Manitoba Federation of Labour

Brief to the

Manitoba Legislature

On

Bill 30

THE BUDGET IMPLEMENTATION AND

TAX STATUTES AMENDMENT ACT, 2009

June 4, 2009

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The Manitoba Federation of Labour supports Bill 30.

It introduces a measure of flexibility that the government of Manitoba, and all governments, needs today to address the serious economic conditions that have existed since last fall.

Fourteen years ago, almost to the day, the MFL told the Filmon government that some aspects of **The Balanced Budget, Fiscal Management and Taxpayer Accountability Act** would create problems for future governments during difficult economic conditions. We said, “Broadly speaking, balanced budget legislation is an inappropriate limitation on the ability of a government to deal with the peaks and valleys of the business cycle and with unforeseen crises that may confront society.”

Since last October, that crisis has swept the globe destroying jobs, businesses and economies. People have lost their homes, their cars, their savings and their retirement income.

Consumer Bankruptcies across Canada increased an unprecedented 34.6% in the first quarter of 2009 compared year over year to 2008. By way of comparison, the first quarter increase in 2008 was 2.9%.

Nationally, the April unemployment rate stood at 8%. From October 2008 to April 2009, there are 321,000 fewer jobs in Canada the highest level of unemployment in seven years.

The United States, our largest trading partner, is experiencing harsher conditions. Since last October more than 5.7 million men and women have lost their jobs, nearly 540,000 in April alone.

In Manitoba, careful economic and public policy planning has paid off in better conditions. Our April unemployment rate was 4.6% down from 5.1% in March. To this point in 2009, the number of jobs created in Manitoba is slightly higher than the number lost.

But this good news should not be taken as evidence that the worst is over. In fact, the worst is yet to come.

Manitoba's economy is forecasted to decline by .5% this year – troubling, but not as much of a decline as the 2.2% shrinkage forecasted for Canada as a whole.

The Toronto-Dominion Bank's economists predict that Canada's unemployment rate will peak at 10% in early 2010. The Royal Bank is slightly more optimistic predicting a jobless peak at 8.1% at the end of 2009.

According to Don Drummond, TD's chief economist, "This year will go down in the history books as one of the most difficult economic years for Canadians."

"The news has just been bad all over," said Robert Hogue, senior economist at RBC, adding the revision "reflects greater weakness" mounting throughout the world economy, crimping demand for exports, particularly from Canada's largest trading partner, the United States.

In all, 500,000 jobs will be lost from the Canadian economy in 2009 according to the TD Bank – the worst since the end of 1996.

The highest jobless rate on record in Canada dates back to the recession of 1982, when unemployment hit 13% in December.

Taking effective action on these issues means our government need to be able to implement their strategies in a timely manner.

What Bill 30 does is build some flexibility into the rigorous requirements of Part 3 of **The Balanced Budget, Fiscal Management and Taxpayer Accountability Act.**

Contrary to some critics, Bill 30 does not represent the end of Manitobans commitment to paying off our public debts. It provides a three year respite from the mandatory annual $110 million payment on the debt.

Not long ago, Manitobans learned from Finance Minister Selinger's Budget Speech that a $20 million payment on the debt will be made this fiscal year, and the $90 million that is being redeployed will help our communities and families deal with the economic storm.

This $90 million is helping fund major infrastructure projects that will create and maintain 10,000 person years of employment. That's 10,000.

These projects will improve water and waste treatment facilities; universities, colleges and schools; hospitals; and highways. These are the things that create jobs and improve the quality of life for all Manitobans.

There are those who think investing in these projects is “irresponsible” if debt repayment is effected and that Bill 30 is therefore a “toxic piece of legislation”. The Manitoba Federation of Labour and its affiliated unions don’t share that view. It’s far more important to cushion Manitobans from the impact of global economic adversity by delaying debt repayments for a short time.

Tax Reductions

If there’s an aspect of Bill 30 that causes us concern, that would be the tax reductions it contains.

We have a great deal of sympathy for any government that has to compete with neighbouring provinces and countries in the relentless drive toward the lowest possible taxes. It’s a losing proposition. Provide public services and capital projects that ensure a high quality of life for citizens, and at the same time collect fewer and fewer taxes.

There can be no doubt about it; the government has done an admirable job carrying out a substantial mandate to deliver high quality services to the people of Manitoba while at the same time competing with other resource-rich provinces and countries on the tax front.

But building a hospital is only part of the equation – you also have to staff it, keep it equipped with modern technology, keep it in good repair and meet the countless other challenges that are required to provide quality health care. And it’s not just hospitals. It’s also education, social services, housing and so on. To deliver these things, government needs income. That income comes from taxation.

If there’s one thing the neo-conservatives and their political parties have done exceedingly well in Canada, it’s been crafting and implementing a communications strategy that demonizes virtually all forms of government revenue and spending.

It’s impossible to find a person that doesn’t react badly to the word “taxation”. Public opinion professionals will tell you there’s a world of difference between how people react to a statement that contains that word, compared to the same statement phrased with the word "investment" rather than "taxes". People reject "tax burden" but are quite supportive of making an "investment" in their future.

In the past decade, the government has foregone about $1 billion of "investment potential" through business and personal tax reductions. In a province where about a million people live, that's about $100 a person per year. But, on the altar of giving people about $100 a year in tax reductions (actually less since about 25% of the reductions were aimed at business), what have we given up? How big an impact would the government have had on child poverty with $1 billion to invest? How about community economic development? Or programs to ensure that equity groups get a fair deal?

Bill 30 contains more measures that will reduce government income and its ability to fund critical public services and programs. Some of the tax and fee reductions are pretty difficult to argue against - others aren't. But that's not really the point we're trying to make. What we're saying is there must be an end to the cuts at some point, and soon, before we're paying businesses to operate and paying royalties to mining companies instead of collecting them.

We want our governments to "invest" in health care and education. We want you to "invest" in roads and bridge. We want government to have enough income to make these investments on our behalf.

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