

The Conference Board of Canada's Analysis of the Proposal's Impact

The Conference Board of Canada, an independent, not-for profit applied research organization, has analyzed the New Deal proposal. Their analysis relates to the New Deal proposal that includes a 3 cents/L new fuel tax (option A).

Impact on Winnipeg's Economy

The New Deal proposal has a significant positive economic impact on the economy due to the increased infrastructure spending:

- Real GDP would be lifted by 1.1% by 2010.
- Employment would increase initially by 400 jobs in 2004 and rise steadily to 2,300 jobs by 2020.
- Population would be increased by 3,700 people by 2020.

Impact on Provincial and Federal Revenues

As a result of the infrastructure spending and stronger overall economy, additional taxes will be paid to the provincial and federal governments. The combined income tax, business tax and sales tax revenues increase by \$42 million in 2010 and by \$57 million in 2020.

However, under the proposal the Federal government transfers GST revenue to the City and the Provincial government transfers fuel tax revenues to the City.

The overall net impact:	(in \$ millions)				(in constant 2003 \$)			
	<u>2004</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>2004</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>
Federal Government	-60	-61	-77	-100	-59	-53	-61	-72
Provincial Government	-3	-6	-13	-24	-3	-5	-10	-17

Impact on City Finances

Presently, the City is not financially sustainable and public infrastructure is deteriorating. The Conference Board examined what would happen if the city borrowed to address the basic infrastructure deficit and concluded: "It is clear from this scenario that the current fiscal arrangement will not allow the city to meet its spending requirements. In fact, the city's debt, which stood at \$496 million in 2002, will rise to \$1.7 billion in 2020 under this scenario."

With respect to the proposed New Deal, The Conference Board concludes, "The overall impact on the City's finances due to the proposed new fiscal arrangement results in the City being able to meet its infrastructure needs and also be in a financially sustainable position over the long run.