



BUDGET SPEECH

MANITOBA BUDGET 2005

BALANCING PRIORITIES. BUILDING OPPORTUNITIES. INVESTING IN TOMORROW.



Manitoba 
Building for the Future



The 2005 Manitoba Budget Address

The Honourable Gregory F. Selinger

Minister of Finance

March 8, 2005

This document is
available on the Internet at:
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Other information available at this site includes:

2005 Estimates of Expenditure

2005 Estimates of Revenue

The 2005 Manitoba Budget Papers

2005 Manitoba Advantage

2005 Addressing Poverty in Manitoba

Manitoba's Action Strategy for Economic Growth

the latest Quarterly Financial Report and

Highlights of Manitoba's Recent Economic Performance

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THE 2005 MANITOBA BUDGET ADDRESS

CONTENTS

REDUCING THE DEBT	1
BUILDING MANITOBA	3
GROWING OUR CITIES.....	4
RURAL AND NORTHERN MANITOBA.....	6
BALANCING HEALTH CARE PRIORITIES	6
QUALITY EDUCATION.....	9
SAFER COMMUNITIES.....	11
WATER PROTECTION, NATURAL AREAS AND CLIMATE CHANGE.....	12
THE CLEAN ENERGY PROVINCE	13
RESEARCH AND INNOVATION	13
PUTTING PEOPLE FIRST	14
KEEPING MANITOBA COMPETITIVE	17
OUR BUSINESS ADVANTAGE.....	19
LOWER TAXES FOR MANITOBA FAMILIES	20
SAVING FOR MANITOBA'S FUTURE	23
OUR FISCAL PLAN	25
CONCLUSION.....	25

Also available

THE BUDGET PAPERS (in one volume)

Budget Paper A – The Economy

Budget Paper B – Financial Review and Statistics

Budget Paper C – Fiscal Arrangements

Budget Paper D – Taxation Adjustments

Budget Paper E – The Manitoba Advantage

Budget Paper F – Addressing Poverty in Manitoba

MANITOBA'S ACTION STRATEGY FOR ECONOMIC GROWTH



Mr. Speaker, today it gives me great pleasure to introduce Budget 2005: Balancing Priorities. Building Opportunities. Investing in Tomorrow.

Budget 2005 is built on four key pillars:

- paying down debt
- making strategic investments
- keeping our promises on tax reductions
- saving for our future

Budget 2005 reflects the growth and optimism Manitobans are experiencing. More young people are moving to our province, housing starts are up, employment and investment have reached record levels and earnings growth is among the best in Canada.

Mr. Speaker, this is not a record to rest on, but a record to build on. We need to balance our priorities, build opportunities for all our citizens and continue to invest in tomorrow. We want to ensure that Manitoba remains competitive and all communities benefit from our growth.

We recognize the setback cattle and ruminant producers are experiencing following the recent U.S. court decision to keep the American border closed. Through our ongoing commitment to the Repositioning the Livestock Industry Strategy, we will continue to support our producers. We will work closely with our provincial and federal counterparts and the U.S. government

to normalize trade and push for outcomes based on science.

Despite global economic pressures and the challenge of a high dollar, Manitoba is still growing. Investment in our province is projected to outperform the national average this year. Leading-edge sectors such as biotechnology and clean energy are maintaining a rapid rate of growth.

Budget 2005 is balanced. It maintains our policy of fiscal responsibility while continuing to grow the economy and keep Manitoba strong. It invests in the priorities of Manitobans: health, education, roads and water.

Reducing the Debt

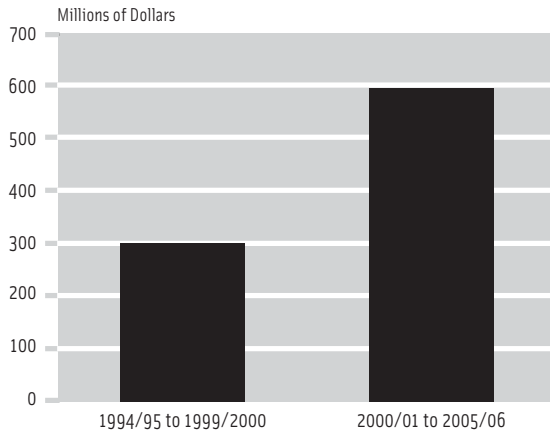
The first pillar of Budget 2005 is investing in tomorrow by keeping government affordable today. We have implemented a balanced and responsible fiscal plan without imposing health care premiums, without selling off public assets and without stepping back from promised tax reductions.

Mr. Speaker, I am proud to note that all our budgets have been balanced in accordance with Manitoba's balanced budget legislation. This is a promise we made to the people of Manitoba and it is a promise we have kept.

In 2001, for the first time, a Summary Budget was included as part of our budget presentation. The budget I am presenting today is balanced under both balanced budget legislation and summary financial statements.

We will continue to work with the Auditor General to fully implement Generally Accepted Accounting

Debt Retirement and Pension Liabilities Payments



Source: Manitoba Finance

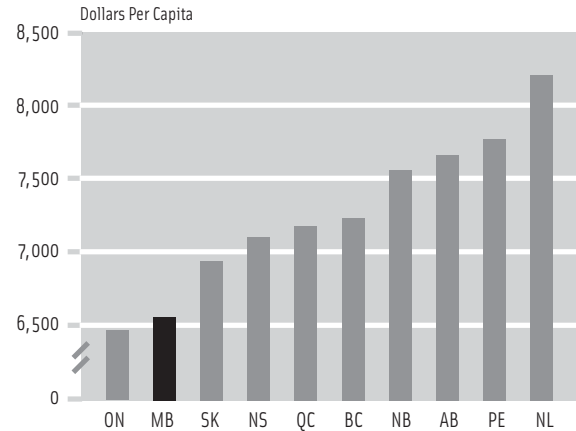
Principles (GAAP). In the 2007/08 fiscal year, the Summary Budget will become Manitoba's primary financial reporting tool.

Mr. Speaker, one of our first tasks after coming into office was to develop a plan to deal with the "monster" which was Manitoba's unfunded pension liability. A liability that, left unattended, would have swelled to \$8.4 billion by 2028.

This "monster" emerged in 1962, the year the Manitoba government stopped paying the employer portion of public pensions. It had been left to grow for almost 40 years, against a backdrop of silence. Mr. Speaker, we took action. In 2000, we introduced the first-ever plan to eliminate the liability.

In October 2002, we implemented the second part of our plan – matching the pension contributions of new employees from within existing resources.

Provincial Government Expenditure, 2004/05



Source: Provincial Financial Reports and Statistics Canada

Under our plan, the growth of the pension liability will be slowed and reversed. By 2032, it will be eliminated. If the Manitoba government had kept matching funds instead of stopping payments to the employer portion of the pension fund, our operating fund costs would be much lower today.

Mr. Speaker, tackling the public pension liability monster is part of a larger long-term strategy. In our first six budgets, including today's, we put a total of \$594 million into the Debt Retirement Fund to pay down general purpose debt and pension liabilities. This is the largest six-year payment in Manitoba history.

In 1999, the debt payment was \$75 million. In Budget 2005 we are increasing our debt payment from a budgeted \$96 million last year to \$110 million.

