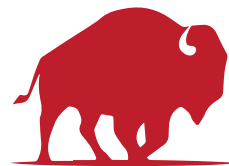


2019

# STATE OF THE PROVINCE

## A REBUTTAL



**MANITOBA LIBERAL CAUCUS**

169-450 Broadway Ave

Winnipeg, MB

[mbliberalcaucus.ca](http://mbliberalcaucus.ca)

# INTRO

Manitoba could have a balanced budget and be investing in infrastructure, education, and health care right now.

However, we do not because the Pallister Government has chosen to freeze funding and new investment at 2016 levels. They have chosen to borrow hundreds of millions of dollars to finance tax cuts that are unlikely to stimulate the economy.

Quality public education, public health care, and infrastructure are all essential to making Manitoba competitive.

Businesses and families alike depend on schools, health care, and to infrastructure that lets people and goods move easily.

Instead of investing in education, health, and infrastructure, the Pallister Government has focused on reducing taxes while running a deficit.

This missed investment is a legacy of lost opportunity. We are stealing from our children by failing to invest in the productive capacity of the economy today.

Manitobans deserve better than “Placebo Politics” – feel-good announcements that don’t make a difference. We need policies and plans that will unlock the potential of our province and its people.

Dougald Lamont



Leader, Manitoba Liberal Party, MLA St. Boniface

# \$899-MILLION

## THAT'S HOW MUCH ANNUAL TRANSFER PAYMENTS FROM THE FEDERAL GOVERNMENT HAVE INCREASED IN JUST FOUR YEARS.

Because Manitoba is a “have-not” province, it relies on substantial transfers as well as equalization from the federal government. It’s important to realize there have been dramatic changes in federal transfers that have had a colossal impact on the province’s finances.

Prior to 2015, total federal transfers to Manitoba were frozen for six years. This freeze was lifted in 2015 and has increased steadily since. As new federal revenues flowed in, rather than investing in infrastructure, health care and infrastructure, the Pallister Government has chosen to cut revenues – even as we are borrowing.

This matters, because there is a widespread perception that the NDP deficits and credit downgrades were the result of overspending. This conventional wisdom is not borne out by the facts - which is that both the NDP and PCs cut taxes, choosing to borrow while reducing revenues.

To reframe: if Manitoba’s deficit were due to NDP overspending, then it follows that cutting spending will solve those problems.

However, if Manitoba’s deficit is due to dropping revenue - and not to overspending - then cutting spending will not address the problem. The NDP reduced income, corporate and property taxes by \$1-billion by 2009.

These cuts appeared sustainable in the growth years leading up to 2008. Since then, those revenue cuts, paired with frozen federal payments, became a structural deficit of about \$1-billion.

In 2019-20, the Government of Manitoba will receive \$899-million more per year than it did in 2015-16.

The following chart shows how much federal transfers have increased per year, with 2014-15 as the departure point.

### INCREASES IN FEDERAL TRANSFERS TO MANITOBA WITH 2014-15 AS A BASELINE

2015-16	2016-17	2017-18	2018-19	2019-20
\$77-million	\$172-million	\$321-million	\$605-million	\$899-million

### Federal Support to Manitoba

In 2019-20, the Government of Manitoba will receive \$4.3 billion through major transfers.

Federal Support to Manitoba (millions of dollars)										
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Major Transfers</b>										
Canada Health Transfer	943	993	1,057	1,124	1,156	1,229	1,310	1,357	1,410	1,471
Canada Social Transfer	404	418	426	440	453	468	485	502	518	531
Equalization	1,826	1,666	1,671	1,792	1,750	1,738	1,736	1,820	2,037	2,255
Total Transfer Protection <sup>1</sup>	175	276	201	7						
<b>Total - Federal Support</b>	<b>3,348</b>	<b>3,352</b>	<b>3,355</b>	<b>3,363</b>	<b>3,359</b>	<b>3,436</b>	<b>3,531</b>	<b>3,680</b>	<b>3,964</b>	<b>4,258</b>
Per Capita Allocation (dollars)	2,746	2,721	2,688	2,660	2,626	2,656	2,684	2,761	2,932	3,114

See [additional notes](#)

<sup>1</sup> Total Transfer Protection was provided between 2010-11 and 2013-14 to ensure that Manitoba’s total major transfers in one of these years are no lower than in the prior year. For the purpose of calculating Total Transfer Protection, total major transfers comprise Equalization, Canada Health Transfer, Canada Social Transfer and prior year Total Transfer Protection.

