

SPEECH

The BUILDING BUDGET

MANITOBA BUDGET 2007



The 2007 Manitoba Budget Address

The Honourable Gregory F. Selinger
Minister of Finance
April 4, 2007

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- The Summary Budget
- Budget Papers
 - A The Economy
 - B Supplementary Financial Information
 - C Taxation Adjustments
 - D The Manitoba Advantage
 - E Reducing Poverty in Manitoba
- 2007 Estimates of Expenditure and Revenue
- Manitoba's Action Strategy for Economic Growth
- Financial Reports
- Economic Statistics and Highlights

Information available in French on this site includes:

- Le Budget sommaire
- Le Budget des dépenses et des recettes pour l'exercice se terminant le 31 mars 2008
- Le plan stratégique de croissance économique du Manitoba
- Les avantages du Manitoba
- Réduire la pauvreté au Manitoba
- Rapports financiers

Also available in print in French:

- Le discours du Budget 2007
- Le plan stratégique de croissance économique du Manitoba

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THE 2007 MANITOBA BUDGET ADDRESS

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The Building Budget

Mr. Speaker and Members of the Legislative Assembly:

Manitoba is a changed province today: we have more nurses and doctors, housing values are up, education property taxes are down, building cranes dot the skyline of downtown Winnipeg, youth population is growing, investments in highway construction are at their highest level, and new green energy opportunities are springing up across rural and northern Manitoba. There is a renewed spirit of optimism and strong momentum for growth.

Working together, we have set a new course for our province, based on entrepreneurship and innovation, growing the skills of our hard-working labour force, expanding our natural advantages in renewable resources and opening new markets for Manitoba business at home and around the world. The strong capacity of Manitoba's business, labour and community leaders to work together for a common purpose means that no objective is too bold, no goal unattainable.

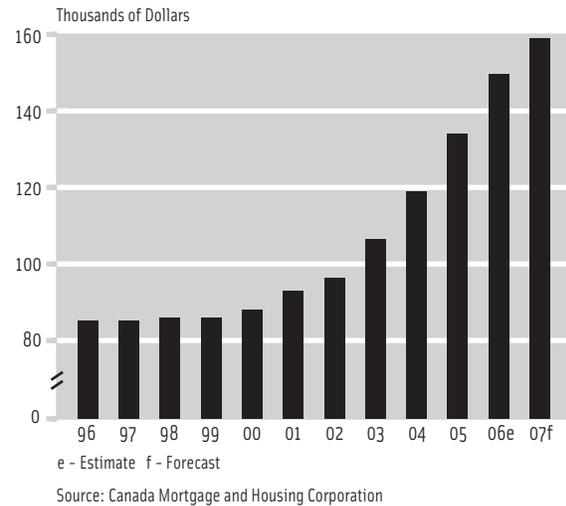
This year, we will build on our collective successes – tomorrow's opportunities call for us to work even harder today.

Mr. Speaker, it is my honour to present The Building Budget.

Today's budget focusses on Manitobans' priorities and lays out our long-term vision for:

- better, faster health care, delivered closer to home
- affordable, quality education and training
- addressing climate change and preserving our water resources and the environment
- building our roads and highways
- making Manitoba a more attractive place for youth
- growing our competitive advantages
- investing in a green and growing economy
- fighting poverty and removing barriers to employment

Manitoba Average Residential Resale Prices



- building healthier, safer and stronger communities
- providing tax savings for Manitoba families and businesses, and
- continuing with a sound fiscal plan.

Mr. Speaker, I am proud that our government is the first in 50 years to achieve eight straight balanced budgets – seven consecutive budgets under balanced budget legislation and today, for the first time, we are presenting a balanced Summary Budget which fully reflects Generally Accepted Accounting Principles (GAAP) – the first in Manitoba's history.

Last year, Manitoba's solid economic performance outpaced Canada's on several fronts:

- overall economic growth of 3.1%, as compared to 2.7% nationally;
- 21% growth in construction work, almost double the Canadian average;
- growth in total exports of 17%, the highest among provinces, and far above the Canadian average of 0.5%;
- a 22% increase in building permits, more than double the national increase of 9%, and
- capital investment growth of 14%, compared to less than 9% for Canada as a whole.

Manitoba's unemployment rate fell to a 30-year low in 2006 – at 4.3% it remained the second-lowest rate among provinces. More Manitobans are working than ever before, after our employment level rose to a new record high in 2006. Some 6,700 new jobs were created last year, almost 90% of which were in the private sector. Additionally, housing starts topped 5,000, the highest level in almost two decades.

Manufacturing in Manitoba showed great strength in 2006, despite the competitive pressures of a high Canadian dollar and some weakness in U.S. markets. Manitoba manufacturers shipped over \$14 billion in goods last year, setting a new all-time record high. Budget 2007 builds on this strong performance and our co-operative work with the manufacturing sector, introducing new measures to strengthen competitiveness and productivity.

Manitoba is off to a strong economic start in 2007. Residential construction is increasing; real estate sales continue to grow; manufacturing job growth is strong; and weekly earnings are growing faster than the national average. A recent survey done by the Canadian Federation of Independent Business shows that Manitoba's business confidence is third strongest among provinces and higher than the national average. Our survey of private sector economic forecasters shows that real economic growth in Manitoba (2.6%) is expected to outpace the national average (2.3%) in 2007, as it did in 2006.

Building our Province

Now, more than ever, Manitoba is building for the future – new health care facilities, new schools and campus buildings, water and sewer upgrades, and unprecedented investments in our roads and highways. The buzz of heavy construction speaks to the growth and prosperity of our province.

When we came into office, our hospitals, schools and universities were under terrible strain, requiring

significant re-investment to make up for years of under funding and neglect.

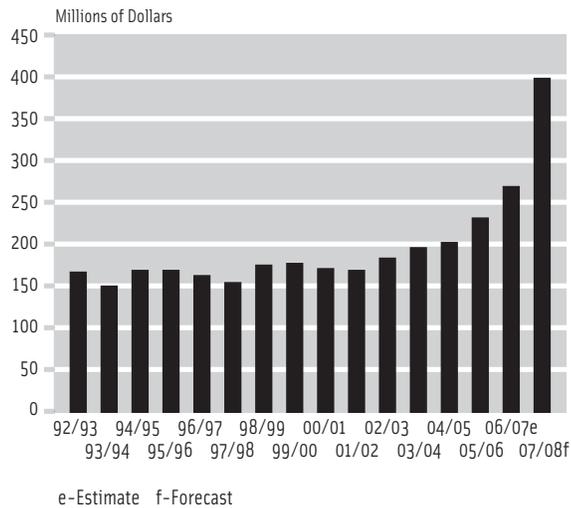
Since then, rebuilding Manitoba's health care system has been our top priority. Our government has invested over \$1 billion to build and modernize health care facilities and install new diagnostic equipment throughout the province. This includes a long-overdue new hospital for Brandon, a fully modernized state-of-the-art Health Sciences Centre – Manitoba's largest ever health care capital project – a new hospital in Swan River and major renovations to Concordia, Seven Oaks, Gimli and Ste. Anne hospitals. This month, a major redevelopment of Victoria General Hospital will begin, including expanded emergency and new oncology departments.

We have also invested in our schools, colleges and universities – improving the infrastructure that supports learning and research.

Manitoba has supported post-secondary education capital projects totaling more than \$400 million since 1999. Our \$50 million pledge to the University of Manitoba's capital campaign helped trigger \$187 million in private and community fundraising, supporting the new Engineering and Information Technology Complex and upgraded facilities for Medical Rehabilitation, Architecture, Dentistry and Pharmacy. We hope to repeat this success with our new pledge of up to \$25 million for the University of Winnipeg, to support projects like the new Richardson College for the Environment. Manitoba has also invested in Red River College's new Princess Street campus, relocating Assiniboine Community College to Brandon's North Hill, and improving facilities for the University College of the North, Brandon University and Collège universitaire de Saint-Boniface.

With our eight budgets, we have provided more than \$423 million in capital funding for public schools, supporting 24 new or replacement schools, 49 school additions and renovation projects, and over 950 infrastructure renewal and access projects. This is twice as much as was provided over the previous eight-year period.

Manitoba Highways Investments



Source: Manitoba Infrastructure and Transportation

Last year, Manitoba provided its highest level of highways support - \$257 million - up from \$177 million in 1999. This year, the renewal of highway infrastructure is taking on even greater priority, as Manitobans have expressed their strong desire to accelerate investments in our transportation system. Mr. Speaker, Budget 2007 provides a 50% increase over last year, bringing annual provincial highways investment close to \$400 million.

This includes a 24% increase in our maintenance and preservation budget, including more support for winter highway maintenance. Budget 2007 also funds the purchase of 21 snowplow/sanding trucks to assist with snow removal, sanding and de-icing across Manitoba's 19,000 kilometres of highways.

Manitoba's first-ever multiyear plan for highways and bridges serves as a blueprint to complete a record number of projects with an investment of \$2 billion over five years. Today's budget will advance work on redeveloping Highway 75, the Trans-Canada Highway, northern roads and Highways 2, 3, 6, 8, 16 and 59.

We are also investing to build the first leg of an all-weather road on the east side of Lake Winnipeg - a key infrastructure priority for the region. Improving access to remote communities is a priority - and a challenge

made even more important as a result of the adverse impacts of climate change. Our government will work with remote communities and the federal government to improve road and air access.

This year marks 10 years since the 1997 Flood of the Century, a significant event in our province's history, for both the terrible devastation it caused, and the way it brought Manitobans together. We are building on the foresight of the original Floodway vision, having secured a 50-50 funding partnership with the federal government to complete the entire Floodway Expansion Project. Since construction began a year and a half ago, more than one-third of the channel excavation work has been completed - Manitobans now enjoy protection against a flood equal to the greatest in recorded Manitoba history. Once completed, the project will protect more than 450,000 Manitobans and will prevent more than \$12 billion in damages to the provincial economy in the event of a major flood.