Since 1999, Manitoba's net general purpose debt-to-GDP ratio has been reduced by 20%. Our debt servicing

costs have fallen and we have earned Manitoba credit rating upgrades from Moody's Investors Service and Dominion Bond Rating Service. Overall, our provincial government ranks as the second-lowest spender per capita in Canada.

Our commitment to reducing the number of civil service positions is on track. To achieve efficiencies we are amalgamating administrative services into seven clusters and have reduced the number of health authorities from 13 to 11. A voluntary reduced work week for the public service saved \$2.4 million in 2004, and will be continued in 2005.

We have embarked on a civil service renewal strategy which will ensure that we are going to keep and attract the talent we need to deliver important government services. We are expanding the number of bilingual service centres to ensure our francophone community has better access to services.

Building Manitoba

The second pillar of Budget 2005 is investing in the priorities of Manitobans: accessible health care, cleaner water, quality education and better roads.

The infrastructure needs of Manitoba have become an issue of major concern and importance. In 1999, our government identified "infrastructure deficits" in a range of key areas, and we acted. We began a five-year program of strategic investments in health care and education facilities, water systems and flood protection, roads and highways, and municipal infrastructure.

Mr. Speaker, action has replaced the inaction of the 1990s when government promised, but never delivered, projects such as major hospital upgrades in Brandon and Winnipeg, and educational institutes at the University of Manitoba and Red River College.

Today, a new engineering and information technology building is under construction at the University of Manitoba. The downtown Red River College campus is open and bustling with students. Brandon Regional Health Centre is fully redeveloped and is home to the first MRI outside of Winnipeg. The more than \$100 million upgrade of the Health Sciences Centre – the single largest health infrastructure project in Manitoba history – is well underway.

We are building the facilities Manitobans need to compete and prosper in the 21st century. Budget 2005 is committed to accelerating this strategy with new investments in important infrastructure areas.

A key element of our strategy is revenue sharing with municipalities. Today, Manitoba is among the most generous provinces when it comes to municipal support.

Mr. Speaker, Budget 2005 increases our support for municipal infrastructure spending through the creation of a new Building Manitoba Fund.

Our new Building Manitoba Fund:

- provides \$86 million – equivalent to the income tax revenue shared under the former Provincial Municipal Tax Sharing (PMTS) agreement
- significantly increases transit operating grants for the cities of Winnipeg, Brandon, Thompson and Flin Flon for the first time in 10 years

- replaces flat transit and road grants with dynamic sharing based on three cents of provincial fuel taxes (a two-cent share of gas tax and a one-cent share of diesel tax) or \$32.7 million in 2005, \$4.7 million more than in 2004
- includes funding for roads in cities and municipalities

In total the fund will provide \$119 million to municipalities – an average increase of 8% over 2004.

Our plan means that municipalities will receive the equivalent of \$165 million in provincial fuel tax revenues over the next five years. It complements the federal government's initiative to share gas tax revenues with municipalities. We will consult with municipalities across Manitoba on the transparency and comparability of our municipal revenue-sharing program.

The Building Manitoba Fund will contain accountability features to ensure that new funding in Budget 2005 is targeted for upgrading water and sewer facilities, and roads and transit systems in keeping with Manitobans' priorities.

Growing Our Cities

The new investments in Budget 2005 will add to a strategic renewal of infrastructure underway in communities across Manitoba.

In Winnipeg, investments focus on the downtown revitalization, transportation and sewer system upgrades and flood protection.

Budget 2005 invests \$56 million in the Red River Floodway Expansion, to ensure that construction gets

underway this summer for scheduled completion in 2009.

This is the single largest infrastructure project in Winnipeg's history.

Important projects like the Kenaston Underpass and upgrades to Winnipeg's wastewater treatment plant, are proceeding.

Over the next six years, Manitoba will invest \$500 million on infrastructure projects in Winnipeg alone.

As promised, for the first time, we will begin sharing casino revenues with Winnipeg, starting with 5% in 2005, rising to 10% in 2006. In 2006, we will take steps on assessment costs to provide Winnipeg with comparable treatment to other municipalities.

Mr. Speaker, this is an unprecedented level of provincial support for our capital city.

We will increase the 15-year exemption from rent controls for new construction to 20 years in order to encourage further apartment development.

In Brandon we are pleased to be part of a \$15 million redevelopment of the Keystone Centre and to be making the largest single health care investment ever in Western Manitoba – the \$58 million redevelopment of the Brandon Regional Health Centre. In addition, Budget 2005 will contribute to:

- building a Wellness Centre at Brandon University
- full operating funding for Brandon's new MRI, and
- an expansion of surgical beds at the Brandon Regional Health Centre

MANITOBA SUPPORT FOR MUNICIPALITIES

Statistics Canada reports that the province of Manitoba provides the second-highest level of per capita funding support for municipalities in Canada.

The 2005 provincial budget builds on Manitoba's high level of provincial support with several new initiatives.

- The new "Building Manitoba Fund" provides \$119 million to Manitoba municipalities in 2005 by including the equivalent of Manitoba's income tax sharing agreement and expanding the funds available by the equivalent of three cents per litre from fuel taxes [two cents gasoline and one cent diesel].
- Over the next five years the Building Manitoba Fund will invest over \$600 million in Manitoba municipalities. This is in addition to the \$167 million in federal gas taxes pledged through the province's *Gas Tax Accountability Act*.
- Over all, municipal transit operating grants will increase 15%. This is the first significant increase in province-wide support in 10 years – giving needed new resources to Winnipeg, Brandon, Thompson and Flin Flon.
- A new Casino Revenue Sharing Agreement for public safety will fund 20 new police officers in Winnipeg. This doubles annual provincial support for Winnipeg policing to \$4 million in 2005. This agreement will provide 5% of casino revenues in 2005, rising to 10% in 2006.
- Unconditional VLT revenue grants to municipalities will increase by \$3.9 million in 2005 to be used for community development projects across the province. Manitoba and British Columbia are the only provinces to share gaming revenues with municipalities.
- Twenty new officers will be funded for rural and Northern policing, including one new police officer for the City of Brandon.
- Targeted ongoing annual support for municipal streets and roads will increase by 20% in Winnipeg and 15% outside Winnipeg.
- Over \$500 million in capital projects will be undertaken in Winnipeg over the next six years including such priorities as the Red River Floodway Expansion, Kenaston Underpass, and upgrades to Winnipeg's Waste Water Treatment Systems.
- Support for municipal water projects outside Winnipeg will increase by 4.6% through the Manitoba Water Services Board.
- Canada-Manitoba Infrastructure Programs will increase by \$4 million to fulfill a new generation of federal/provincial/municipal infrastructure agreements: the new \$123 million Manitoba Rural Infrastructure Fund and the new \$165 million Canada Strategic Infrastructure Fund.
- Provincial funding for municipalities through the Department of Intergovernmental Affairs and Trade will increase by 8% in 2005.

Working with Brandon on economic development has been a priority over the last five years. Together, we have supported Convergys, an in-bound call centre which now employs over 500 people, and helped secure the future of Shilo, home to the Second Battalion, Princess Patricia's Canadian Light Infantry and their families.

A new challenge will be the redevelopment of the Brandon Mental Health Centre site. A process is now in place to secure community input on redevelopment options. The province has committed its support to a new vision for the site.