# KEY INDICATORS

## UNEMPLOYMENT:

**UP 0.3%**  
**TO 5.6%**  
**IN OCTOBER, 2019**  
**THIRD-WORST**  
**IN 19 YEARS**

## PROVINCIAL GOVERNMENT DEBT

**NET DEBT 2015-16:**  
**\$21.4 BILLION**

**NET DEBT 2018-19:**  
**\$24.99-BILLION**

**DEBT INCREASED BY**  
**\$3.59-BILLION**

## TWO CREDIT DOWNGRADES

There have been two credit downgrades on the PCs watch — resulting in higher interest rates for the province, Manitoba Hydro, and all municipalities in Manitoba.

Manitoba faced a credit downgrade immediately after a PC government took power — just as Alberta and Ontario did.

All three PC Governments overstated their deficits for political reasons and saw their borrowing downgraded and interest rates rise.

A second downgrade followed because the PCs did not make it clear how revenues will cover expenses.

Since then, some credit ratings agencies have approved of Manitoba's changes, but have not upgraded the credit rating.

### Manitoba credit rating downgraded for 2nd time in a year



Deficits and heavy debt led to S&P's decision

[Bartley Kives](#) · CBC News · Posted: Jul 24, 2017 11:50 AM CT | Last Updated: July 24, 2017

## Moody's downgrades Ontario's credit rating, citing deficit, revenue cuts under Doug Ford

### Moody's downgrades Alberta's credit rating, citing continued dependence on oil

## **PRIVATE INVESTMENT, BUT NOT JOBS?**

While the Pallister Government is boasting about high levels of private investment, there is critical context to consider.

Manitoba's performance stands out because private investment elsewhere has collapsed — especially in Alberta, Saskatchewan and Newfoundland - Labrador.

The investment amounts to a total of three projects: Roquette, Simplot and Paterson. They are highly automated projects that will result in few permanent long-term jobs. The three projects will only create about 300 long-term jobs.

## **DEREGULATION, BUT NOT GROWTH?**

Failures in Permitting

The Pallister Government has pinned its hopes on deregulation and free trade as drivers of growth. In both cases, the objections are wildly overoptimistic. They are based on thin numbers, bad assumptions, and cherry-picked numbers.

While the Pallister Government is focused on real estate development, billions in mining development in Northern Manitoba have been postponed because it can take two years to issue a prospecting permit.

The benefits of the CFTA have likewise been massively overstated. There is no realistic basis to the claims of massive increases in GDP. Most private sector projections expect the benefits of internal free trade to be "minimal".

**The PCs have said that Manitoba leads in private investment.**

**This is because investment elsewhere has collapsed.**

**The three major projects are highly automated and may only create 300 new long-term jobs.**

# BAIT AND SWITCH

## BUDGET VS. ACTUAL

THE PALLISTER GOVERNMENT CONSISTENTLY DENIES CUTS AND FREEZES BY SAYING “THEY ARE SPENDING MORE THAN THE NDP EVER DID.” THERE WAS A ONE-YEAR INCREASE IN SPENDING – FOLLOWED BY YEARS OF FREEZES, CUTS, AND BIG PROMISES IN BUDGETS THAT NEVER MATERIALIZED.

Manitoba has a growing population.. Inflation is going up. We have a \$15-billion infrastructure deficit.

The assumption is that this will cut “fat” from systems but in many cases these systems were not fat.

Cuts won't do it. We need investment in change, not more cuts and freezes.

The PCs have frozen health, education, infrastructure and payments in municipalities for three years.

The reality is that Manitoba has real challenges. We have multiple broken systems and deep poverty that needs to be addressed.

	2015-16		2016-17		2017-18		2018-19		2019-20	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Health	6,088,000	6,237,000	6,497,000	6,525,000	6,681,000	6,483,000	6,787,000	6,572,000	6,651,000	
Education	3,378,000	3,989,000	4,297,000	4,237,100	4,400,000	4,384,000	4,473,000	4,394,000	4,560,000	
Infrastructure (Operating Expenditures)	240,747	250,271	240,875	259,828	238,022	253,560	213,025	199,585	201,146	
Infrastructure (Operating Total- includes costs related to Capital Assets)	607,162	596,755	625,093	638,816	666,659	676,074	643,681	633,215	640,906	
Infrastructure (Capital Investment)	646,520	693,800	606,200	572,189	589,035	491,077	475,787	401,207	432,459	
Municipalities (General Funding & Grants)	365,062	366,550	367,822	367,525	360,989	360,989	312,467	312,541	359,511	
City of Winnipeg (Operating)- CoW Numbers	118,275	118,643	123,213	122,805	127,774	127,650	133,515	134,912		

## **MIGRATION**

**OVER 19,500 PEOPLE LEFT MANITOBA IN 2018-19, THE LARGEST NUMBER IN DECADES. WHILE 10,351 MOVED TO MANITOBA, 19,597 LEFT, MAKING A TOTAL DROP OF 9,246.**

## **EDUCATION**

“The latest global snapshot of student achievement has scored Manitoba teenagers dead last in math and science, and second last in reading compared to students in all other Canadian provinces.