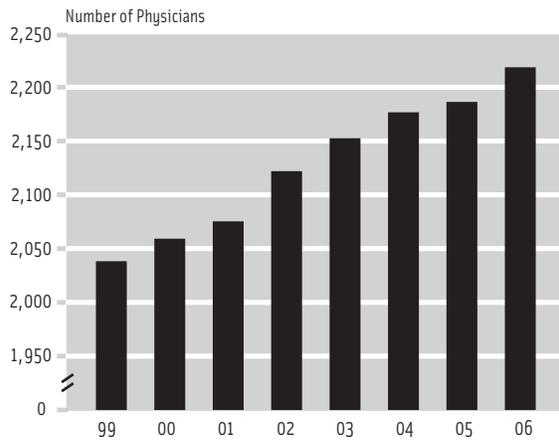
Today, there are great demands for municipal and community infrastructure. Budget 2007 allocates a record \$33 million under existing cost-shared agreements. This investment will allow municipalities to advance infrastructure and other priorities, such as: Winnipeg's wastewater and treatment upgrade and Grand Rapids' sewer and water project; recreation/wellness centres in Swan River, The Pas, and West St. Paul; and YM/YWCA facilities in Brandon and in north and south Winnipeg. Our government will work with the federal government on guidelines for new infrastructure spending, for priorities like water and sewer projects and highways.

Moving Forward on Health Care

During the 1990s, Manitoba lost 100 doctors and 1,500 nurses - signs of a seriously troubled health care system.

Today, we are training more health care professionals, investing in new equipment and modern facilities, and making better use of every dollar we spend to provide better care, closer to home. Today's budget will advance

Doctors in Manitoba



Source: College of Physicians and Surgeons of Manitoba

our joint efforts with health care providers to reduce wait times for vital health care services, based on proven strategies and new innovations.

Budget 2007 invests in training more health care professionals, providing ongoing support for the expanded 100-student Faculty of Medicine class, an increased 25-space licensing program for international medical graduates, more than 50 new technologist training seats, and 3,000 nurses in training.

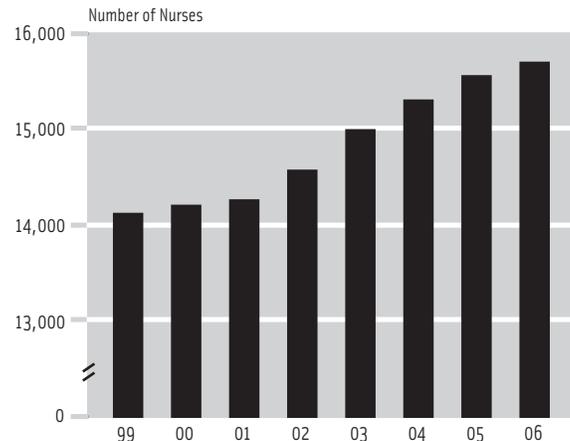
Budget 2007 also invests \$3 million in new funding for physician specialist training, including emergency room doctors, oncologists and pediatricians.

Our investments over seven years have now succeeded in restoring the number of nurses who were lost to the funding cuts of the 1990s. Mr. Speaker, we are proud that 1,500 more nurses are back to work providing valuable front-line patient care in our province. Today's budget also provides new funding for additional nurse practitioner positions.

Building on the gains we have made in reducing wait times for critical life and death treatments - such as cancer care and cardiac care - we are expanding our investment to reduce wait times for key quality of life procedures, such as hip and knee surgeries, and diagnostic tests.

According to a recent report from the Canadian Institute for Health Information, Manitoba has the shortest wait

Active Practising Nurses in Manitoba



Sources: Annual Reports of the College of Registered Nurses; College of Licensed Practical Nurses; College of Registered Psychiatric Nurses

time for cardiac bypass surgery in the country at 13 days, and is a leader for radiation therapy with a median wait time of one week, down from six weeks in 1999.

"We can definitely see progress on wait times in Manitoba... wait times for radiation therapy have come down from six weeks to one week, and we know the waiting list for non-emergency cardiac surgery has been reduced by 50 percent."

Lyn McLeod, Health Council of Canada, February 1, 2007

As recommended by the Koshal report, Manitoba is investing in a new state-of-the-art Cardiac Centre of Excellence at St. Boniface General Hospital.

"We're making strides really on a weekly basis. You know, it's a big endeavour and it's one of the few, if not a very unique, opportunity in all of Canada to put all of cardiac care under one umbrella, and it really doesn't exist anywhere else to the same extent that we will have here."

Dr. Alan Menkis, Medical Director, WRHA, Cardiac Sciences Program,
May 31, 2005

Manitoba's strategy to make further progress on cancer wait lists involves modernizing our medical technology infrastructure, including linear accelerator radiation therapy units in Winnipeg and Brandon. It also involves programs for early detection and prevention, including cancer screening and human papillomavirus (HPV) vaccination.

Mr. Speaker, it is my pleasure to announce that we are installing a new leading-edge non-invasive cancer knife – the first in Canada – to treat cancers in all parts of the body. This new cancer knife builds on the Gamma knife's technology which has been highly successful in treating brain cancer.

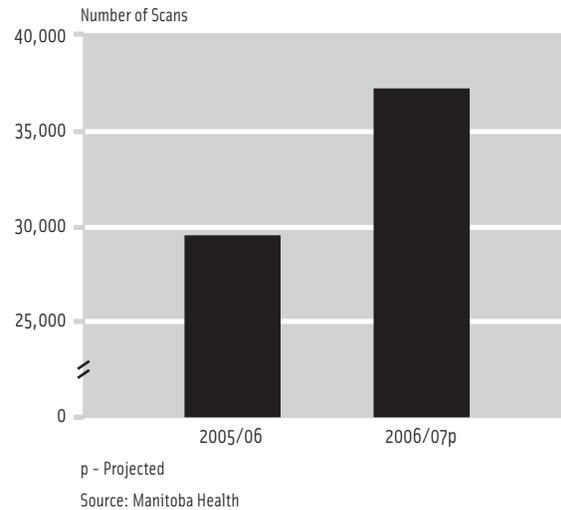
Manitoba had only two MRI machines in 1999 – both located in Winnipeg. Our government has invested in five new MRI machines – in Winnipeg, Brandon (the first ever to be located outside of Winnipeg) and soon to be installed in Winkler/Morden – making this effective diagnostic test more accessible to more Manitobans. Mr. Speaker, today Manitobans receive nearly six times as many MRI tests as they did in 1999.

Over the past year, the wait time for CT scans has been reduced by 25%. Our government has increased the number of CT scanners to 20 from nine, including adding eight more in rural Manitoba. Manitoba's first-ever CT scanner in an emergency room – located at the Health Sciences Centre – will add 5,000 elective scans per year and will also be available for additional emergency scans.

By introducing an innovative two-room operating model and making better use of clinical assistants, Concordia Hospital's Centre of Excellence for hip and knee surgery is performing almost three times as many surgeries as a standard operating room. Mr. Speaker, since July 2005, the median wait time for orthopedic surgery has been reduced by 50%. We have also established orthopedic pre-habilitation clinics in Winnipeg, Boundary Trails and Brandon, helping patients prepare for surgery and achieve better outcomes.

With construction now completed, new state-of-the-art facilities at the Health Sciences Centre are improving

Manitoba MRI Scans



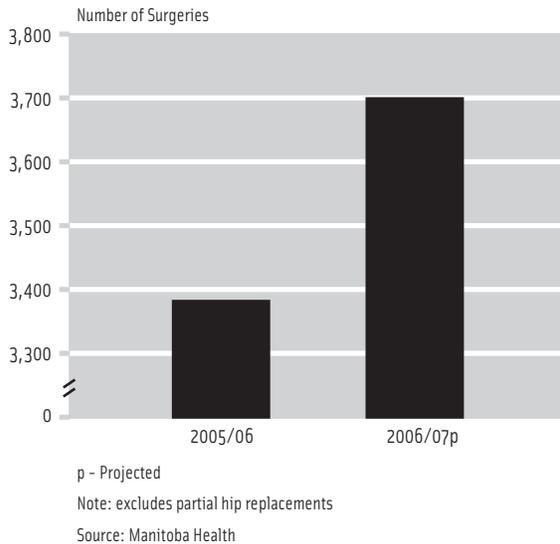
the quality of patient care for Manitobans. Mr. Speaker, I am pleased to announce that significant new resources will be invested to open a new Manitoba Firefighters Burn Unit at the Health Sciences Centre, providing improved care for burn victims, and honouring Manitoba's firefighters.

New primary health care centres have been opened in Waterhen and Camperville, and new ACCESS centres opened in Brandon, River East and Transcona. Mr. Speaker, we will also build a new ACCESS centre in northwest Winnipeg, integrating community-based health care and social services to better meet community needs.

A new women's health centre has been opened at Victoria Hospital to provide expanded services. A new personal care home has been opened in Thompson, and another will be built in Neepawa, allowing residents to get the personal care services they need, while remaining close to families and friends. L'Unité Marguerite, the new wing of Foyer Valade, has opened to provide community-based care for francophone residents living with Alzheimer's disease or dementia.

Providing quality care for Manitoba seniors living in the community and in long-term care settings continues to be a priority. Budget 2007 provides new funding to expand Manitoba's long-term care strategy in rural and northern Manitoba.

Manitoba Hip and Knee Surgeries



Today's budget also provides increased funding to support personal care homes to meet new standards under *The Health Services Insurance Act* to improve patient safety.

There are many exciting new health care projects under construction or about to get under way to benefit Manitobans across the province, including the redevelopment of Seven Oaks' and Concordia's Emergency Departments, renovations at St. Anthony's Hospital in The Pas, an expansion of Bethesda Hospital in Steinbach, and a new acquired brain injury unit in Thompson.

Mr. Speaker, Budget 2007 invests in a major new health care enhancement for the people of Selkirk and the surrounding region – we will build a new hospital in Selkirk.

We are continuing to advance the Chronic Disease Prevention Initiative, with a major focus on tackling chronic disease in First Nations communities. The Health Council of Canada recently singled out the Island Lake Regional Renal Program as a strong example of successful collaboration and innovation in First Nations health care. Manitoba is committed to working with Aboriginal communities and the federal government to

close the gap between Aboriginal and other Canadian citizens.

With our last budget, we completed the replacement of the entire provincial fleet of 160 ambulances. We also opened a new Medical Transportation Co-ordination Centre in Brandon, to ensure faster response times of emergency medical resources in rural and northern areas. As announced in our last Throne Speech, Manitoba has also assumed the full patient cost of inter-facility transports, eliminating what was an unfair extra financial burden on patients living outside of Winnipeg.