Rural and Northern Manitoba

Continuing our commitment to better roads, Budget 2005 invests over \$145 million in the expansion, improvement and preservation of highways, a \$16 million increase in provincial spending from Budget 2004. This investment will result in almost \$700 million of highways infrastructure and preservation investments throughout the province, since we came into office.

We are pleased the federal government will begin to share a portion of gas tax with municipalities. Unfortunately, there are no similar gas tax investments to improve links with communities and export markets through highway infrastructure.

Highway infrastructure is important to Northern Manitoba. Since 1999, we have more than doubled the budget for winter roads. Budget 2005 continues to emphasize our northern strategy with major project

work on Highway 6, Provincial Road 391 and Highway 10 in Flin Flon.

Housing and transportation needs are a priority across Manitoba. Budget 2005 will support an expansion of ongoing programs to build, renovate and repair homes – with a particular emphasis on increasing affordable housing in our central urban neighbourhoods, rural Manitoba and the North.

Balancing Health Care Priorities

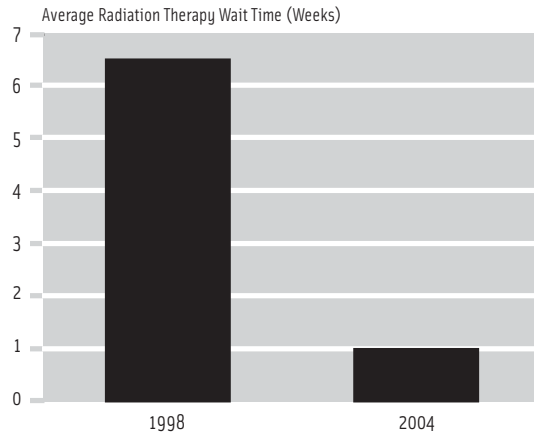
In September 2004, Canada's First Ministers unanimously signed a health care funding agreement which puts our health care system on a more sustainable and predictable path.

Over the course of the agreement, the reinstated federal funding means an increase in support equivalent to 3% of our government's health expenses.

Mr. Speaker, since 1999, we have been working to rebuild a seriously troubled health care system. We have reduced wait times for life-saving treatments, provided services closer to home, implemented new prevention initiatives and trained more health professionals.

Our efforts have attracted national attention. The Health Council of Canada's January 2005 report noted Manitoba's innovative ideas in health care, highlighting the Aboriginal midwifery program under development at University College of the North, our Telehealth network and our community health care facilities such as the Women's Health Clinic.

Cancer Treatment Wait Time



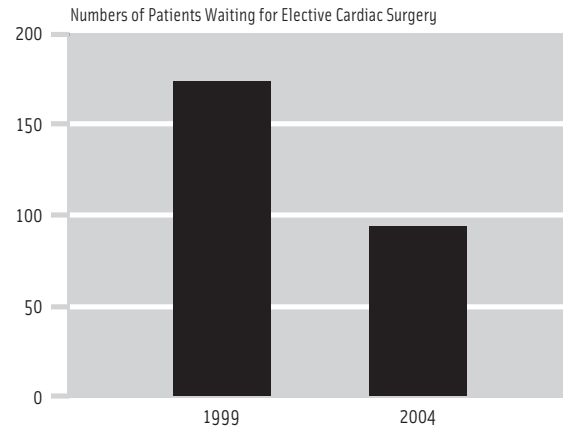
Source: CancerCare Manitoba

Reducing wait lists remains our number one health care priority. Over the past five years, Manitoba has seen a significant decrease in key wait times and increases in diagnostic testing.

- Since 1999, the wait list for cancer radiation treatment has gone from six weeks to one week.
- The number of Manitobans waiting for cardiac surgery has been cut in half.
- The number of CT scans in Manitoba has more than doubled while the number of MRI tests has more than tripled.

The reduction in key wait times has been a result of focusing on the health care priorities of Manitobans. Budget 2005 will continue to build on our wait list strategy by investing in an ambitious plan for hip and knee surgery.

Cardiac Surgery Wait List



Source: Winnipeg Regional Health Authority

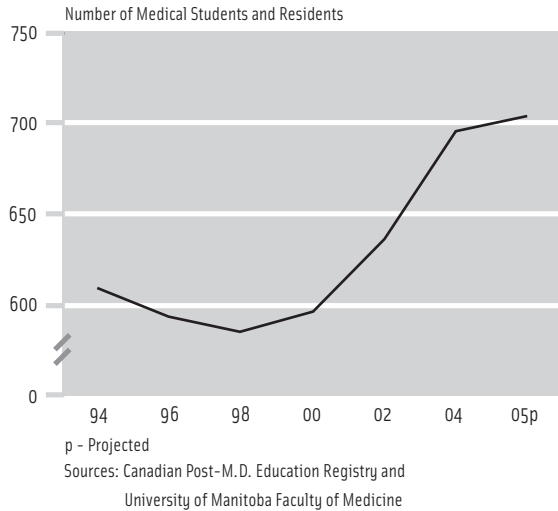
Our vision for improved health care includes all of Manitoba. We opened the first MRI outside Winnipeg, in Brandon, last year. This Budget will fund further expansion of MRIs outside Winnipeg. Construction is underway for a new CT scanner in Portage la Prairie and the new dialysis treatment unit in Garden Hill is now operating.

Mr. Speaker, since 2001 we have purchased 120 ambulances. I am pleased to note that Budget 2005 invests in 20 more new ambulances.

Budget 2005 will continue investing resources to move health care closer to home including:

- new and expanded community cancer care programs in Deloraine, Pinawa and Steinbach
- an expanded surgical program at Selkirk General Hospital
- orthopedic surgery at Boundary Trails Health Centre

Manitoba Doctors in Training



- cataract surgery at Portage Hospital and the Pan Am Clinic
- pediatric dental surgery at Misericordia and the Beausejour Hospital

Mr. Speaker, new funding is one part of the solution for health care. Innovation and efficiencies are also part of the solution. We have begun creating centres of excellence, bringing together the top professionals and the latest medical technologies.

Our innovations include:

- two new state-of-the-art operating rooms at Concordia Hospital, Winnipeg's new centre of excellence in hip and knee surgery
- the largest health care capital project in Manitoba's history, modernizing the emergency and operating rooms at the Health Sciences Centre

- the new prostate cancer centre which focuses on treatment and prevention and fulfills a commitment we made to Manitobans in 1999
- providing funding for the Institute for Advanced Medicine (IAM), focusing on "surgeries of the future" such as minimally invasive surgery and computer-assisted surgery

Budget 2005 will increase:

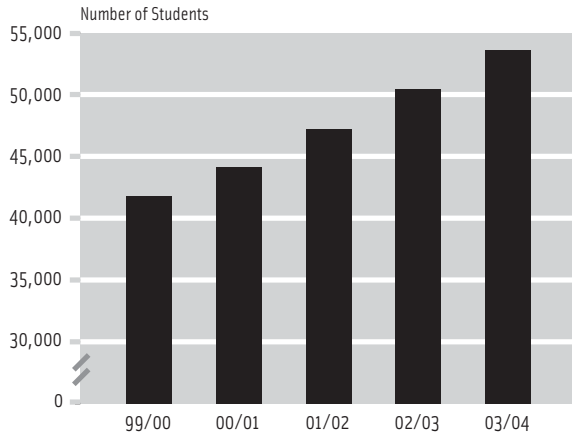
- the number of medical school spaces
- nursing education
- training for health care technologists and cross-training for technologists who work in rural communities
- support for home care

In the Speech from the Throne, our government launched a Diabetes Prevention Strategy, applying community health and prevention principles to fight a disease that is growing to epidemic proportions.