The Programme for International Student Assessment (PISA) compares science, math, and reading skills for 15 year old students in nearly 80 countries.

Manitoba’s results are worse than they were when the last assessment was done in 2015.

They weren’t great then either. The province ranked second last in science and was below the national average in both reading and math in the 2015 report.”

- Global News, December 3, 2019

# HEALTH CARE

The health care budget has been frozen for the last three years straight. During that time the province received an annual 3% increase and was offered a \$400-million over ten years to be earmarked for mental health and homecare.

Each year, the PCs have promised more, and each year the budget has stayed frozen. There have been widespread delays and times when most ERs in Winnipeg have been on redirect. Nurses and doctors are experiencing burnout.

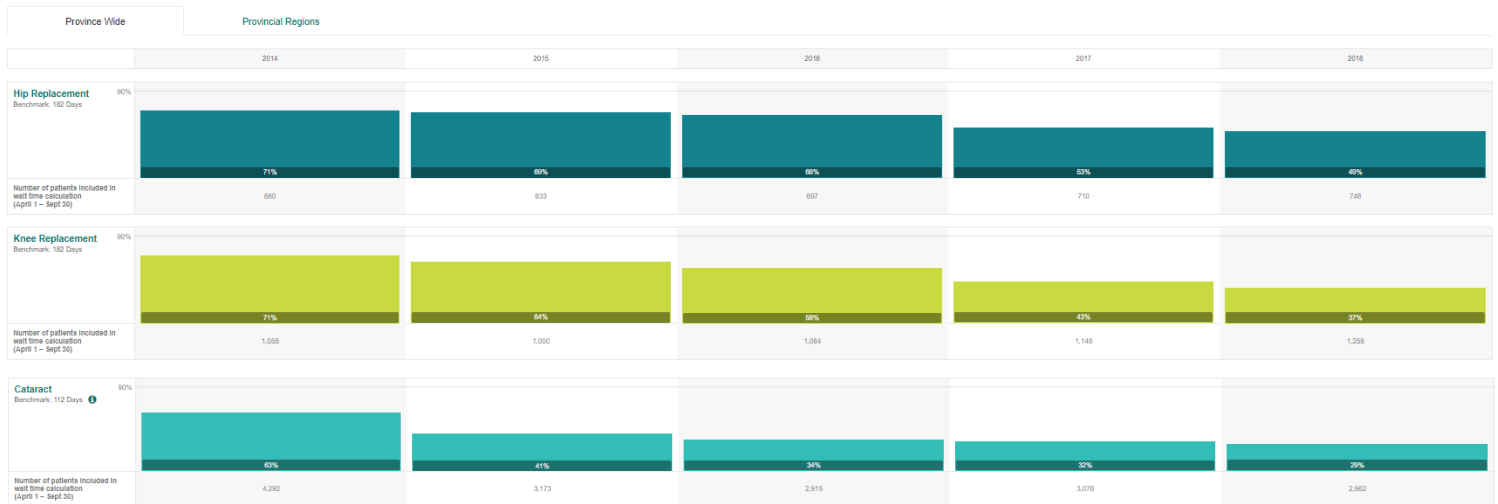
The latest CIHI numbers show virtually no improvements in wait times. They are holding steady and only look better because wait times in other provinces are getting worse.

Wait times for Hip Replacements, Knee Replacements and Cataract surgeries have been getting worse every year since 2014.

Benchmarks for treatment and wait time in

Print

Manitoba



SOURCE: CANADIAN INSTITUTE FOR HEALTH INFORMATION



# MANITOBA'S VIOLENT CRIME AND PROPERTY CRIME HAVE SOARED

## CRIME

Winnipeg's property and violent crime have both been soaring. Property crime is up by 69%.

The Pallister Government has responded by using crises in addictions, mental health and crime as an opportunity for pork-barrel projects. Rather than support the City of Winnipeg and its police, millions in prevention funds are being spent in rural PC ridings.

## PRIVATE DEBT

While Manitobans have lower debt than some other Canadians, too many Manitobans have high debt and are extremely vulnerable to an economic downturn.

An MNP Consumer Debt Index survey issued in October 2019 stated, "money left over from paying bills and meeting debt obligations has dropped \$138 since June in Manitoba and Saskatchewan."