Healthy Living for Healthy Futures

Mr. Speaker, we know that health outcomes depend not only on quality health care, but also on healthy living. When our government took office, we recognized that there were many challenges to improving the wellness of our population. We established Manitoba's Healthy Living department to create conditions and support activities that promote the best possible health outcomes for everyone. We know that improving wellness is a marathon not a sprint, but we are determined to take long-term action to achieve results.

Manitoba was the first province to introduce a province-wide smoking ban and we have seen important reductions in teen smoking rates. We are currently working with schools on nutrition guidelines and physical education and expanding public recreation opportunities. We are also working to bring down rates of diabetes in Manitoba's Aboriginal population.

Since launching the Manitoba in Motion program a year and a half ago – an important recommendation of the Healthy Kids, Healthy Futures Task Force – more than 50 communities and 425 schools have signed up to make physical activity an important part of daily life. Recent initiatives include:

- new resources for parents with tips on how to encourage kids to get active;

- a popular low-cost bike helmet program, which helped Manitobans purchase 18,000 bike helmets last year alone; and
- new healthy living scholarships for student volunteers.

Today's budget also implements Manitoba's Children's Fitness Tax Credit to encourage greater participation by children in physical activity, complementing the federal credit. Manitoba is one of only two provinces to have a matching tax credit. Parents are eligible for a combined federal-provincial tax credit of up to \$132 to assist with the cost of registering children in physical activity programs. Budget 2007 also fulfills our commitment to increase funding for Sport Manitoba by \$1 million, supporting high performance athletes and community sports programs across Manitoba.

Budget 2007 invests new resources for healthy living programs, including:

- establishing two new teen clinics in rural and northern Manitoba;
- providing new resources for suicide prevention; and
- investing more than \$2.5 million in new funding to address sexually transmitted infections and HIV/AIDS.

Education

Investments in quality education for our children and youth are important investments in Manitoba's future. High school graduation rates have increased to 84% from 73% since 1999.

In each of the last eight years, our government has met or exceeded our commitment to fund public schools at the rate of economic growth, providing a total of \$185 million in new funding. Mr. Speaker, this year's increase of \$30.3 million is the largest increase in almost two decades, and provides increased support for all school divisions. New funding will also support:

- Aboriginal academic achievement;
- special-needs education and improving outcomes for struggling learners;

- English as an additional language and support for war-affected children;
- early childhood development;
- Manitoba's Community Schools Initiative; and
- French language education.

Budget 2007 includes a new public schools education plan, as part of our strategy to reduce education property taxes. Our new plan builds on a solid foundation of strong support for education and maintaining affordability for taxpayers, which has included raising provincial funding to \$956 million for the 2007 school year, fully eliminating the Residential Education Support Levy, and increasing the Education Property Tax Credit.

Manitoba has a strong long-term plan for post-secondary education and training, the backbone of our economic strategy.

University and college enrolment is up by one-third in Manitoba, supported by a 10% tuition reduction for students. Mr. Speaker, I am pleased to announce the continuation of the 10% tuition reduction and, as we have done in every year, we are providing fully offsetting revenue to universities and colleges, tied directly to enrolment – a total of \$95 million since 2000.

Last year, we significantly increased our support for post-secondary education with the largest ever commitment of \$60 million over three years. Included in this commitment was a promise for a 5% funding increase in 2007/08. We were disappointed that the recent federal budget did not fully restore the post-secondary education funding that was cut beginning in 1996. Nonetheless, Mr. Speaker, Budget 2007 exceeds our promise to universities and colleges by providing an average funding increase of 7% this year. Raising our funding increase from 5% to 7% will give universities and colleges extra funding. This two percentage point increase is equivalent to a 4% tuition fee increase. This means that students will not have to pay more, while universities and colleges will benefit.

This year, we will also engage First Nations and communities in the northern Interlake region to explore

the feasibility of expanding local training opportunities, complementing expansions in the southern and northern regions of our province.

Mr. Speaker, I am pleased to announce that today's budget fulfills our commitment to provide \$2 million for new Manitoba Graduate Scholarships and \$8.2 million for Manitoba Bursaries. This year, Manitoba Graduate Scholarships will be awarded to more than 100 Masters and 60 PhD students, and 2,500 students will benefit from Manitoba Bursary support.

The numbers of apprenticeships and certified journeypersons are up by almost 50% in Manitoba since 1999. Mr. Speaker, Budget 2007 commits more than \$2 million in new resources for key training and skills priorities, including growing apprenticeship training, expanding sector councils, and more flexible funding to meet critical skills shortages.

Budget 2007 also provides new resources for literacy, an investment in the long-term well-being of individuals, families, communities and the provincial workforce.

Growing our Population and Workforce

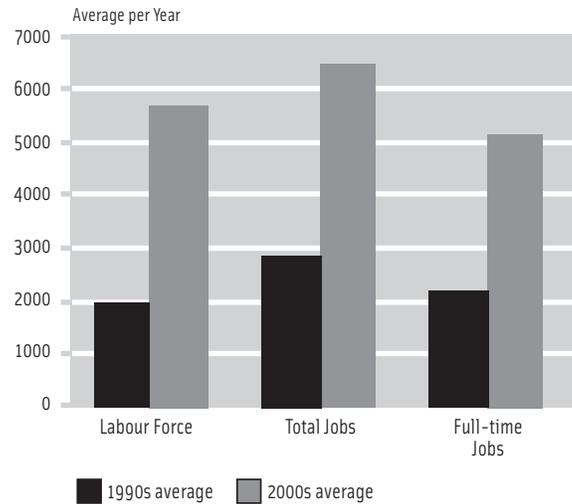
Building on our strong record in education and training, our government recognizes the need to increase efforts to grow our population and keep our communities and economy strong.

Business leaders have made it clear that labour force expansion is key to competitiveness. Manitoba's performance over the last seven years has been strong. In comparison to the 1990s:

- our labour force has grown at nearly three times the rate;
- our employment has increased more than twice as fast; and
- our youth population and youth labour force have also grown more than twice as fast.

In the past seven years, net migration added more than 3,200 young people (15–24 years old) to our population.

Manitoba Labour Market Growth 1990s and 2000s Comparisons



Source: Statistics Canada Labour Force Survey

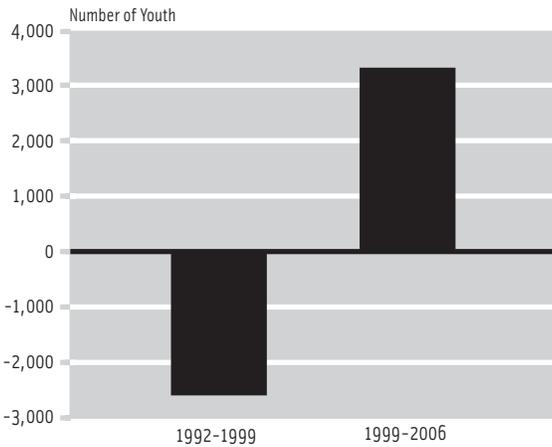
This is a real improvement over the net loss of more than 2,500 young people experienced between 1992 and 1999.

While Manitoba's population has continued to grow, we are committed to achieving even stronger results. Budget 2007 invests in making Manitoba a more attractive place for youth, developing our Aboriginal labour force, and continuing to increase the number of new immigrants to our province.

In previous budgets, we introduced the Manitoba Co-operative Education Tax Credit and Co-op Graduates Hiring Incentive. These programs are helping students, graduates and employers by supporting work placements and permanent hiring in sectors as diverse as mechanical and civil engineering, culinary arts, hospitality and tourism, banking, computer science, and agriculture and food science.

Mr. Speaker, our government has introduced a major new initiative to attract and retain youth - a 60% income tax rebate on tuition fees for all post-secondary graduates who live and work in Manitoba. The new rebate makes post-secondary education an even higher-return investment and encourages our youth to put down roots and establish their careers in Manitoba. It will also serve

Net Migration, Youth (15-24)



Source: Statistics Canada

as a powerful recruitment tool for business in a highly competitive job market.

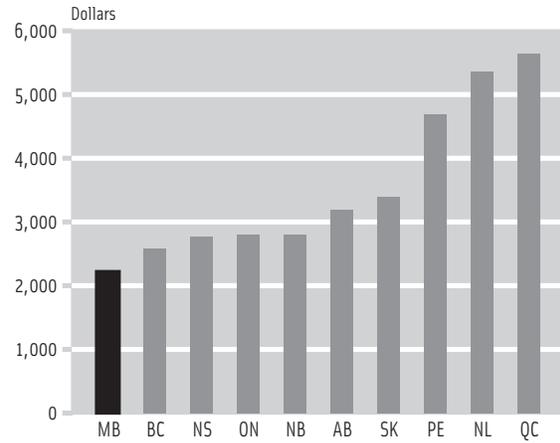
The Premier's Economic Advisory Council's Aboriginal Summit highlighted the many ways in which Manitoba's growing Aboriginal population represents an important resource for our growing economy. Our government has made Aboriginal training, employment and business development a priority.

This year, Manitoba committed multiyear funding to Career Trek, helping students complete high school and pursue post-secondary education. Budget 2007 provides increased resources to Manitoba's Aboriginal Education Directorate to support the inclusion of Aboriginal education and training into all aspects of government operations. Today's budget also creates a new young Aboriginal entrepreneur initiative to provide assistance with business development costs.

Investments in Aboriginal education and labour force development are delivering remarkable results in Manitoba.

- Aboriginal student enrolment in universities and colleges is up 77% and 59% respectively since 1999.
- Aboriginal apprentice registrations have tripled since 1999.
- The number of employed off-reserve Aboriginal people jumped by an impressive 30% between 2001 and 2005.

Provincial Income Tax after Graduate Credits and Tuition Rebates Single person at \$50,000



Source: Manitoba Finance

Metis entrepreneurship is growing rapidly; Metis businesses are playing a major role on the Floodway Expansion; and new Metis businesses are being launched with support from the Louis Riel Capital Corporation's Build a Business program, in partnership with SEED Winnipeg. Manitoba will work with the Manitoba Metis Federation to undertake the development of a new Metis economic development strategy.

Early in our government's mandate, we accepted the recommendation of the Premier's Economic Advisory Council to make immigration a central feature of our economic strategy, adding to Manitoba's rich multicultural flavour.