Mr. Speaker, healthy communities mean healthy citizens. Initiatives such as the new diabetes and chronic disease prevention program and the Healthy Kids, Healthy Futures Task Force promote healthy living. Budget 2005 provides \$3.6 million more to support healthy living initiatives.

Prescription drugs continue to be one of the fastest-growing costs in the health care system. In the absence of a national strategy, drug costs continue to outpace all other areas of health spending. Budget 2005 supports an increase of 16% in Pharmacare spending, and also increases deductibles between \$1 and \$5 per month for

Total College and University Enrolment



Source: Council on Post-Secondary Education

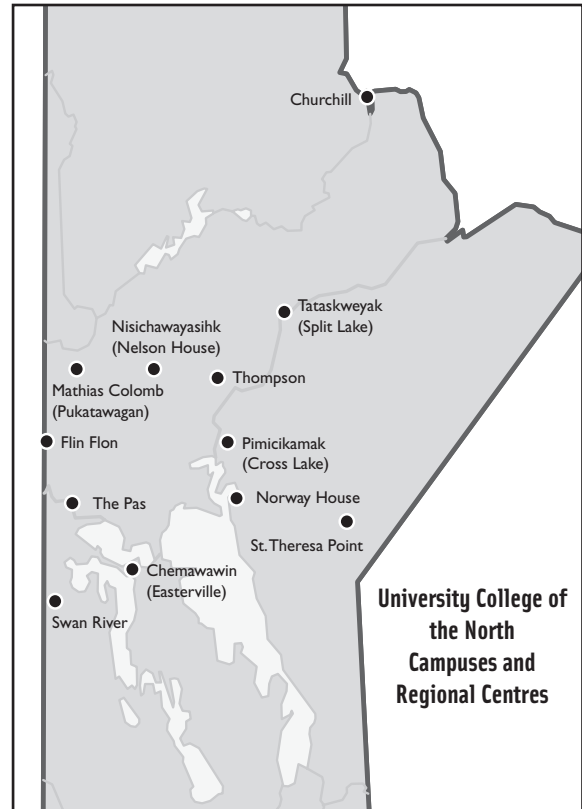
most Manitoba families. Since 1999, provincial funding for Pharmacare has more than doubled.

Quality Education

Our government has made education a top priority. To have a successful economic strategy you first need an education strategy.

We have supported an aggressive capital campaign to spur private investment for our universities, funded public education at the rate of economic growth and continued to phase out taxes on university property.

Mr. Speaker, in the last decade, the federal share of provincial spending on post-secondary education is roughly half what it used to be – declining from 15% in 1995/96 to just over 7% in 2004/05. Manitoba will work with other provinces to reverse these cuts in federal funding.

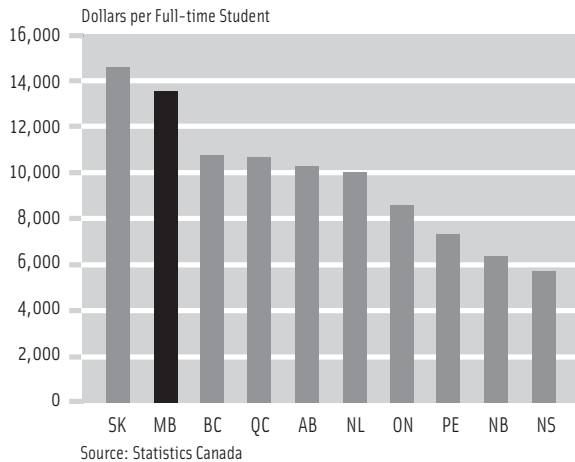


Budget 2005 reflects the commitments our government has made to:

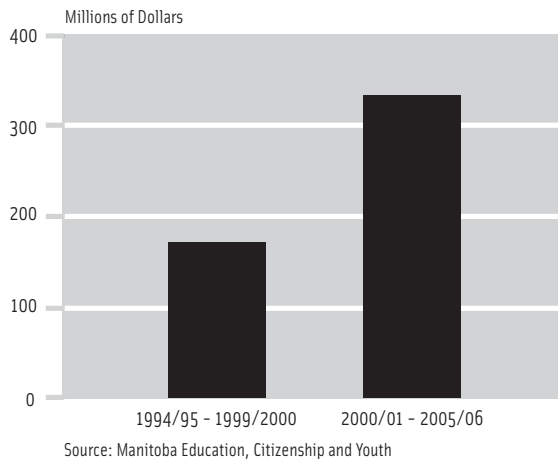
- increase post-secondary enrolment
- increase apprenticeship training
- provide specialized training in key knowledge-based sectors
- keep post-secondary education accessible and affordable for Manitobans no matter where they live

There are over 13,000 more students enrolled in Manitoba colleges and universities compared to 1999 – a one-third

Provincial Funding for Colleges and Universities, 2002/03



Capital Funding for Public Schools



increase. Projects like the completed Red River downtown campus, the Campus Manitoba program directed from Brandon and the two campuses and 10 regional centres of the University College of the North will work to expand post-secondary options, moving them closer to home.

Education and training initiatives for Aboriginal and northern residents are critical components of the Northern Development Strategy. We are making a major reinvestment to upgrade the Duke of Marlborough School in Churchill.

Budget 2005 enhances the Manitoba Student Loan Program, expands the Manitoba Bursary Program and doubles investment in the Manitoba Graduate Scholarship Program. Budget 2005 also maintains the tuition reduction.

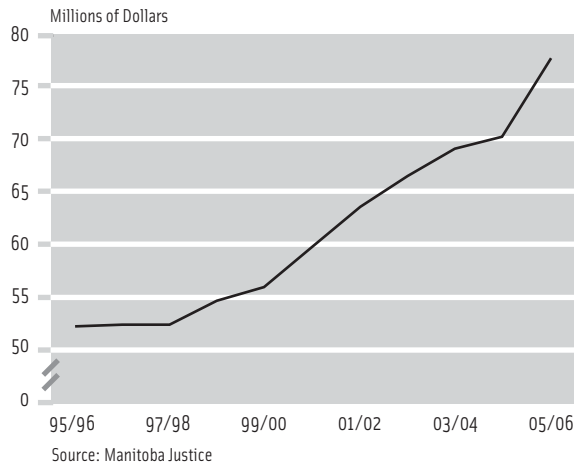
In 2004, we provided \$4.5 million over three years to strengthen technical-vocational education in Manitoba. Budget 2005 builds on our commitment by increasing funding for apprenticeship training and for the College Expansion Initiative.

Mr. Speaker, providing stable and predictable funding for Manitoba's public schools is an important investment in our children and youth.

Public school funding levels in 2005/06 will increase 2.8%. Since 1999, funding levels have increased by \$130 million.

Mr. Speaker, we are dedicating \$135 million over three years to school capital infrastructure. This brings our total funding to \$333 million since 2000, double the previous five-year period.

Provincial Funding for Policing



Budget 2005 commits new resources to support a community schools initiative.

Safer Communities

Mr. Speaker, reducing crime and increasing community involvement are important parts of keeping our communities safe and secure.