In 2019, Manitoba's housing starts are slowing. There is also a concern because some analysts feel that Winnipeg's housing market is overvalued. In an IMF report analyzing "overvalued" housing markets in Canada, Winnipeg was the fourth most overvalued after Hamilton, Toronto and Vancouver. Winnipeg was estimated to be 26.96% overvalued.

### Winnipeg violent crime 2018

2017-2018 % change    % difference over 5-year average

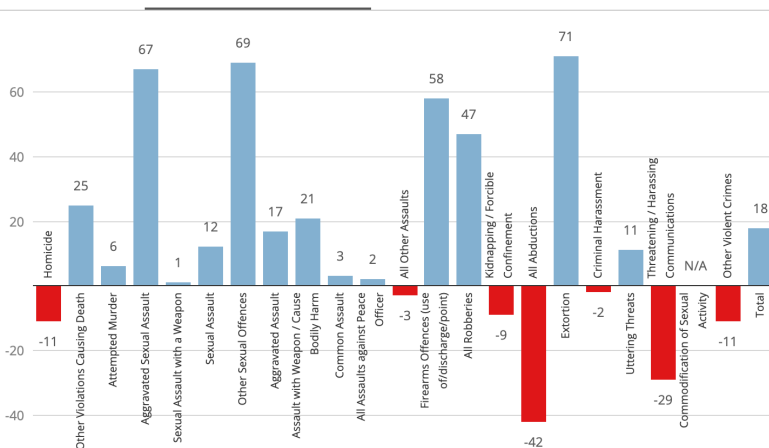
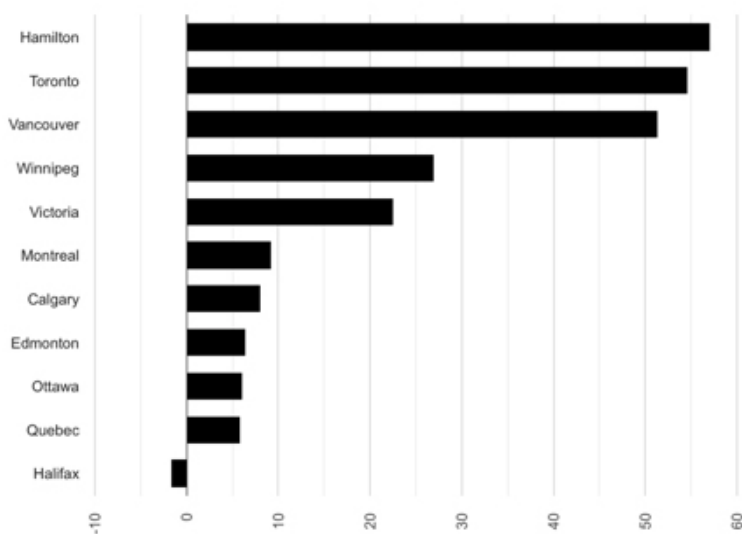


Chart: Cameron MacLean/CBC News • Source: Winnipeg Police Service



### Canadian Real Estate Prices Vs. Fundamentals

The percent difference between observed prices in Q3 2018, versus attainable fundamental prices by market.



Source: Statistics Canada, CMHC, Haver Analytics, Real Property Solutions, LLC., Teranet, IMF, Better Dwelling.

# SUMMARY

## IT DOESN'T NEED TO BE THIS WAY

The Pallister Government has been consistently inconsistent.

On the one hand, making grandiose promises – overpromising and overdelivering, especially when it comes to budgets.

On the other, actual responses to genuine crises in poverty, the environment, mental health, crime and the economy have been met with band-aids.

In the absence of any ideas or policy of their own, the PCs approach has been to hand the reins of government to consultants who are experts in accounting – not education, health care or infrastructure.

There is nothing new about this approach. It is the same approach that has been failing Manitoba for decades and includes total overlap with many policies of the NDP: centralization of power and decision-making in the bureaucracy while ignoring poverty and more.

Manitoba has enormous potential to be tapped, but is being squandered instead. We have too many people who are unemployed, underemployed, living on EIA, too many children in the care of CFS, and too many people in prison.

These are all referred to as “complex” problems, but they share a common problem – which is that PC and NDP governments in Manitoba have ignored “root causes” and prevention and chosen reaction and ideology instead.

As Manitoba Liberals, we believe that we need to renew, reinvest, and act early on education, health care, and infrastructure. We must focus on taking care of our people, especially children and seniors.

DOUGALD LAMONT, Manitoba Liberal Leader & MLA St. Boniface