Our government set a bold target to attract 10,000 immigrants to Manitoba annually and last year, we exceeded that goal. Manitoba's immigration was up 24% in 2006, its highest level in half a century, and far exceeded national performance. Manitoba's Provincial Nominee Program continues to be immensely successful in bringing skilled immigrants and entrepreneurs to Manitoba, accounting for half of all provincial nominees who came to Canada last year.

Mr. Speaker, based on this success, our government has committed to another bold target – to double our current immigration level over the next 10 years.

Our success in attracting and retaining immigrants is based in large part on Manitoba's innovative approach to helping immigrants settle and succeed in our province. In the coming days, we will launch a new Settlement Strategy to improve service delivery and strengthen community involvement, based on priorities identified by immigrants and settlement service providers. Mr. Speaker, I am pleased to announce that Budget 2007 provides more than \$9.5 million in new funding to enhance settlement services, language training, labour market integration and ethno-cultural and anti-racism initiatives, supported by federal resources.

Manitoba's Arts and Culture Advantage

Manitoba's thriving and diverse arts and cultural scene makes our province a more exciting place for youth, providing lively attractions for Manitoba families and out-of-province visitors. New economic opportunities abound in Manitoba's vibrant cultural industries. Manitoba is proud to be the second-highest per capita funder of cultural events in Canada.

Exciting events, rich cultural experiences, unique destinations and Manitobans' welcoming spirit helped to grow our provincial tourism activity faster than the national average last year.

The first-of-its-kind Manito-Ahbee Festival celebrating Aboriginal arts and culture was held in Manitoba in 2006, showcasing our rich Aboriginal heritage.

Manitobans showed off their spirited energy during the CFL's Grey Cup championship game in Winnipeg, which sold close to 45,000 tickets to football fans from across Canada – a great success for the Winnipeg Blue Bombers football club.

This week, Manitobans are getting the chance to cheer on Team Canada at the MTS Centre and in Selkirk as Manitoba plays host to the World Women's Hockey Championships. We are also looking forward to hosting the 2008 Brier. The MTS Centre continues to be among Canada's most popular sports and entertainment

centres, attracting top events from around the world, and acting as a catalyst in the revitalization of downtown Winnipeg.

Manitoba's highly competitive tax regime for film has helped our local industry to blossom. For the fourth consecutive year, film production in Manitoba has topped \$100 million. Budget 2007 renews the popular Manitoba film tax credit for another three years, and also increases our investment in Manitoba Film and Sound.

Manitoba has already made a major commitment of \$1.3 million in endowment funding for the Manitoba Theatre Centre – an important part of Manitoba's rich cultural life. Mr. Speaker, I am proud to announce that today's budget provides new resources to strengthen some of our other important heritage institutions and premiere tourist attractions, including:

- major renewal initiatives at The Manitoba Museum;
- capital improvements at the Winnipeg Art Gallery; and
- a new partnership with the Royal Winnipeg Ballet to match private fundraising for new ballet creations.

Budget 2007 also adds the St. Boniface Museum to Manitoba's Signature Museum Program.

Manitoba's public libraries are an important provincial resource and are cornerstone institutions in our communities. Rural and northern libraries are receiving a boost from our new library technology fund, helping to increase public Internet access, especially in more remote communities. Manitoba has also launched a number of First Nations Library Service pilot projects to extend library services to more Manitobans on reserves.

In the last four years, library service has been added in the rural municipalities of Taché, Portage, Cameron, Hartney, Powerview/Pine Falls, St. Clements and the Town of Waskada. Mr. Speaker, I am pleased to announce that Budget 2007 invests in three new public libraries for Selkirk, the RM of Swan River and the RM of Alexander.

Investment and Innovation

Manitoba has a diverse economy with a strong manufacturing base and a large and dynamic services sector that build on our wealth of natural resources. Our competitive business environment includes a well-educated, productive and multilingual labour force, among the lowest electricity rates in the world, affordable taxes and low construction costs.

A 2006 KPMG study ranked Winnipeg third best in the North American Midwest for overall business costs. Winnipeg also placed ahead of comparable Canadian cities like Vancouver, Calgary, Ottawa and Montréal, and favourably compared to smaller cities like Saskatoon.

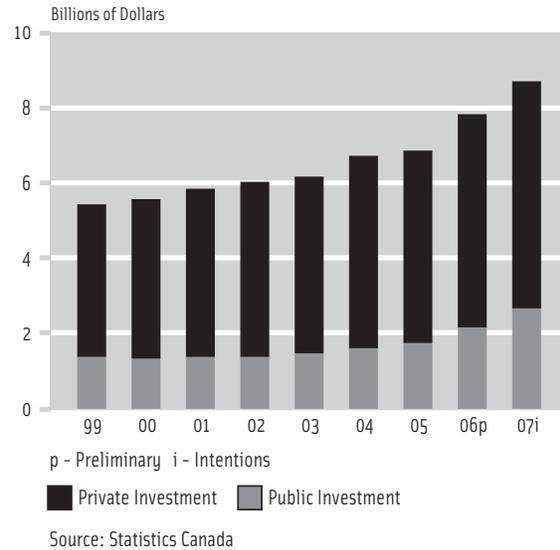
Manitoba's capital investment growth was 14% last year, the second highest among provinces, and is expected to be above 11% this year, more than double the expected growth for Canada. Private capital investment in Manitoba is expected to grow by 6.5% this year, second best in the country. Budget 2007 broadens the Community Enterprise Development Tax Credit program to include a new 30% tax credit for direct investments in emerging enterprises - start-ups and early expansions - requiring large amounts of capital investment.

Manitoba has a rapidly growing network of research facilities, including international caliber clusters in areas such as agri-food research and advanced medicine and infectious disease control. Budget 2007 provides increased funding for Manitoba Centres of Excellence to support more world-class research.

Manitoba's information and communications technology industry continues to grow, attracting many young entrepreneurs. Manitoba's video game industry has grown by more than five-fold in the last two years. There are now more than 230 digital media companies in the province. Our government is investing in further growth in this vibrant sector through the Manitoba Interactive Digital Media Fund, providing support for content development, marketing and promotion.

Manitoba's life sciences industry continues to be among the fastest growing in the country, with more than

Total Capital Investment



4,000 people employed and over \$500 million in annual revenues. Investments by Biovail and Cangene over the past two years have helped to establish Manitoba as a key centre for pharmaceutical manufacturing.

Red River College's new Centre for Applied Research in Sustainable Infrastructure is the province's first dedicated college-based research facility and will advance practical research on construction and building technologies.

Manufacturing is a vital part of Manitoba's diversified economy, accounting for approximately 12% of output. In our last budget, we renewed and enhanced the Manufacturing Investment Tax Credit (MITC). Capital investments in manufacturing grew by more than 16% in Manitoba last year, with a further 30% increase expected in 2007 - this is in sharp contrast to national growth of only 0.1% last year and 5.3% expected in 2007.

Mr. Speaker, Budget 2007 makes the MITC even more valuable by increasing refundability to 50%. Manitoba is also paralleling a short-term federal incentive that allows manufacturers and processors to write off machinery and equipment at 50% per year.

The Premier's Economic Advisory Council has recommended improving competitive conditions for

businesses by reducing red tape and moving toward single window service delivery. We are taking action on this advice, working to:

- extend the use of the single business number identifier to organizations like the WCB;
- expand award-winning BizPaL service to more municipalities, streamlining licensing and permit information for businesses from all levels of government;
- make it easier and less costly for businesses to deal with tax filing and remittance;
- introduce on-line filing for PST, and electronic remittances for other business taxes; and
- make trucking permits accessible electronically.

Today's budget provides new resources for Manitoba's International Gateway Strategy, to reinforce our province's position as a trade and transportation hub for national and international commerce.

Workplace Safety

Safe and healthy workplaces make good sense for everyone – for workers, for families and for employers. Not only do we want workers to stay safe, we want the competitive business advantages that come with safe and healthy workplaces.

Our government has implemented a proactive, multistaged plan to improve occupational safety and health, based on a consultative approach with labour and employers, including:

- amending *The Workplace Safety and Health Act*
- increasing inspections of high-risk sectors
- updating workplace safety and health regulations
- modernizing *The Workers Compensation Act*, and
- expanding the list of presumptive diseases for firefighters and extending coverage to part-time and volunteer firefighters.

There has been a reduction of close to 20% in the time loss work injury rate in Manitoba since 2000. Working

together, we need to make further improvements to reduce workplace injuries. Today's budget increases the number of workplace safety and health officers.

Last fall, our government passed the most comprehensive changes to the Employment Standards Code in 30 years, to better reflect the realities of today's workplaces and the needs of today's workers and employers. These changes bring Manitoba into the Canadian mainstream and support our ability to attract and retain workers in a competitive labour market.

Our government will soon be introducing legislation to establish a new statutory holiday in the month of February for all Manitobans to enjoy.

Rural Opportunities

Manitoba has been a strong voice in support of the Canadian Wheat Board, demanding that farmers have a say in matters critical to their livelihood. We have echoed producers' concerns about the significant economic consequences of dismantling single-desk marketing and the importance of ensuring quality and consistency for world markets. We will continue to promote the Port of Churchill as a viable, cost-effective option for prairie farmers, and fight to keep the Wheat Board's Winnipeg head office. Mr. Speaker, Manitoba will continue to stand up for the interests of farmers.

Farmers in Manitoba benefited from better crop prices and substantially improved growing conditions last year. Manitoba's real agriculture output grew by 16% in 2006, one of the strongest increases in Canada. However, higher feedstock prices for livestock and lingering impacts from the previous two difficult years continued to present challenges. Our government remains committed to maintaining a responsive safety net for farmers. The Canadian Agricultural Income Stabilization (CAIS) program has paid out more than \$550 million in federal-provincial support for farmers over the last three years.

Supporting young farmers is vitally important to the long-term prosperity of farming in Manitoba. Our

government recently announced a new credit plan for young farmers to help with the costs of production insurance during their start-up years. Budget 2007 invests in farm renewal through:

- an increase to the young farmer rebate on Manitoba Agricultural Services Corporation (MASC) loans;
- a new training program to assist young women to be more active in farm enterprises; and
- enhancements to the Bridging Generations Initiative – made permanent with this budget – making it easier to transfer farms from one generation to the next by providing up to 90% financing.

Budget 2007 invests new dollars to promote food safety and awareness and emergency preparedness planning. Today's budget also introduces a new Safe Farm pilot program, whereby farmers can elect to participate in farm safety audits, and be eligible for preferred MASC borrowing rates based on achieving safety standards.