Feeling safe no matter where you live is important to all our citizens. That is why policing throughout Manitoba will be strengthened through the new and ongoing funding of 40 additional police officers to serve Winnipeg, Brandon, rural Manitoba and the North.

Partnerships with communities across the province have provided recreational, educational and social opportunities for youth at risk. Since 2000, we have supported the establishment of 34 after-school "Lighthouses" across Manitoba and will expand

this successful program by investing in four more "Lighthouse" locations in Budget 2005.

The province's strategy against organized crime is being significantly strengthened in areas such as innovative anti-gang legislation, gang prosecutions, and security intelligence. For example, legislation passed by our government has resulted in the closure of more than 90 drug dens, sniff and prostitution houses.

Budget 2005 provides a continuing commitment to supporting prosecution services. We will work with downtown organizations and agencies to proactively deal with street crime and dangerous offenders.

Manitobans can expect enhanced safety initiatives such as:

- new resources to combat domestic violence
- the development of a strategy to deal with illicit drug manufacturing
- an expansion of Aboriginal justice through Aboriginal policing, courts and probation services
- new resources to protect Manitobans from sexual predators and dangerous offenders
- a renewed focus on preventing auto theft

Manitoba's costs for delivering justice services, including legal aid, corrections and court services, continue to climb. To help offset these costs the justice services fee will be increased beginning April 1, 2005.

Water Protection, Natural Areas and Climate Change

Water is one of our most important natural resources. Water stewardship is a priority for Manitobans.

Budget 2005 builds on our commitment to Manitoba's water strategy. We are investing in several major initiatives, including increased funding for:

- promoting new standards under the new *Water Protection Act*
- flood proofing and protection
- ice jam and shoreline erosion mitigation
- sewer and water projects
- provincial drainage system maintenance and rehabilitation

The extension of the Riparian Tax Credit, sewage and septic field regulations, and a critical cross-border agreement with North Dakota and Minnesota to reduce nutrient loading by 10%, will contribute to our efforts to protect Lake Winnipeg and safeguard the integrity of all Manitoba waterways.

Partnering with communities across Manitoba has helped build sustainable environmental projects from the grassroots level. Since 1999, we have increased Conservation Districts in Manitoba from nine to 16. Budget 2005 will also invest more in Conservation Districts and watershed planning.

Mr. Speaker, following a decision by the Clean Environment Commission, we have supported the expansion and upgrading of sewage treatment facilities in Portage la Prairie and Lac du Bonnet, with current

upgrades for Garson/Tyndall, Winnipeg and Gimli. Acting on the recommendations of the Clean Environment Commission has resulted in higher standards for sewage treatment in Brandon and Portage la Prairie.

Since 1999, we have invested in water projects totaling over \$80 million, with clean water projects in 81 different communities and waste water treatment projects in 43 different communities.

Manitoba's Green Strategy is an umbrella for all our new green initiatives. It will help us work together with Manitobans on initiatives that protect our environment.

Manitobans have always enjoyed the outdoors and the opportunities our beautiful province has to offer. Budget 2005 gives Manitobans more opportunities for outdoor living by offering more cottage lots for sale and improving campgrounds. To accommodate a larger number of visitors, Budget 2005 increases funding for one of Manitoba's favourite parks, Birds Hill Provincial Park.

Through the Sustainable Development Innovations Fund, Manitobans are creating partnerships that improve our environment, economy, health and social well-being. Budget 2005 continues to provide resources to these important environmental and green initiatives.

This past year we:

- designated Manigotagan River as the province's newest provincial park
- created an ecological reserve for a rare river-bottom forest south of St. Adolphe
- took action to protect and preserve almost 80 acres of the Bois des Esprits in southeast Winnipeg

- committed to a proposal for a Boreal Forest region on the east side of Lake Winnipeg as a UNESCO World Heritage Site
- protected four new areas and added land to two existing parks
- provided \$600,000 for sustainable forest management and renewal

The Clean Energy Province

Manitoba continues to lead the way in developing clean and renewable energy.

A 99-megawatt wind turbine facility is now under construction at St. Leon. This project is injecting \$187 million into rural Manitoba and \$10 million in earnings to local land owners.

And this is only a beginning. Our government is examining plans that could see up to 1,000 megawatts of wind power developed over the next decade.

In 2005, we will see the final stages of pre-development for the Wuskwatim Hydro Dam. This project is a first of its kind, based on a full partnership with Nisichawayasihk Cree Nation.

Mr. Speaker, we were pleased to see that our strong statement of Manitoba's case has resulted in the federal government's commitment, in its 2005 budget, to invest in a national grid, linking clean energy markets to the east and west. We will move quickly to seize this opportunity which lays the foundation for the future development of Conawapa.

While we are working on new power generation options, our government, along with Manitoba Hydro, continues to free up power for export through energy-efficiency measures.

Since 2000, Manitoba Hydro's Power Smart program has saved more than 240 megawatts, enough energy to power Steinbach, Dauphin, Carman, Neepawa and Morden. Manitoba Hydro offers the best energy efficiency programming in Canada, according to the Canadian Energy Efficiency Alliance.

Efficiency Manitoba is a new agency that will co-ordinate the energy efficiency activities of Manitoba Hydro with the province's waste reduction programs such as recycling.

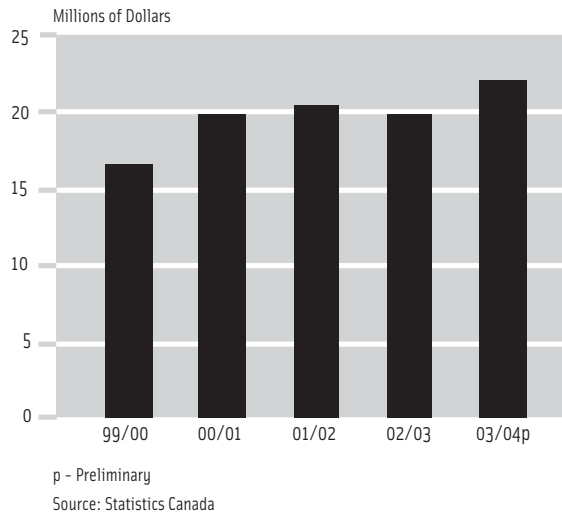
Manitoba is also leading the country in the installation of energy-efficient ground source heating pumps. While Manitoba represents less than 4% of Canada's population, it accounted for over 20% of the new heat pump installations in Canada last year.

Research and Innovation

Knowledge-based industries are at the forefront of future economic growth in Manitoba. Investments in research and innovation lead directly to productivity increases, resource conservation and a higher standard of living.

Through the Manitoba Research and Innovation Fund (MRIF) and its partners, projects like the Richardson Centre for Functional Foods and Nutraceuticals, and Manitoba Breast Cancer Research Centre are now operating. Budget 2005 builds on this success by increasing funding to MRIF.

Provincial Government Expenditure on Research and Development



Mr. Speaker, since 2002, revenues from Manitoba's biotechnology industry have grown by 76%. Ernst & Young's *Global Biotechnology Report 2004* stated that Manitoba has the fastest growing biotechnology industry in Canada. Canada West's February 2005 *The Best Places to do Business* stated that Winnipeg has 27% lower costs than Minneapolis in biomedical research and development.

