

Meeting of the  
**Association of  
Manitoba  
Municipalities**



with

The Manitoba Federal Liberal Party Caucus

---

---

September 14<sup>th</sup>, 2004

# Table of Contents

- 1) BSE and the Community Crisis
- 2) A New Deal for Cities and Communities

# 1) BSE and the Community Crisis

The Association of Manitoba Municipalities (AMM) represents all municipalities in Manitoba and indirectly all of the cattle producers in the province. We have been closely monitoring the deteriorating market structure of the Canadian cattle industry in light of the border closures due to BSE and we still feel that working to open the border must be a priority. We have had the opportunity to review the strategic plan put forth by the Canadian Cattlemen's Association (CCA) that suggests a "Made In Canada" solution to the market collapse that we are currently facing in the Canadian cattle industry. The AMM agrees, in principal, with all nine of the key areas that the CCA has outlined in its strategy, however we would like to outline those key areas we feel are of utmost priority in developing a plan that is timely and effective in addressing the crisis situation.

The AMM is promoting three key elements that must be implemented collectively to be effective. The first of our three joint elements is an immediate cash advance, which is intended to provide cattle producers with the immediate cash flow they need to cover their short-term and long-term debts until the cattle market stabilizes. The second element is to increase Canadian slaughter capacity. This will provide producers with the ability to process their cattle in Canada and market them in order to repay their cash advances. And finally, we need to jointly pursue a third element, an immediate action to remedy inter-provincial trade barriers. This element will allow slaughtered cattle to move more freely within our own Canadian borders and create a larger domestic market for our beef, one that is not dependent on international trade barriers. These three joint elements are outlined in further detail below.

## Element 1: Cash Advance

The AMM feels that Canadian cattle producers need an immediate federal cash advance. We would suggest a cash advance of \$250 per calf on the unsold 2004 calf crop. This advance would be interest free and would be repayable at the time the cattle were sold. If the border remains closed then the advance would be repayable over 5 years at a rate of \$50/year/calf.

The markets that were once available to Canadian cattle producers have collapsed and prices for all cattle have fallen drastically due to a domestic oversupply. Due to depressed prices, most producers are lacking the cash flow they need to pay both short and long-term debts such as electricity bills, bulk fuel purchases, and loan payments. These producers are forced to sell their cattle for the severely depreciated prices they are facing right now, as many are struggling to pay for basic amenities.

## Element 2: Increased Canadian Slaughter Capacity

The AMM feels that the cash advance needs to be coupled with an increase in Canadian based slaughter capacity. We would like to recommend that the federal government funnel some of their venture capital funding into encouraging the establishment of additional value-added slaughter facilities in both western and eastern Canada.

On July 1 Statistics Canada released its livestock inventory numbers indicating that there are approximately 1 million more cattle in Canada than there was in July 2003, a 10% increase in Manitoba, the highest among the western provinces, which highlights the need for slaughter facilities in this province.

## Element 3: Inter-provincial Trade Barriers

It is critical that these first two elements be coupled with a strategy to increase our access to domestic and international markets. This will result in a decreased dependence on the U.S. market, and the Canadian cattle industry would be less likely to be impacted as severely in the future as it was in 2003/2004 if the border was to close again.

Currently, the Canadian Food Inspection Agency (CFIA) has regulations in place to restrict the export of beef and beef products within Canada's own borders; inter-provincial trade. We would like to encourage the federal government to review these regulations and modify them to allow our domestic market to consume more of the beef we produce in Canada. Allowing such a change in regulations would thereby reduce the need for the importation of beef products from other countries.

## 2) A New Deal for Cities and Communities

### *Our Vision: a New Deal that supports a high quality of life for all Canadians*

Canadians want clean, healthy, well-run communities: cities with less congestion; towns, villages, and rural municipalities where young people do not have to leave home to find work; and remote communities that are connected to the rest of the country.

We want communities with vibrant local economies, where people can realize their full potential. We want communities where streets, buses, bridges and water systems work and meet demand, where everyone has decent shelter, where children have clean, safe, well-maintained parks and places to play and young people have access to recreation centres and programs.

We want communities that support those in need and that promote a fair and equitable sharing of common resources. We want communities that preserve and protect the natural and built environment and support arts and culture.

In short, Canadians want sustainable communities where quality of life is not a luxury. We need to invest where we live, because short-changing our communities comes at a price: damage to our quality of life and to our ability to compete in the global marketplace.

Municipal governments and their leaders are essential partners in realizing this vision.

### *The Context: why this is the right time for a New Deal*

Municipal governments are the foundation of healthy, sustainable Canadian communities, yet many are struggling. Their resources have not kept pace with their growing responsibilities, as other orders of government cut transfer payments and offload services.

The root of the problem lies in outdated intergovernmental arrangements and a fiscal imbalance between the services that municipalities must provide and the resources at their disposal.

The numbers speak for themselves: out of every tax dollar collected in Canada, only seven cents goes to municipal governments. And, transfers to municipal governments from federal, provincial, and territorial governments, as a percentage of municipal revenues, have been cut by 37 per cent over the last 10 years. At the same time, from 1999 to 2003, provincial/territorial revenues increased by 13 per cent, federal revenues by 12 per cent, and municipal revenues by only eight per cent.

Compared with other orders of government, municipal governments have fewer tools available to them to raise revenue. No municipal government in Canada levies an income, sales, or fuel tax. They are also restricted in their ability to borrow for capital expenditures and cannot borrow to cover operating costs.