As part of our Creating Opportunities Action Plan, we recently launched a new campaign to encourage Manitobans to seek out locally grown food products. Budget 2007 increases provincial support for the Food Development Centre in Portage la Prairie to encourage the development of new food products and their commercialization. This builds on recent provincial investments in the Richardson Centre for Functional Foods and Nutraceuticals.

Rural Manitobans are seizing new market opportunities in biofuels. Budget 2007 broadens eligibility for MASC's Alternative Energy Loan program.

Husky's \$145 million ethanol plant expansion at Minnedosa, supported by Manitoba's ethanol mandate, will provide a new green energy market for Manitoba farmers.

Biodiesel plant development and construction is already under way at four sites in Manitoba. Our government has taken steps to support the growth of this emerging industry with the elimination of the sales tax for the biodiesel portion of any blends. Manitoba is also

supporting new biodiesel use in long-haul trucking fleets and in school buses. Our vision is for Manitoba to be a leader in biodiesel production, creating jobs, expanding markets for farmers, and spurring greater economic activity in our rural communities.

Manitoba is also providing funding for rural pilot projects to construct and test the feasibility of anaerobic digesters on hog farms. These can create renewable energy to directly benefit the producer, reduce greenhouse gases, and lower the risk of surface and ground water contamination.

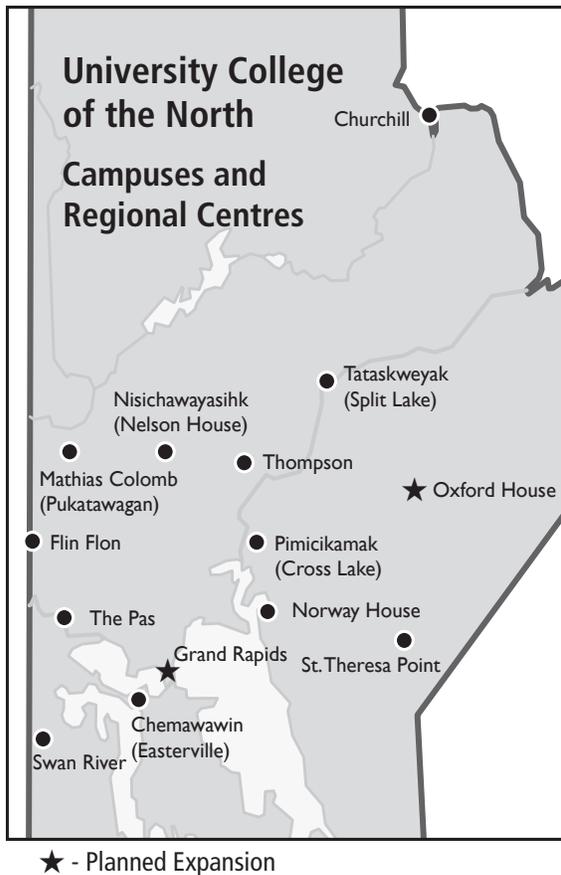
Our government is working alongside industry to study the feasibility of CO₂ enhanced oil recovery in Manitoba – an opportunity for economic growth and reduced emissions.

Northern Development

Our government is working with northern Manitobans to provide better access to education and training, increased economic development and more employment opportunities in the North.

Today's budget provides additional dollars to expand educational programming through the University College of the North (UCN), including 50 new nursing spaces – meeting our commitment to double northern nursing training. In addition, we have recently committed \$45 million to enhance UCN's capital facilities in The Pas and Thompson, and to establish two new regional centres in Grand Rapids and Oxford House. Budget 2007 also provides funding to improve UCN's electronic network, linking 14 regional centres, including nine on reserves.

Our First Nations and Metis partners have been empowered to deliver their own training under the \$60 million Canada-Manitoba-Manitoba Hydro pre-project training initiative, which has already provided training to close to 1,200 people. Early construction work on the Wuskwatim site is already employing 200 people, two-thirds of whom are of Aboriginal descent.



Manitoba's mining industry is flourishing, supported by strong metals prices and a very attractive policy environment for mining investment. Mining grew by a significant 25% last year in Manitoba. Mr. Speaker, I am pleased to announce that Budget 2007 extends Manitoba's 10% Mineral Exploration Tax Credit for another year.

Manitoba is working with the Government of Canada and First Nations to advance Treaty Land Entitlement (TLE) transfers. Ownership of these lands by First Nations represents a tremendous opportunity for sustainable development and economic growth. Manitoba and Canada have recently reached agreement on an accelerated plan that will see 150,000 acres of provincial Crown land transferred every year under the TLE framework.

Budget 2007 takes action on two fronts to tackle the persistent problem of higher costs for healthy foods in

the North. First, we have increased the Northern Income Assistance Allowance effective April 1, 2007, to help relieve cost pressures on nutritious foods and other essentials. We are also investing in long-term solutions by expanding the popular Northern Healthy Foods Initiative, supporting family and community gardens, nutrition education and market-based solutions to making nutritious foods more available in the North.

Budget 2007 invests in new youth-led activities that promote well-being and positive outcomes for youth in the North. Today's budget also provides funding to expand water safety programs to 25 new northern and remote communities, in partnership with the Lifesaving Society.

Investing in our Cities

With new support for roads and transit, growth in the Building Manitoba Fund, and gaming revenue sharing, Budget 2007 provides significantly increased resources for Winnipeg, Brandon and other municipalities.

Mr. Speaker, in 2007, the City of Winnipeg will receive \$29.1 million in new funding – an increase of 18.3%. This includes \$21 million for road improvements, part of a new two-year commitment to invest \$50 million in Winnipeg's roads and bicycle routes. Provincial funding for city streets will advance projects like the Chief Peguis Trail extension and major rehabilitations of the Fort Garry bridge and Inkster Boulevard. Mr. Speaker, I am pleased to announce that this new funding for road improvements will be built into the City of Winnipeg's base budget for future years.

Through the Building Manitoba Fund, other municipalities will receive a 5% general assistance funding increase in 2007 and a 17% increase in rural community development grants. This new funding will support municipal priorities such as public safety and infrastructure.

Additionally, Manitoba is restoring a 50-50 funding partnership with the cities of Winnipeg, Brandon, Flin Flon and Thompson – a partnership that was terminated in 1993 – to improve the affordability and accessibility of

transit systems. Manitoba municipalities will receive \$12.6 million in 2007 for their public transit systems, supported with funds from the federal Public Transit Capital Trust.

Renewal continues in our province's capital, based on co-operative development efforts with the City of Winnipeg and partnerships with local communities. Residential building permits increased by 32% last year to \$529 million. The building cranes that have become a hallmark of downtown revitalization on Portage Avenue have moved from the MTS Centre to the new Manitoba Hydro headquarters, and will move from there to the University of Winnipeg's new Science Centre.

Our government is having positive discussions with the federal government and the Friends of the Museum about moving forward with the great vision of building the Canadian Human Rights Museum at The Forks, to further the understanding of human rights on an international scale.

Next month, the City of Brandon will celebrate its 125th birthday, and there is much to celebrate. Brandon's economy is strong, with very low unemployment. The Keystone Centre's new Agricultural Centre of Excellence has opened its doors to the world; the downtown Wellness Centre is moving forward; and Assiniboine Community College's Culinary Arts and Hospitality Administration program will be ready to receive students at its newly redeveloped site in the fall.

Just as we have worked with CentreVenture in redeveloping Winnipeg's downtown, we will work with the City of Brandon and community partners on downtown revitalization in Brandon. In 2003, Manitoba became the first province in Canada to introduce tax increment financing for urban revitalization. We will further partner with Winnipeg and Brandon on programs to encourage downtown redevelopment.

Manitoba is also proceeding with a major infrastructure enhancement for the people of the Brandon area by providing the city with new bridges across the Assiniboine River to eliminate traffic bottlenecks and increase

flood protection. Mr Speaker, I am pleased to announce that Manitoba will work with the City of Brandon to advance Brandon's Eastern Access Route extension.

One of our government's proudest achievements has been the success of Neighbourhoods Alive!, a key part of our community economic development strategy. Neighbourhoods Alive! supports community-driven revitalization in neighbourhoods in Winnipeg, Brandon and Thompson. Mr. Speaker, I am pleased to announce that Neighbourhoods Alive! is expanding into five more urban centres, including Dauphin, Flin Flon, The Pas, Portage la Prairie and Selkirk.

Supporting Children and Families

Together, we are building a better future for children and families in Manitoba, and stepping up efforts to combat poverty. Rates of child and adult poverty have fallen in Manitoba - but not by enough - there is much more to do.

Today, there are 10,000 fewer Manitobans receiving income assistance than in 1999. Budget 2007 introduces Rewarding Work, a four-year plan to help more people achieve employment and higher incomes. Our new plan focusses on enhancing opportunities for education and training, expanding employment, making work pay for families and easing the transition from welfare to work.

In 1998, the federal government introduced a National Child Benefit for low-income families, but this benefit was clawed back at the provincial level from families on income assistance. Our government corrected this injustice by ending the clawback and fully restoring the National Child Benefit, allowing almost \$14 million annually to flow to families in need.

Mr. Speaker, today's budget takes another major step forward by introducing a new Manitoba Child Benefit for low-income families as part of Rewarding Work. The new benefit will provide more money for low-income working families to help with the costs of raising their children. For families on income assistance, a separate Child Benefit will replace a portion of their existing

child-related assistance. This is a significant step in breaking down the “welfare wall,” by ensuring that families retain supports for their children when they move from income assistance to work.

Budget 2007 also introduces a new Manitoba benefit, which will complement the federal government’s newly announced Working Income Tax Benefit program. Along with a work-related transportation allowance, these new benefits will help the move from welfare to work. Beginning in January 2008, an increase of \$25 per month will be provided for employment supports for childless couples and singles, and new income assistance for persons with disabilities. In addition, a new pilot project will begin this year, offering training supports to low-income persons over a longer period, to improve opportunities for securing employment and a higher income.

During the 1990s, the purchasing power of the minimum wage was severely eroded. Since 2000, the minimum wage has increased by one-third, most recently to \$8 per hour, encouraging people to enter the labour market and continuing to support lower-income earners.

Based on recommendations made by the provincial Ombudsman and the Children’s Advocate, Manitoba is significantly increasing the level of investment in our child protection system. Budget 2007 provides more than \$48 million in new resources to improve child protection services, including funding for caseload reductions, increased funding for foster families and early interventions to support families before children are placed in care.