The life sciences sector is one of the most intensive research and development sectors in Manitoba. An estimated 4,200 people are employed in this sector.

In 2004, we became home to the Canadian Centre for Disease Control and the new home to Canada's first Chief Public Health Officer.

Budget 2005 adds to our investments in innovation and research, providing:

- \$1 million for the Asper Research Centre
- an extension of the Manitoba Research and Innovation Fund to 2010
- \$1 million for the Centre for the Commercialization of Biomedical Technology at the National Research Council
- an increase in the University of Manitoba's research grant to support Manitoba's agriculture industry

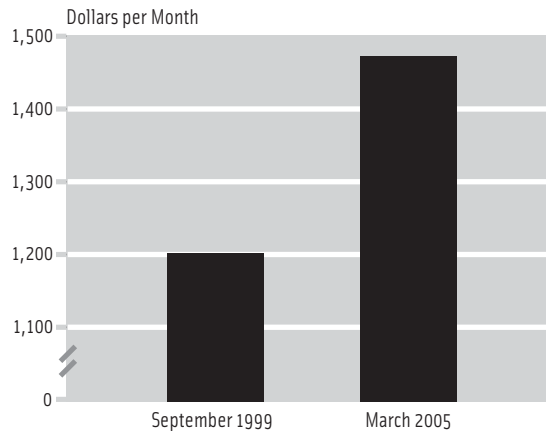
Putting People First

Mr. Speaker, today is International Women's Day. It is appropriate, therefore that Budget 2005 includes new resources to address many of the barriers that prevent women from achieving full equality. This year, increased resources will be devoted to family violence programs, maintenance enforcement, midwifery and critical family supports such as child care.

Manitoba's most valuable resource is its people. We have continued to make the kinds of investments that promote the safety, health, education and well-being of Manitobans.

Over the past five years, we have worked hard to forge strong partnerships among business, labour and government. Since changes were made in 2000 to *The Labour Relations Act*, the number of days lost to strikes and lockouts declined 60% and the injury rate has declined 19%.

Income Assistance Benefits, Single Parent - Two Children (Ages 4 and 10)



Source: Manitoba Family Services and Housing

Since taking office, we have increased the minimum wage by 21%. The latest increase, to \$7.25, will take effect April 1, 2005.

Regular increases to the minimum wage are one way to support Manitoba families. Other initiatives include:

- a low-tuition policy and new bursaries
- full restoration of the National Child Benefit Supplement
- community economic development initiatives such as SEED Winnipeg Inc.
- a targeted training strategy
- increased income assistance rates for the first time since 1992
- restoring funding for parent-child resource centres and coalitions across Manitoba

According to Statistics Canada, there were 32% fewer Manitobans on social assistance in 2003 than in the last five years – the lowest number in over a decade.

To protect thousands of Manitobans, we are preparing to introduce legislation in 2005 to address issues in the payday lending industry.

Our government has made Aboriginal participation in Manitoba's economy a priority. That is why programs are underway to ensure as many Aboriginal and Northern Manitobans as possible are qualified to work on planned capital projects such as the expansion of the Red River Floodway and northern generating stations.

The development of Aboriginal businesses is a fundamental requirement for achieving Aboriginal economic development. The Premier's Economic Advisory Council sponsored a summit on Aboriginal economic development in Manitoba. The Summit was a success and resulted in the creation of a new Aboriginal Chamber of Commerce, the first of its kind in Canada.

Mr. Speaker, quality child care is an integral part of supporting families.

In 2002 we announced the Five-Year Plan for Child Care – a made-in-Manitoba plan – developed in consultation with over 24,000 Manitobans. That plan commits to 5,000 funded spaces, increased wages and training opportunities, and increased subsidies.

The recent federal budget announced that Ottawa will join Manitoba in its strong commitment to child care, committing \$5 billion nationally over the next five years.

Although this budget does not reflect the federal contribution, once an agreement is reached, we will be committing all additional federal money for child care to the fulfillment of the five-year plan. This further investment will build upon one of the best child care systems in the country.

By prepaying support for Manitoba's child care system, we have made tremendous progress. Child care funding is up 64%, with an additional 3,500 funded spaces since 1999.

It has long been recognized that effective parenting is the single most important factor in laying a strong foundation during the early years of a child's life.

Mr. Speaker, Budget 2005 provides new funding for an internationally recognized program in support of parenting that we will unveil in the next few weeks.

This continues to build on our groundbreaking Healthy Child program with its focus on early childhood development.

Providing for our most vulnerable citizens, children and seniors, is an important part of Budget 2005.

In keeping with our government's goal of improving supported living for adults with mental disabilities, we have invested over \$17 million in Budget 2005 to expand community living supports. Since we came into office, the budget for the Supported Living Program has more than doubled, increasing by \$80 million.

Expansion of home care services and the construction of new personal care homes have increased residential options for those in need of care. New laws have been

passed to prevent fraud and elder abuse. Support for home security has been delivered directly through the Safety Aid program.

In 2005, legislative changes will be introduced to improve consumer protection for life-lease and condominium owners.

An important challenge for a growing province is making certain that all citizens can take advantage of what a vibrant economy offers. That is why we continue to address poverty in Manitoba.

For Manitobans, especially for those on lower and moderate incomes, our auto insurance, child care, and utility rates have resulted in the lowest cost of living in Canada.

Manitoba has among the lowest electricity rates in North America. To make certain that everyone receives fair and equal access to this important service, we passed legislation to equalize Northern, rural and urban electricity rates throughout Manitoba.

Low-income homeowners and renters have benefited from our increase in the Education Property Tax Credit, while our new family tax reduction and tax credit increases have resulted in more than 15,000 low-income Manitobans paying no income tax.

Budget 2005 continues these efforts with:

- \$3 million for a new Integrated Shelter Benefit Program
- a 20% increase to the Northern income assistance allowance to offset the high cost of healthy foods for Northern residents

We are also pleased to integrate BabyFirst and Early Start into a new and expanded Families First program. This new model recognizes challenges such as poverty, isolation and language barriers. Families First will improve access to home visiting services, strengthen parent-child relationships and improve outcomes for children.

Keeping Manitoba Competitive

The third pillar of Budget 2005 is keeping Manitoba competitive by supporting our businesses and industries through ongoing tax reductions.

Mr. Speaker, our economy is strong. Manitoba boasts a proud work ethic, a spirit of co-operation, a deep pool of entrepreneurial talent, and outstanding business leadership. This combination helps create the wealth that is the basis of our social and economic prosperity.

Balancing the priorities of Manitobans, building opportunities and investing in tomorrow all require an economic plan – a plan that is sustainable, equitable and long term.

We are continuing our seven-point Action Strategy for Economic Growth as recommended by the Premier's Economic Advisory Council. It is a vital framework that builds on our success, and is our guide to keeping our province strong and competitive.

One important component of our economic plan is the continued expansion of Manitoba's unique Provincial Nominee Program in reaching our goal of 10,000 new immigrants per year by 2006.

