every year).

Next time big business comes to the province asking for a handout, the government needs to say no. It's bad policy. And Manitobans can't afford it.

RECOMMENDATION FOUR: INVESTIGATE FINANCIAL DEBACLES

Manitoba is turning around its financial situation, but it has to learn the lessons of the past.

The province has been rocked by financial debacles. Taxpayers are on the hook for more than \$200 million in loans to build [Investors Group Field](#). The Winnipeg Police [headquarters](#) is the subject of an RCMP investigation. And, the white elephant in the room, [Manitoba Hydro](#), has wasted billions due to projects such as the Bipole III transmission line and Keeyask Generating Station.

Obviously, much of the ultimate blame must go to the previous government and voters rendered their judgement at the ballot box in the last election.

However, shrugging off these financial debacles as poor management by political masters is not enough. Who is specifically responsible? Why weren't accountability safeguards in place? And, most importantly, how do we make sure these costly debacles are never repeated?

The Canadian Taxpayers Federation fully supports the province's review of Manitoba Hydro. We applaud the government's appointment of former British Columbia premier Gordon Campbell to lead the review. We're confident he'll answer important questions surrounding disastrous decisions regarding Bipole III and Keeyask. More importantly, we need to identify ways to make sure these debacles stop happening.

Comprehensive investigations are the standard response to massive waste and other governments routinely investigate these types of debacles.

When the Saskatchewan government paid \$21 million for land it appraised at \$12 million for its [Global Transportation Hub](#) project, the premier asked the provincial auditor to launch an investigation that produced a [78-page report](#).

The Government of Newfoundland and Labrador initiated a full judicial [inquiry](#) regarding the Muskrat Falls hydro project that's costs soared from \$7.2 billion to \$12.7 billion.

Ontario Premier Doug Ford has commissioned Campbell, to lead a line-by-line [audit](#) of that province's financial wreckage.

It's hard to imagine objections to comprehensive investigations into Manitoba's financial debacles.

Governments are sometimes concerned that investigations into misdeeds by predecessors will be branded as a political wild goose chase. But when wild political geese have repeatedly reeked multi-billion-dollar havoc, a well-aimed hunt is the only sensible response. It's inconceivable that any serious commentator in the province would object to investigations into these issues.

The only other conceivable concern is cost. Yes, investigations cost money. But, accountability is not a luxury, it is a necessity. Failing to learn the lessons from these debacles risks their repetition and that would be costlier than any investigation.

The Canadian Taxpayers Federation is the most fiscally conservative voice in Manitoba, but we unequivocally support investigating the financial debacles that have blighted the province.

CONCLUSION

Manitoba is making remarkable progress on the province's finances, but progress is a fragile thing. Progress can be stalled or reversed by either fatigue or complacency. Manitoba still has a long way to go with a half-billion-dollar deficit and billion-dollar interest bill. But continued prudence will pay dividends for generations to come.