Property taxes remain the backbone of municipal finance, a backbone no longer flexible enough to support the growing responsibilities faced by municipal governments. In the last decade, property taxes did not grow as fast as the economy. They are also regressive, because all property owners must pay them, regardless of their income. Families with an income of less than \$20,000 paid more than twice as much in property taxes as they did in income tax. Families with an income of \$100,000 or more paid just 1.8 per cent of their income toward property taxes and 29 per cent on income tax.

A 2002 report on Canada by the Organization for Economic Cooperation and Development (OECD) concludes that Canadian municipal governments' high reliance on property tax lies at the root of their growing fiscal difficulties. The report found that, among OECD federations, Canadian municipal governments are the second-most dependent on property taxes (after Australia). They also have limited ability to raise and spend money and suffer from a "fiscal imbalance" relative to provinces and territories. In addition, the report states

that Canadian cities have “relatively weak powers and resources” and should be given “some limited access to other types of taxes” to meet their increasing responsibilities.

The current situation leaves municipal governments with no option but to seek additional revenues through ad hoc arrangements with provincial and territorial governments. It robs them of their ability to plan with confidence and develop long-term plans for sustainable community development.

*The New Deal: what's it all about?*

There is a national consensus on the need to put Canadian cities and communities on a more sustainable footing. Canadians expect their governments—federal, provincial/territorial and municipal—to work together to find economies, efficiencies and solutions. It is time to give Canadians what they demand: responsible governments working together in partnership.

What is needed is a renewed partnership among all orders of government and a more equitable sharing of the fiscal pie. If we are flexible enough to accommodate the financial capacity of all partners to contribute, we have the opportunity to change the way governments do business for the benefit of all Canadians.

The New Deal must be based on principles of sustainable development to build communities that balance economic opportunity, social well being, and environmental conservation; that use resources efficiently; and that encourage participation in decision-making and long-term planning. It will ensure that municipal governments have adequate revenues and authorities to meet their growing responsibilities, as well as the efficient and equitable allocation of resources among communities. The New Deal should also recognize our responsibilities within the international community and explore opportunities for engaging the domestic municipal sector in the global challenges that find expression at the local level throughout the world.

Finally, the New Deal must be based on an unambiguous respect for jurisdictions and lead to cooperation, collaboration and consultation—not confrontation.

The New Deal is about new partnerships and new ways of doing business. It is about sustainable communities and delivering results to Canadians. This proposal represents the beginning of that dialogue and advocates investment in the areas of most immediate need.

### *Elements of the New Deal for Cities and Communities*

#### **1. Intergovernmental Partnership**

The New Deal is about more than finding sources of revenue for municipal governments. It is about re-imagining and re-inventing how governments serve Canadians to ensure sustainable, dynamic and competitive communities that support a high quality of life.

At the heart of this new approach to government is partnership. A Compas poll conducted for FCM just prior to the federal election found that 80 per cent of the public feels that representatives of cities and municipalities should participate in federal-provincial discussions of national policies.

While quality of life in our communities depends on each order of government fulfilling its jurisdictional responsibilities, it also depends on all orders of government recognizing the complex connections among themselves and the work that they do, so that they can identify areas of shared interest and work together to achieve common goals.

A core element of the New Deal must be recognition by the Government of Canada that municipal governments are essential partners in implementing the national agenda. This recognition must be complemented by new mechanisms and approaches aimed at ensuring enhanced consultation, collaboration, and coordination among all orders of government.

For instance, to increase consultation among all orders of government, the federal government should formalize consultations with municipal governments on policies, programs, and initiatives that affect municipal responsibilities and finances and quality of life

in their communities. Formalizing pre-budget consultations and presentations to intergovernmental forums would be a start.

Therefore, the AMM urges the Government of Canada to develop intergovernmental strategies to build trust, partnership, cooperation and coordination on the fiscal front, including formalized pre-budget consultations with the municipal sector.

## **2. Revenue Sharing**

A revenue-sharing agreement is needed to provide a new, net revenue source that is stable and predictable enough to address the large and growing infrastructure deficit faced by municipal governments. Revenue sharing is about putting municipal finances on the road to sustainability, so that municipal governments can do their share to improve infrastructure, primarily for transportation and transit, but also for water and wastewater.

Revenue sharing must be over and above program spending through the Canada Strategic Infrastructure Fund (CSIF) and the Municipal-Rural Infrastructure Fund (MRIF) to ensure support for both large-scale projects and projects that lack economies of scale. CSIF will deplete its capacity by the end of this fiscal year, while MRIF is committed for five years.

Any new intergovernmental agreements with provinces and territories will have to protect federal revenue sharing from clawback. Maximum flexibility with respect to provincial/territorial and municipal matching contributions will also be essential.

At a minimum, a revenue-sharing agreement should provide municipal governments, by the end of 2004, with a new, net revenue source of \$2.5 billion in fuel tax revenue per year, equivalent to five cents per litre of the federal gasoline tax and two cents per litre of the federal diesel-fuel tax. It should provide a fuel-tax escalator tied to GDP to ensure proportional growth with the economy and include a commitment to explore sharing other taxes that grow with the economy.

Therefore, the AMM urges the Government of Canada to conclude an agreement with the provinces and territories to provide municipal governments, by the end of 2004, with a total of \$2.5 billion in fuel-tax revenue per year—equivalent to five cents per litre of the federal gasoline tax and two cents per litre of the federal diesel-fuel tax—to support investments in municipal infrastructure, primarily transportation and transit beginning in 2005. Other investments could include water and wastewater.

We would also urge the Federal Government to implement a fuel-tax escalator tied to GDP to ensure proportional growth with the economy; and undertake to explore sharing other taxes that grow with the economy.