Manitoba's Action Strategy for Economic Growth

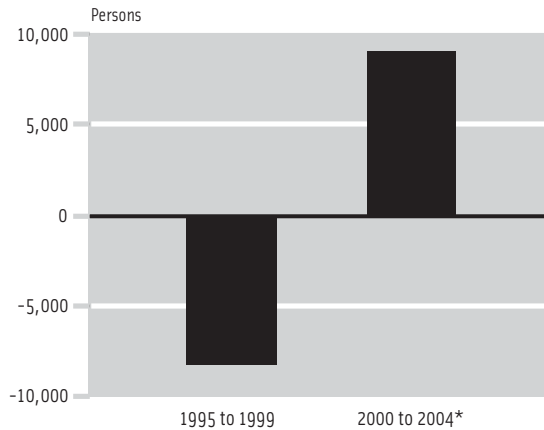
Manitoba's Action Strategy for Economic Growth is based on recommendations from the Premier's Economic Advisory Council (PEAC). This strategy, updated for 2005, has proven successful and continues to underpin Manitoba's approach to sustainable, equitable and long-term economic growth and competitiveness.

The Action Strategy's seven priorities are:

- education first
- building through research and innovation
- raising and retaining investment
- affordable government
- growing through immigration
- building our communities and
- building on our clean energy advantage

These priorities reinforce one another. Research and innovation require an educated workforce. Investment and immigrants are attracted to communities with affordable and effective government. Our energy advantage plays an important role in ensuring that economic development takes place in all parts of the province. This budget reflects the priorities of the Action Strategy, and continues to implement PEAC's recommendations.

Manitoba Total Net Migration



* 2004 only includes data from the first three quarters

Source: Statistics Canada

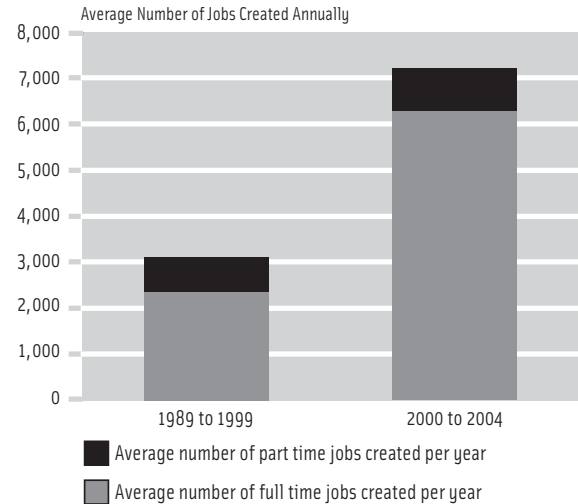
With input from the new Manitoba Immigration Council, we are working to expand the recognition of foreign credentials and degrees to enable more new Canadians to work in their trained professions.

Manitoba's arts and cultural scene is vibrant, diverse, and is a major part of our Manitoba Advantage. We take great pride in our festivals, exhibits, concerts and attractions that contribute to the quality of life in Manitoba.

Mr. Speaker, as the second-highest funder per capita of culture in Canada, we continue our commitment to this sector with a half-million-dollar increase for the Manitoba Arts Council in Budget 2005.

Investment in the cultural sector generated almost \$97 million of production in Manitoba's film industry last year. Manitoba is proud to be hosting the Canadian Juno Awards in April of this year.

Jobs Creation



Source: Statistics Canada

Our economic growth strategy is working. We achieved new record-high levels of employment and investment last year, and virtually all industries posted gains. There are other positive signs:

- Our population growth, including both international and interprovincial net migration, is the strongest in more than 20 years.
- More young people are making Manitoba home, with net youth migration of over 1,100 in 2004.
- Through aggressive promotion of Manitoba's many advantages, international immigration has been doubled since 1999.
- The number of jobs has grown on average 7,200 per year, twice the average of the previous decade.
- Housing starts are up 73% since 2000.
- Housing values are up 36% since 2000.

- Private capital investment has grown by \$1 billion since 1999 and is expected to increase further in 2005.

Mr. Speaker, low commodity prices and cross-border trade issues have continued to have a negative effect on Manitoba producers and the rural economy.

One important measure we took to help our producers remain competitive was accelerating the Farmland School Tax Rebate. Since December 2004, 23,000 cheques have been issued to Manitoba farmers.

In response to the continued closure of the U.S. border to our cattle and ruminant producers, in addition to existing programs, Budget 2005 provides \$2 million more from Rural Economic Development Initiatives to support capital investments in the processing sector.

Budget 2005 continues to support our entire farm industry with a \$2.2 million increase to the Canadian Agricultural Income Stabilization Program. While continuing support to the agri-food industry, we will also be increasing our activities in value-added production, including the organic food market. Budget 2005 will provide:

- new crop insurance for organic crops such as oats, flax and all wheat
- resources to develop an organic industry strategy
- an organic industry marketing specialist

To help continuously improve services in rural Manitoba, we are proposing legislation to amalgamate the Manitoba Agricultural Credit Corporation and the Manitoba Crop Insurance Corporation to create the Manitoba Agriculture Services Corporation.

For 2004, Manitoba Crop Insurance Corporation will pay Manitoba farmers between \$175 and \$200 million in insured claims for lost crop income. We will draw down \$90 million from a \$320 million reserve in the crop insurance corporation to offset these record crop insurance payments.

Mr. Speaker, we believe investing in Manitoba's North benefits the entire province. Our Northern Development Strategy promotes growth in the Northern economy while providing a greater quality of life for Northerners.

Programs like the Manitoba-Forintek partnership encourage forestry development as well as job creation and business development.

Mining in Northern Manitoba remains a major catalyst for Northern economic development. Mr. Speaker, applications under the Mineral Exploration Assistance Program show that over \$47 million in mineral exploration expenditures were proposed for 2004/05, an all-time high.

In Budget 2005, the Office of the Fire Commissioner will undertake a community-based education and training program for volunteer firefighters in Northern and remote communities to refresh the skills of volunteers who respond to emergencies in their communities.

Our Business Advantage

Budget 2005 recognizes Manitoba's strong entrepreneurial spirit. Our diverse economy, the ability of businesses and individuals to innovate, and our general can-do attitude make our province an attractive place to do business.

Mr. Speaker, there are many reasons businesses come here: a well-educated labour force, excellent transportation links, leading-edge telecommunications and information infrastructure, and – probably one of our greatest advantages – among the lowest electricity rates in North America. Our health care system also gives us a distinct business advantage.

A recent KPMG study concluded Manitoba is one of the best places to do business in North America. In fact, the study on comparative business costs rated Winnipeg as the third-best city in the Midwest – ahead of Calgary, Houston, Salt Lake City, and Phoenix.

Mr. Speaker, we know we must continue to take affordable steps to keep Manitoba attractive to business.

Since 1999, we have reduced business taxes by \$75 million. Today I am pleased to announce new tax reductions for Manitoba's businesses. When fully implemented, today's changes will mean an additional \$54 million in tax reductions for Manitoba businesses.

In 1999, Manitoba had the highest corporation income tax rate in Canada at 17%. We have reduced this rate in four stages to 15%, and we are announcing further rate cuts to 14.5% in 2006 and to 14% in 2007. This is an 18% cut since 1999 and a continuation of the first staged reduction of this tax since the Second World War.

The small business rate will also be reduced again. In 1999, this rate was 8% and the threshold was only \$200,000 in taxable income. Today, this rate is 5% and the income threshold is \$400,000.

Budget 2005 extends our five-year tax plan for small business. In 2006, the small business rate will fall to 4.5%, and again to 4% in 2007. We will have doubled the small business threshold and cut the tax rate in half. There has never been a better time for a small business to prosper.

