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# FAST FACTS

**April 18, 2012**

## Budget 2012: Deficit budget creates a surplus of spin

**W**e went to the provincial legislature yesterday to review the budget and prepare our analysis. Our pre-budget predictions were accurate (see the April 16th Fast Facts titled *It's Budget Time Again: A glimmer of hope and a healthy dose of skepticism*). We found a little bit of this and that; nothing of significance to address poverty and inequality.

We were mildly encouraged by the 2.5 cent/litre gas tax increase as well as tax increases on cigarettes and luxury services. We would have liked to have seen more tax increases, especially on large corporations and the very wealthy, but we know that long-overdue move is a work in progress. We couldn't help but observe that cumulative NDP tax cuts since 1999 will afford a \$1.2 billion "saving" to Manitoba tax payers, while the amount of the deficit is \$1.12 billion. Does anyone else see the possibility of a surplus here?

We did not expect business groups or the official opposition to share our perspective on raising taxes back to a more reasonable level – after all they're responsible for the decreases in the first place, but we did hold on to some residual of hope that the media would provide more balanced coverage of the budget.

How naïve we were.

It turns out that analysing the media's reaction to the budget is more informative than analysing the budget itself. One radio station immediately declared the 2012 Manitoba budget story to be all about tax increases. Really?

That was followed by various media interviews with 'regular folks' concerned about the rising cost of haircuts and pedicures. Other post-budget reaction includes outrage over the gas-tax increase and the \$35.00 increase for vehicle registration. While there certainly needs to be some sort of mechanism to rebate these increases back to low-income earners, these are not unreasonable increases. The job of government is to pool our collective resources to maintain public services and infrastructure. This year in particular we need to pool our resources to pay for the unanticipated costs of the 2011 flood.

It's surprising that there hasn't been much mention of the \$250 increase in the personal income tax exemption. We would have preferred a more targeted approach to increase incomes of low income households. We agree that tax measures are needed to assist lower income earners but the cumulative effect of applying it across the board will end up being a burden to those who need the break the most. High income



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## *FAST FACTS continued ...*

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earners benefit the same as low income earners and the “saving” removes \$19.3 million from revenues. It’s interesting that this is almost exactly the amount required to increase the Employment and Income Assistance (EIA) shelter allowance to a mere 75% of median market rent. The current shelter allowance varies between \$285 (for a bachelor apartment) to \$513 (for a three bedroom apartment). Who can find a decent place to live for those amounts? We believe that most Manitobans would agree that they could live without that negligible difference in their income tax, especially if they knew how much it would benefit very low income families.

To be fair, there were a few small gestures of balanced coverage offered up. One example is the CBC Radio One interview with a representative from the Manitoba Trucking Association. The spokesperson acknowledged that the gas tax increase was long overdue, and connected the dots between the increase and the benefits of investing in infrastructure. He correctly stated that our roads are in great need of repair and they “aren’t going to fix themselves”.

Connecting the dots is precisely the media’s job; it allows the consumers of media to be better informed and make more rational decisions as they participate in the democratic process. Media could for example provide more context about our \$1.2 billion deficit and its significance as it relates to the overall budget. They could examine the deficit in the context of unanticipated events such as the global economic recession and the 2011 flood. They could examine our situation in comparison with other provinces and explain that Manitoba is in a relatively good position.

Economist after economist has noted that our total government debt is moderate, reasonable and being handled appropriately. Indeed total debt is forecasted to be 27.4% of GDP, a moderate and perfectly manageable ratio that is far lower than when the NDP took power from the Conservatives

in 1999. We also have one of the lowest unemployment rates in the country and some of the lowest living costs.

To suggest, as Shannon Martin does in today’s Winnipeg Free Press (page A10), that our tax rates should match Saskatchewan’s is shortsighted at best. Both Saskatchewan and Alberta have access to resource royalties that amply pad government coffers, making it possible for them to spend while keeping taxes low. Just looking at tax levels without considering incentives and rebates makes it impossible to see the net cost to tax payers. It may be Mr. Martin’s job to obfuscate the issue to suit his organization’s interests, but it’s the media’s job to shed some light on these issues, including the benefits of government spending.

In fact when all the dots are connected, not spun, the province doesn’t spend enough. There are many deficits that this budget does not discuss: the housing deficit; the EIA shelter allowance deficit; the childcare deficit; the education and job-training deficit. But when the media spins the dots instead of connecting them, the media hype ends up being all about tax increases and irresponsible spending rather than the need to increase spending to deal with our most pressing problems.

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