Our government continues to invest in children’s early years – a time when research clearly shows that investments pay the biggest rewards, supporting kids to do better in school and avoid costly run-ins with the justice, health care and social services systems.

With co-ordination from Healthy Child Manitoba, we have established a province-wide network of programs to give kids a better start in life, including prenatal and early childhood nutrition programs, healthy schools

initiatives, and strategies for healthy adolescence. Our government has introduced legislation to enshrine Healthy Child Manitoba, ensuring that permanent structures are in place to help children and families reach their full potential. Today’s budget increases resources to:

- support the special nutritional needs of moms and babies by expanding the Healthy Baby program to more communities;
- enhance positive parenting programs; and
- support parent-child coalitions.

Budget 2007 also makes a major investment of \$7.5 million to step up Manitoba’s integrated programming related to fetal alcohol spectrum disorder (FASD).

Our government announced the first Five-Year Plan for Child Care in 2002 – a plan to improve the quality, accessibility and affordability of early learning and child care right across our province. Child care is also an important part of our plan to break down barriers for parents, particularly women, to return to work. Tremendous progress has been made – we have funded more than 6,600 child-care spaces, an increase of 43%.

In 2005, the governments of Canada and Manitoba negotiated and signed an agreement to provide new multiyear federal funding for child care and early learning. Based on this agreement, funded child-care spaces have been increased in Winnipeg and throughout rural and northern Manitoba. New facilities are being built, renovated and expanded. New training spaces have been created, and wage increases implemented for early childhood educators.

We are disappointed that the Government of Canada has chosen to unilaterally withdraw from our signed agreement. Under the agreement, Manitoba received \$23 million last year, but based on the recent federal budget, we will only receive \$9 million in 2007/08. While we will continue to make the case that the federal government should honour its commitments, we will not sacrifice children and parents in this fight

for federal support. Therefore, Mr. Speaker, Budget 2007 increases the provincial investment in child care by more than \$14 million to backfill for withdrawn federal funds to ensure that the promises made to Manitoba families and communities are kept.

The new Manitoba Shelter Benefit is making a difference, providing support to more than 11,000 low-income seniors, families and persons with disabilities to deal with rising shelter costs.

Manitoba is moving forward with a new multiyear affordable housing plan. Mr. Speaker, I am pleased to announce that Manitoba is committing \$104 million for safe, secure, affordable housing, through a partnership with the federal Housing Trust. Initiatives will target the housing needs of Aboriginal people, seniors, the inner city and northern Manitoba in particular.

Budget 2007 invests almost \$18 million more for supported living for persons with mental disabilities, and \$1.8 million more for children's special services. Municipalities across the province will also benefit from \$5.4 million to replace handi-transit vehicles, supported by the federal Public Transit Capital Trust.

Building on our newly introduced Grandparents' Access legislation, today's budget provides additional resources to assist with requests by grandparents to spend time with their grandchildren in cases of parental separation.

Budget 2007 expands seniors community support services programs and increases the 55 Plus income supplement, which will provide \$1.8 million annually in new support for low-income seniors.

Mr. Speaker, Manitoba is also easing the tax burden for seniors by matching federal pension income-splitting tax changes, saving pensioners an estimated \$11 million annually.

Safer Communities

The safety and well-being of Manitoba families and communities and the integrity and responsiveness of our justice system are priorities for our government.

We recognize the importance of having a strong police presence in our communities, both in deterring and responding to crime. Our government has provided resources for 94 new officer positions over the past five years. Mr. Speaker, today we are announcing plans to add 30 more police officers.

Budget 2007 provides funding for the City of Winnipeg to support 14 new officer positions. This includes five constables dedicated to Winnipeg's Stolen Auto Unit, to deal specifically with repeat offenders. While auto theft is down 20% so far this year compared to last, we are committed to making further progress to curb this serious crime, including working with the federal government to strengthen criminal penalties. Funding for the City of Brandon will also support two new police officer positions. We will also work with the RCMP to add 14 more officers by January 1, 2008.

Crime prevention and early intervention also form a key part of our strategy. Mr. Speaker, I am pleased to announce that Budget 2007 expands our successful Lighthouses program to 50 sites. Lighthouses provide positive after-hours recreation, educational and social activities for youth in schools, friendship centres and other community facilities across our province. Manitoba Lighthouses are nearing half a million visits to date - a clear sign of youth responding to positive alternatives.

Today's budget further expands the Turnabout program, a first of its kind in Canada, which focusses on children under the age of 12 who come in conflict with the law.

Budget 2007 invests new resources to expand the successful School Resource Officer project. In partnership with the City of Winnipeg and the Winnipeg School Division, three additional police officers will

serve Gordon Bell, Hugh John Macdonald, Kelvin, Grant Park, and Churchill high schools and surrounding areas.

Manitoba is taking action to crack down on organized crime. Mr. Speaker, Budget 2007 doubles our investment to \$800,000 annually in the Manitoba Integrated Organized Crime Task Force, providing police agencies across the province with more resources to strike at the roots of gang activity and drug trafficking.

More than 200 drug, sniff and prostitution houses have been shut down under Manitoba's groundbreaking Safer Communities and Fortified Buildings Acts since the initiative came into force in 2002. Budget 2007 provides additional funding and staff to support Manitoba's Public Safety Investigations Unit.

Also part of our multipronged strategy to fight organized crime are new investments in a criminal property forfeiture unit, to enforce pending amendments to *The Criminal Property Forfeiture Act*, to ensure that criminals do not benefit from crime.

Mr. Speaker, Budget 2007 provides funding to create a specialized unit to handle child exploitation cases, including a new dedicated Crown attorney. This unit will take a proactive approach to address Internet luring and child pornography, providing closer lines of contact between communities, children services, police and prosecutions.

Our government is also taking further steps to tackle domestic violence, by:

- adding a new Judicial Justice of the Peace to support *The Domestic Violence and Stalking Act*;
- expanding the Domestic Violence Intervention Unit to assist families in cases where formal charges are not laid; and
- providing new resources for community agencies that support women and children who experience family violence, including Ikwe-Widdjitiwin and A Woman's Place.

Building on successes achieved in fast-tracking domestic violence cases through the justice system,

Budget 2007 expands the internationally recognized Front End Project. Led by the Chief Judge of the Provincial Court, this expansion will help the court system work faster and more effectively in youth and non-domestic violence matters.

Manitoba is continuing to work with pharmacists, retailers, police, first responders and addictions services to combat crystal meth. Budget 2007 commits new funding for the Provincial Crystal Meth Strategy, including resources to support implementation of *The Youth Drug Stabilization (Supports for Parents) Act*, and funding for the Addictions Foundation of Manitoba.

Powering Our Future and Taking Action on Climate Change

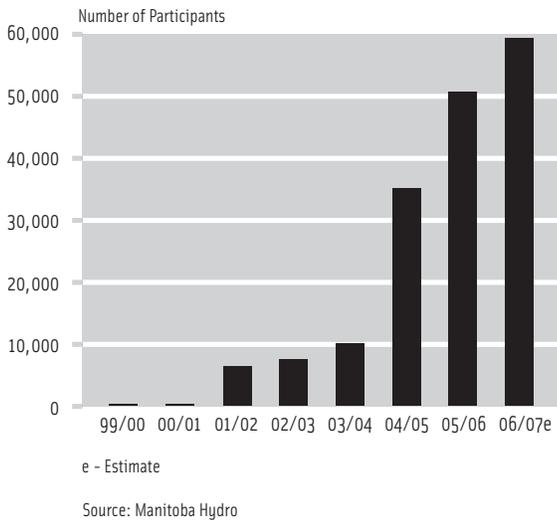
Manitoba was one of the first supporters of the Kyoto Accord and one of the first provinces to develop a comprehensive climate change action strategy. This year, Manitoba will introduce climate change legislation that will set out our greenhouse gas reduction target, advancing our vision of growing our economy while protecting our environment.

Our government believes strongly in the economic, environmental and social benefits of developing our tremendous hydro-electric resource. Manitoba is also proud to be a leader in emerging alternative energy sources like wind power, biofuels, geothermal systems and hydrogen.

Manitoba Hydro is already Canada's largest exporter of renewable, reliable hydro power to the United States, with more power to come as more generating capacity is built. Manitoba is pursuing export opportunities to the east, west and south.

Manitoba's Limestone dam has proved to be a solid investment that continues to generate strong returns, supporting three major power sales to Northern States Power alone totaling \$5.5 billion. Mr. Speaker, I am also pleased to announce another power sale:

Residential POWER SMART Program Participation



Manitoba Hydro has just renewed a 100 MW export contract with Wisconsin Public Service Corporation.

Construction of the Wuskwatim dam is now under way in partnership with Nisichawayasihk Cree Nation. Based on the strength of growing export and domestic markets, Conawapa will be built - the largest hydro-electric generating project ever undertaken in our province. Like Limestone, Conawapa will boost exports and power our economy for generations to come, providing enormous economic opportunities for Aboriginal and northern communities and helping to address the impacts of climate change.

Mr. Speaker, our government is committed to keep Manitoba Hydro owned by Manitobans, for the benefit of Manitobans.

Our government also remains a strong advocate for an east-west power grid. A national grid would allow Manitoba to transfer clean, reliable energy to neighbouring provinces, improve Canada's energy security and reliability, and generate new investments in renewable energy sources. We are encouraged by federal support for this important national vision.

Our province has become a leader in energy conservation. The Canadian Energy Efficiency Alliance

has named Manitoba #1 in its annual rankings two years in a row. Since 1999, some 150,000 Manitobans have participated in Power Smart programs, reducing their energy bills and saving close to 300 MW of power - that's equivalent to building a "virtual" dam with more capacity than Wuskwatim.

This year, energy efficiency initiatives are being expanded to support more community-driven projects, particularly in low-income areas. In Winnipeg's Centennial neighbourhood, local residents are taking action to revitalize their community through innovative home retrofit projects. This year, community-based energy efficiency projects will be expanded to other neighbourhoods in Winnipeg, Brandon and the four First Nations of the Island Lake region.

Like hydro-electricity, wind power is clean and renewable and helps grow and diversify our power supply and our rural communities. Manitoba's first wind farm, one of the largest in Canada, is now in full operation at St. Leon and will provide \$9 million in land lease payments to farmers over the life of the project.

