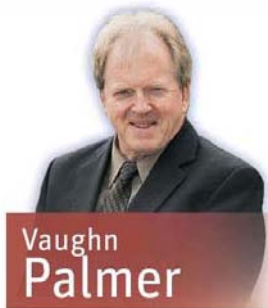


Raising the sales tax can be political poison

**Warnings
from Manitoba:
Embattled premier
barely survived
leadership review**



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From Manitoba comes a cautionary tale about the political risks of raising taxes — particularly if it entails breaking a promise about that mainstay of government revenues, the sales tax.

Premier Greg Selinger barely survived a leadership review within his own Manitoba New Democratic Party last weekend, defeating challenger and ex-cabinet minister Theresa Oswald by 33 votes out of almost 1,500 cast.

He faces an uphill fight to unite a troubled party and repair a dismal standing in the opinion polls before an election that must be called within 18 months or so.

By common agreement among Selinger's supporters and enemies, his political fortunes took a downward turn on budget day 2013, when his government announced it was increasing the provincial sales tax by one point, to eight percent from seven per cent.

The sales tax is well regarded by governments as a steady source of revenue. The taxpaying public dislikes it for the same reason: because they pay it every day in many ways.

Fuelling the backlash in this instance was something the premier himself said during the 2011 election campaign, when he dismissed the whole notion — “ridiculous, total nonsense” — of raising the sales tax.

Compounding the controversy, the Manitoba New Democrats had inherited a statute crafted by the previous Progressive Conservative administration, which obliged the province to submit any major tax increase to a referendum.

They brought in legislation of their own to exempt the sales tax increase from the requirement to hold a referendum. The move was upheld by the courts on grounds that one

government cannot tie the hands of its successors with legislation.

Still, the notion was planted that the premier had broken his promise and also denied the public a chance to second-guess him by referendum. The New Democrats began a downward slide in the opinion polls, kept there by the personal unpopularity of Selinger himself.

By fall of last year, the premier faced an extraordinary party revolt, culminating in the resignation of five senior ministers — health, finance, jobs, house leader and municipal affairs — who called for the premier himself to step down.

Then something else extraordinary happened. Instead of surrendering to the kind of party revolt that has brought down leaders in B.C. and elsewhere, Selinger defied the rebels and fought on.

The fight was an ugly one. Some of the premier's own senior staffers took leaves of absence and worked for challenger Oswald. Both she and third-place finisher Steve Ashton lambasted the premier for his handling of the sales tax in particular.

Nevertheless Selinger survived and in doing so, as columnist Dan Lett wrote in the Winnipeg Free Press this week, “he redefined what it means to be politically resilient.”

The aftermath of the leadership showdown could be messy as well, what with lingering allegations of backroom deals and bulk payment of membership fees.

Still, no one who covered the last B.C. election could rule out the possibility that Selinger will continue to defy the odds and lead his party to another term.

Meanwhile, the narrative to date in Manitoba raises a couple of questions and points of comparison for B.C.

Would Selinger have survived as long as he has if his province had voter-initiated referendums and recall, the twin tools of direct democracy that helped bring the B.C. Liberals to account in the showdown over the harmonized sales tax?

And is this not another example of the trouble that governments make for themselves by raising taxes without a clear mandate from the electorate to do so? The sales tax seems especially toxic in that regard.

Alberta Premier Jim Prentice speculated earlier this year about implementing a sales tax in his fiscally troubled province. The electorate was not long in disabusing him of such notions, as he admitted recently.

“Most Albertans do not want a sales tax. People in this province feel very strongly that other things should be done first, and that's what my colleagues have been hearing,” he said. Was it therefore very unlikely his government would introduce a provincial sales tax in the budget expected later this month? “I think that's fair,” Prentice replied.

The B.C. Liberals stepped into the zone of high risk in 2009 by harmonizing the provincial sales tax with its broader federal goods-and-services counterpart just 10 weeks after an election in which they'd barely mentioned the possibility and then only as something not on the radar screen.

The fallout included the destruction of the political career of premier Gordon Campbell and the forced-by-the-electorate repeal of the tax itself. Not likely will British Columbians hear serious talk of harmonization for a generation or two, if ever.

Against that backdrop, ballots are being sent out to Metro Vancouver residents for a vote by mail on a proposed half-a-point increase in the sales tax within the region to pay for transit services.

This is promise-keeping, as the B.C. Liberals would hasten to point out, for they vowed in the last election that any new funding source for regional transit would be put to a vote.

But should people seize this rare opportunity for a direct say on a tax increase to say no, they will add to the weight of evidence that the public has little tolerance for new taxes in general and increased sales taxes in particular.

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