I am pleased to report that Manitoba has just taken another major step forward in our strategy to harvest 1,000 MW of wind power over the next decade, with a call for new wind projects totaling 300 MW, enough to power more than 100,000 homes.

Manitoba is emerging as a hub for leading-edge hydrogen technology, supported by our strength in bus manufacturing. Manitoba recently tested one of the most advanced hybrid fuel-cell-powered transit buses in the world, built by Manitoba's own New Flyer Industries. Manitoba is pleased to be a partner in the new Hydrogen Centre of Expertise, advancing the study of hydrogen applications and other new technologies, such as plug-in hybrid cars.

With a \$2,000 rebate toward the purchase of new hybrid electric vehicles, our government is helping more Manitoba families make an environmentally-friendly automobile choice. We are pleased that the federal

government has introduced a complementary rebate program to increase the incentive.

Since 2002, Power Smart loans have helped Manitoba become a leader in geothermal heating and cooling systems. Mr. Speaker, today I am pleased to announce that to further support the use of this highly-efficient, green technology, Manitoba Hydro will be enhancing its Residential Earth Power loan program by increasing the loan limit to \$20,000 and offering a reduced interest rate of 4.9% for the first five years of borrowing. These changes will help cover the up-front cost of installing a geothermal heat pump, enabling more Manitobans to realize valuable long-term energy savings and environmental benefits.

Our government was proud to reach a new partnership with the Government of Canada that will provide \$53.8 million in new federal ecoTrust funding to build on existing initiatives and advance priority projects under Manitoba's climate change action plan to reduce greenhouse gas emissions.

Mr. Speaker, I am pleased to announce that Budget 2007 introduces a new 10% Green Energy Manufacturing Tax Credit, designed to encourage new and expanded production and use of green energy equipment – the first of its kind in Canada to support local green energy manufacturing and consumption.

Protecting our Environment

Manitoba's natural areas are an important part of our heritage and our way of life. Over the past year, we have expanded our vital network of protected areas with:

- new and expanded Wildlife Management Area designations, including Delta Marsh, Hilltop and Onanole;
- a new partnership with Ducks Unlimited to add more than 3,000 hectares of prairie parkland waterfowl habitat;
- the renewal of six Provincial Park Reserves; and

- the permanent protection of Wakopa and Wellington Wildlife Management Areas.

Since 1999, approximately 855,000 hectares of land have been permanently protected in Manitoba. We are working with the City of Winnipeg to add further protected areas to our network. In addition, we are working with the Manitoba Floodway Authority to establish a new Duff Roblin Provincial Park site that better recognizes the vision and legacy of Duff Roblin and is more accessible to Manitoba families. The new park will be a focal point for future recreational plans that will accompany the expanded Floodway.

Budget 2007 protects biodiversity by increasing Manitoba's annual contribution to the Nature Conservancy of Canada's conservation program by 50% to \$300,000.

We are proud that the Hayes River is now included as a member of the Canadian Heritage Rivers System, and we are working with our partners to have the Red River included as well.

Our government has made an important commitment to ensure that First Nations on the east side of Lake Winnipeg have a greater role in deciding how resources are used in this unique region. Through an extensive wide-area planning process, which included 80 community meetings, residents and stakeholders on the east side expressed their priorities for the region. Budget 2007 supports First Nations-led efforts to:

- secure a UNESCO World Heritage designation, putting this spectacular region on the world map;
- advance sustainable land use planning and the development of new east side resource management boards; and
- promote unique attractions through a new community-driven tourism development initiative.

Building on significant recent improvements at Falcon Lake in the Whiteshell, today's budget invests

in improving service and facilities in parks and campgrounds, including:

- expanded facilities and more staff at Birds Hill campground
- more camping sites with electricity
- better training for park patrols, and
- lagoon upgrades at Big Whiteshell and West Hawk.

Manitoba has offered 1,000 new cottage lots, and with expanded camping options, more Manitobans are getting the chance to enjoy the summer in Manitoba's great outdoors.

Water Protection

Protecting the quality of our vast water resources is a top priority for Manitobans.

An abundance of clean, fresh water is vital for the quality of life we enjoy in Manitoba and our long-term economic prosperity. Protecting drinking water, improving the health of Lake Winnipeg and conserving water supplies are imperatives we must meet to ensure our water will be protected and preserved for generations to come. We cannot take this tremendous resource for granted. In the same way that Manitoba began to tackle climate change ahead of other provinces, we are taking early action today to protect our water for tomorrow.

Last fall, we announced the third phase of Manitoba's water protection plan - a plan based on shared responsibility, with all regions and all sectors doing their part. The first two phases of Manitoba's water protection plan focussed on increasing water testing, setting nutrient reduction targets, strengthening manure management and municipal land use planning, and creating Canada's first department of Water Stewardship to consolidate water services.

Mr. Speaker, I am pleased to announce today that Budget 2007 invests more than \$10 million in new funds to address recommendations of the Lake Winnipeg Stewardship Board, advance sewer and water projects, and improve water management and flood protection. New funding will support:

- managing nutrients to meet leading-edge regulations on nitrogen and phosphorus;
- additional staff for inspections and enforcement;
- enhanced watershed planning and programming;
- habitat enhancement;
- Conservation Districts;
- on-site wastewater management and manure storage facilities;
- Manitoba Water Services Board projects;
- further scientific research on Lake Winnipeg and beneficial management practices; and
- strengthening drainage licensing and enforcement.

This new funding also includes \$2.5 million to help farmers begin to adapt their operations to comply with new water protection regulations.

We will work with the federal government on plans to fully invest the \$7 million they have announced for Lake Winnipeg.

As the Clean Environment Commission reviews our water protection plan, Manitobans are being asked for their input on how best to care for our water resources. In the meantime, we have put a pause on new and expanding hog barns, in recognition of the rapid growth in this industry since the 1990s, and the need for public confidence in the industry.

Mr. Speaker, with today's budget, our government has committed more than \$130 million for water and wastewater infrastructure projects across the province.

Summary Budgeting and Reporting

Budget 2007 meets our commitment to move to full Summary Budgeting and Reporting, as recommended by Manitoba's Auditor General. Our Summary Budget consolidates government's core budget plans with projections for all Crown organizations, regional health authorities, hospitals, colleges, universities and school divisions in the province. Today's budget fully reflects Generally Accepted Accounting Principles (GAAP).

Summary Budget Outlook

	2006/07 Forecast	2007/08 Budget	2008/09 Projection	2009/10 Projection	2010/11 Projection
	(Millions of Dollars)				
REVENUE					
Core Government ¹	8,839	9,302	9,605	9,814	10,068
Net Income of Government Business Enterprises (GBEs)					
Manitoba Liquor Control Commission	202	213	219	224	230
Manitoba Lotteries Corporation	272	275	275	275	275
Manitoba Hydro	117	178	133	125	131
Workers Compensation Board	6	6	6	9	10
Manitoba Public Insurance Corporation	(8) ⁴	14	2	15	24
Subtotal	589	686	635	649	669
Less: Consolidation Adjustment	(474)	(488)	(494)	(499)	(505)
Net Contribution of GBEs	115	198	141	150	164
Other Reporting Entities ²	2,207	2,309	2,388	2,431	2,544
TOTAL REVENUE	<u>11,161</u>	<u>11,809</u>	<u>12,134</u>	<u>12,394</u>	<u>12,776</u>
EXPENDITURE					
Core Government programs and services ³	8,800	9,226	9,504	9,781	10,062
Other Reporting Entities	2,195	2,408	2,448	2,552	2,613
TOTAL EXPENDITURE	<u>10,995</u>	<u>11,634</u>	<u>11,952</u>	<u>12,333</u>	<u>12,676</u>
SUMMARY NET INCOME	<u>166</u>	<u>175</u>	<u>182</u>	<u>61</u>	<u>100</u>

Numbers may not add due to rounding.

Notes:

1. Core Government revenue includes Net Income of Manitoba Lotteries Corporation and Manitoba Liquor Control Commission; that income is eliminated in the Consolidation Adjustment in the Net Income of GBEs to avoid double counting. Forecasts of GBEs profits are based on information provided by the entities.
2. Revenue and expenditure projections for Crown organizations, business entities and related public sector organizations are based on information provided by the entities.
3. In keeping with past practice, Core Government Expenditure does not include changes in the pension liabilities, which are fully reflected in Summary Net Income.
4. Includes premium rebate ordered by the Public Utilities Board.

Credit Rating Agency Actions for Manitoba, 2000-2006

Agency	Action
Moody's	Upgraded to Aa2, January 2003
DBRS	Upgraded to A (high), September 2003
DBRS	Upgraded Short-Term Debt Rating to R-1 Mid, October 2006
Moody's	Upgraded to Aa1, November 2006
Standard & Poor's	Changed Outlook from (stable) to (positive), November 2006

Source: Manitoba Finance

Today's budget projects a Summary surplus of \$175 million supported by core government revenue exceeding core government expenditure – this follows seven straight years of compliance with balanced budget legislation. In keeping with advice we have received from the Office of the Auditor General and the review conducted by Deloitte, we will update our balanced budget legislation to ensure that it aligns with our full transition to GAAP.

In 1998, the Auditor General criticized government for keeping two sets of books – we have eliminated this practice. Mr. Speaker, in moving to fully reflect GAAP, we are meeting this independent test of transparency and accountability to the people of Manitoba.

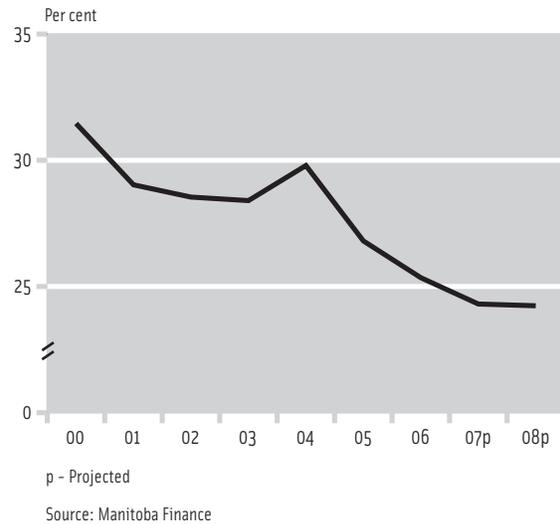
Manitoba's sound fiscal approach has been rewarded with four major credit rating upgrades since 1999.

In 2001, we began to implement the first-ever plan to eliminate Manitoba's pension liability – a liability that was left to grow unfunded for forty years, threatening to reach \$8.4 billion by 2028. Building on this, we have also recently announced our plan to help address the unfunded liability of the Teachers' Retirement Allowances Fund (TRAF), strengthening the pension plan and generating considerable long-term savings to the province. We are funding 75% of TRAF's outstanding liability and, this year, we will begin paying the employer's current service contribution. We are continuing to work on a similar solution for the unfunded pension liability of the Civil Service Superannuation Fund.

Manitoba's net debt to GDP ratio has been reduced by more than 20%, from 31.4% in 1999/2000, to an estimated 24.3% for 2006/07. We have reduced debt servicing costs by 45% from 13.2 cents on the dollar in 1999 to 7.3 cents today. Over the medium term, we are planning for continued reductions in Manitoba's net debt to GDP ratio.

Budget 2007 provides for a 4.8% growth in core expenditures, a 5.8% growth on a summary basis and a \$110 million payment on our general purpose debt

Manitoba Net Debt as a Percentage of GDP



and pension liabilities. This brings our total debt and pension payment over eight years to \$814 million, the largest such payment in Manitoba's history.

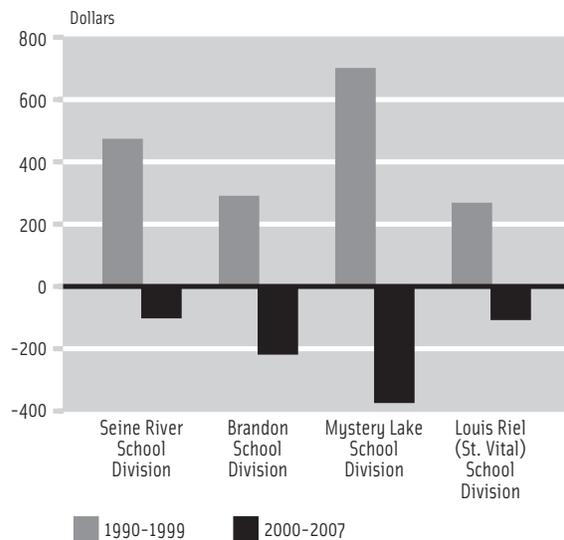
Manitoba's Fiscal Stabilization Fund (FSF) is projected to have a balance of \$477 million at the end of 2006/07, \$213 million more than in 1999/2000. As projected in last year's budget, the only draw from the FSF for 2007/08 – \$37 million – is for funds prepaid by the federal government for health wait-times reductions. As was intended, these funds will be used exclusively to bring down health wait times.

Long-term Plan on Tax Reductions

Our previous seven budgets have contained the largest tax cuts ever delivered to Manitoba families and businesses. This historic tax relief has been provided while our government has balanced each and every budget under balanced budget legislation, enhanced important programs and services, and followed a strict debt and pension liability payment plan that has helped our province earn four credit rating upgrades.

Budget 2007 continues to make progress in all of these areas while building on our record of meeting and exceeding every promise we have made to reduce taxes.

Change in Total Education Property Taxes for a House Assessed at \$125,000 in 2007



Source: Manitoba Education, Citizenship and Youth

Since 1999, our multiyear tax-cut plan has provided significant relief to all taxpayers - families, homeowners, farmers and businesses, along with targeted incentives for youth, seniors, low-income families, environmental protection and manufacturing growth.

Budget 2007 contains \$297 million in new annual tax cuts and introduces a multiyear plan in several areas, including:

- new education property tax relief
- new personal tax cuts, and
- new business tax reductions

When we came into office, housing values were flat and education property taxes were rising rapidly. We have taken action with our first seven budgets to reduce education property taxes, including:

- eliminating one full property tax - the Residential Education Support Levy - saving taxpayers \$100 million annually;
- increasing the Education Property Tax Credit by \$150, saving taxpayers \$53 million annually; and
- reducing farmland education taxes by 60%, saving

farmers \$25 million every year.

Today's budget goes even further, implementing step one of our new plan to increase provincial funding to 80% of total public schools expenditures. We will make progress each and every year and our goal is to achieve 80% at the end of five years, subject to balanced budget requirements. We will work with school boards to ensure accountability for provincial investments in supporting affordable, quality education.

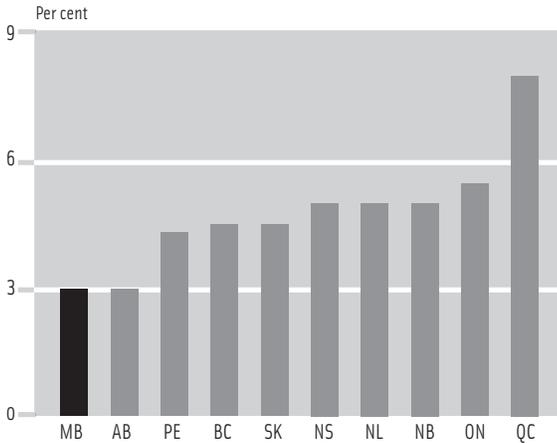
Mr. Speaker, I am pleased to announce that the Education Property Tax Credit will be increased by an additional \$125 to \$525, representing additional annual savings of \$40 million for Manitobans. Including this new tax saving, education taxes have been reduced by an average of 16% since 1999 on a house valued at \$125,000 - this is in sharp contrast to the 1990s, when education taxes increased by 60%.

We are also introducing a new four-year plan to further reduce farmland education property taxes. Our plan will cut these farmland taxes by a total of 80%, a reduction that is four times our original promise. Starting in 2007, the Farmland School Tax Rebate will rise to 65% from 60% - providing savings of \$29 million in 2007.

With these new measures and those contained in our past seven budgets, Manitobans will save \$230 million annually in education property taxes.

Our government promised - and has delivered - multiyear tax reductions that have resulted in the largest personal income tax cuts in our province's history. Budget 2007 continues this progress with new savings for all Manitoba taxpayers. We are also committing to a plan to cut middle income taxes by 10% over four years, beginning with a number of new measures introduced with today's budget.

2007 Small Business Tax Rates



Source: Manitoba Finance

Mr. Speaker, we are:

- adding \$200 more to the Basic Personal Amount, bringing the total increase in this amount to \$1,240 since 1999; the value of the basic personal credit has increased by 56%, almost three times the rate of inflation; and
- increasing the Spousal Amount and Eligible Dependant Amount by 24% to match the Basic Personal Amount.

I am proud to report that a total of 6,000 low-income Manitobans will be removed from the tax rolls as a result of these new measures.

Mr. Speaker, I am also pleased to announce that effective January 1, 2008:

- the middle income tax rate will be reduced to 12.75%, and
- the upper threshold for the middle bracket will be increased to \$66,000 – the first step toward raising the threshold to \$70,000.

In addition, starting January 1, 2009, we will begin implementing a multiyear plan to lower the first income tax rate to 10.5% and increase the first income threshold to \$35,000. These changes will provide savings to all Manitoba taxpayers.

Mr. Speaker, with today's personal income tax reductions and measures our government has taken in previous

Total Annual Tax Savings: 2010 Compared to 1999

	Millions of Dollars
Personal Income.....	410
Property.....	230
Business.....	239
Total	879

years, Manitobans will save \$410 million annually in personal income taxes.

Small businesses are the backbone of Manitoba's economy. In 1999, Manitoba had the second-highest small business tax rate at 8%. Today, as a result of a multiyear plan to reduce this tax, Manitoba has the lowest small business tax rate at 3%, tied with Alberta. In addition, we have doubled the income threshold to \$400,000, making more businesses eligible for this reduced rate.

Mr. Speaker, our government is pleased to announce that the small business rate will be reduced to 2% on January 1, 2008. The rate will then be cut again to 1% on January 1, 2009 – significantly below that of any other jurisdiction in Canada. These changes benefit 80% of Manitoba corporations.

Our government has also taken significant steps to reduce the general corporation income tax rate. For the first time in 50 years, we brought in a multiyear plan to reduce this rate to 14%, where it stands today – down from 17% in 1999, when it was the highest rate in the country. I am pleased to confirm that Budget 2007 builds on this plan with a further reduction of this rate to 13%, effective July 1, 2008. In addition, Mr. Speaker, this rate will be reduced to 12%, effective July 1, 2009.

In our last budget, we doubled the corporation capital tax deduction from \$5 million to \$10 million, reducing the number of firms paying this tax by 19%. I am pleased to confirm the first step in our plan to phase out the Corporation Capital Tax: a 20% reduction, taking effect for fiscal years starting after January 1, 2008. Mr. Speaker, the general corporation capital tax will be fully eliminated before 2011.

Today's budget also increases the payroll exemption threshold for the Health and Post-secondary Education Tax Levy by 25% to \$1.25 million. Less than 5% of employers presently pay this tax. The new higher threshold will benefit one-third of those paying; 200 employers will be exempted altogether and 600 employers will pay less tax.

New measures in Budget 2007 represent business tax savings of \$93 million annually, bringing our cumulative business tax reductions to \$239 million annually since 1999.

To ensure continued fiscal responsibility, all tax measures effective after December 31, 2008, are subject to balanced budget requirements.

Mr. Speaker, the new tax measures contained in Budget 2007 and those introduced in our past seven budgets form the cornerstone of a decade of continuous action to reduce taxes. By 2010, Manitobans will enjoy annual savings in personal income, property and business taxes of \$879 million compared to 1999.

Conclusion

Mr. Speaker, over the last eight years, our government has worked with Manitobans to achieve results.

We are rebuilding our health care system, investing in better roads and highways, expanding education opportunities, leading the country in climate change and clean water initiatives, growing our economy and supporting stronger families and safer communities.

We are doing all this, Mr. Speaker, while balancing our budgets, paying down the debt, and delivering record tax relief for Manitobans.

Manitoba has become a leader in areas including: green energy, immigration, affordability, quality of life, healthy living, wait-times reduction, child care, and early childhood development.

Today's Building Budget lays out our long-term vision for infrastructure, housing, education, environmental protection, opportunities for youth, economic competitiveness, lowering taxes and sound fiscal management.

This is a record to build on - there is more to be done. We have laid out our vision for the future and we will work in partnership with all Manitobans to continue moving our province forward.