Mr. Speaker, I am pleased to announce three new measures to assist export and research-focused businesses in Manitoba. Budget 2005:

- extends the Manufacturing Investment Tax Credit to include used equipment and property
- enhances the credit so that manufacturers can receive a portion of their investment back sooner, and
- increases the Research and Development Tax Credit from 15% to 20%

Budget 2005 will also extend, for another three years, the Co-operative Education Tax Credit, the Community Enterprise Development Tax Credit and the Equity Tax Credit. In addition, the Film and Video Production Tax Credit will be enhanced.

Lower Taxes for Manitoba Families

Mr. Speaker, we are committed to doing our part to keep Manitoba affordable for families.

One key focus has been tackling property taxes. In the 90s, property taxes rose significantly, while the property tax credit was reduced and the Education Support Levy on residential property remained untouched.

We reversed this trend in Budget 2000, when we began increasing the Education Property Tax Credit – a

two-stage approach that now saves taxpayers \$53 million annually.

Our next target was the Education Support Levy (ESL) on residential property – one of two school taxes on homeowners. We promised to phase out this tax, and we continue to keep that promise today with a further \$30 million reduction. Today's tax cut brings the total reduction in ESL on residential property to \$64 million annually.

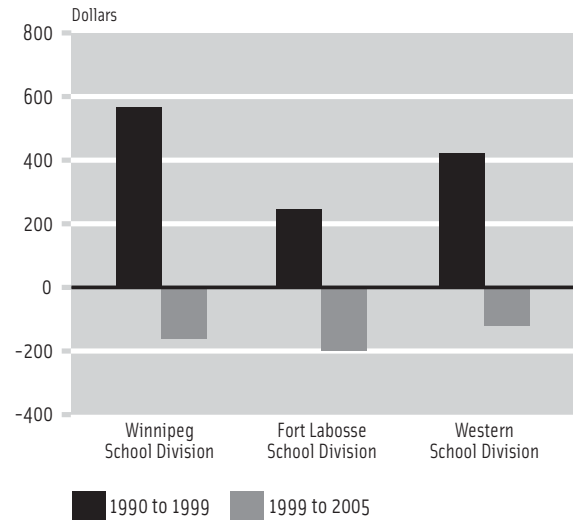
Mr. Speaker, this is significant property tax relief for homeowners. Today's new \$30 million ESL reduction will save the average family with a \$125,000 home approximately \$120 per year. In total, our annual reductions and credit increases means the average family with a \$125,000 home has saved \$1,425 in property taxes since 2001.

And Mr. Speaker, our action on property taxes does not end there. While agricultural producers have benefited from the increased credit as well as the reduction in the ESL, we also took three additional steps that exceeded our promises on tax cuts, including:

- lowering the taxable portion of farm property's assessed value, saving farmers \$7 million annually
- cutting school taxes on farmland by 33% by launching a rebate program in 2004, and
- reducing farmland education property taxes by 50% for 2005

In total, Manitoba families will pay \$142 million less in property taxes in 2005 than they would have, had we remained on the path pursued in the 1990s.

Change in Total Education Property Taxes for a House Assessed at \$125,000 in 2005



Note: Chart reflects the sum of changes in Special Levy, Education Support Levy and Education Property Tax Credits. The Special Levy mill rates for 2005 are preliminary.

Source: Manitoba Education, Citizenship and Youth

Mr. Speaker, today I am pleased to announce further reductions in personal income taxes. Since Budget 2000, we have exceeded our promises on reducing income taxes, and we are continuing with a plan of affordable reductions.

I am pleased to announce that January 1, 2006, the middle income bracket will fall from 14% to 13.5%, saving Manitobans \$24 million per year. This is a 19% reduction in the middle tax rate since 1999.

In addition, beginning January 1, 2006, the basic personal amount will rise by \$100. This measure will save Manitobans \$6 million and remove 2,000 low-income earners from the tax rolls.

Medium-Term Summary Budget Projection

	2004/ 2005f	2005/ 2006b	2006/ 2007p	2007/ 2008p ¹	2008/ 2009p ¹
Revenues	8,204	8,177	8,427	8,672	8,967
Expenditures	(7,791)	(8,064)	(8,343)	(8,559)	(8,854)
Operating Fund Result	413	113	83	113	113
Interfund Transfers/Debt Retirement					
Debt retirement payment	(99)	(110)	(110)	(110)	(110)
Fiscal Stabilization Fund	0	0	30	0	0
Balance under BBL/Transfer to FSF	314	3	3	3	3
Special Funds (Changes in Balance)					
Debt Retirement Fund	(180)	27	28	29	30
Fiscal Stabilization Fund	316	14	(14)	17	17
Other	(2)	0	(2)	(2)	(2)
Consolidation Adjustment	202				
Total Changes in Special Funds	336	41	12	44	46
Government Enterprises and Crown Organizations					
Government Business Enterprises					
Manitoba Hydro	142	210	122	109	106
Manitoba Public Insurance	30	8	9	10	11
Manitoba Lotteries Corporation	270	271	271	271	271
Manitoba Liquor Control Commission	185	187	192	196	201
Special Operating Agencies	14	12	12	12	12
Manitoba Crop Insurance and Agricultural Credit Corporations	(86)	(22)	(19)	(16)	(14)
Other Enterprises and Organizations	79	50	50	50	50
Consolidation Adjustments	(472)	(475)	(479)	(484)	(489)
Net Enterprises and Organizations	161	242	157	149	149
Pension Expense for Unfunded Liability	(196)	(206)	(214)	(221)	(223)
Increase in Pensions Assets Fund	116	119	128	139	150
Net Pension Items	(80)	(87)	(86)	(82)	(73)
Consolidated Net Income	417	196	84	111	121

Totals may not add due to rounding.

f - Forecast b - Budget p - Projection

¹ First two years under Summary Budgets. For further detail see Budget Paper B.

Also, for 2005, to encourage broader support of the political process, the Political Contributions Tax Credit will be increased to make it comparable to the federal credit.

In total, Budget 2005 will save Manitobans \$80 million annually through the additional personal and property tax reductions I have announced today.

Mr. Speaker, since 2000, personal income taxes have been reduced by \$249 million and property taxes by \$142 million, for a combined savings of \$391 million. Business taxes have been cut by a further \$129 million.

These are the largest tax reductions in Manitoba history.

Saving for Manitoba's Future

Our balanced fiscal plan that focuses on making strategic investments, keeping our promises on taxes, and reducing debt and pension liabilities, includes a fourth pillar – saving for the future.

Mr. Speaker, today we are saving for our future, forecasting an historic \$314 million deposit into Manitoba's Fiscal Stabilization Fund (FSF), or the "rainy day fund", for 2004/05. We anticipate this deposit will bring the fund's balance to \$395 million as at March 31, 2005.

I am also pleased to announce that today's budget projects no draw from the fund for 2005/06.

Mr. Speaker, this fund is Manitoba's savings account – a safeguard for the future that has been used in recent years to help deal with such unforeseen events as the economic slowdown following September 11, 2001. The fund has also

been used to ensure Manitoba's debt and pension liability payments continue during challenging budget years.

The replenishment of our rainy day fund is a priority. It was made possible in part due to an increase in Equalization payments for 2004/05.

It is also important to note the \$314 million deposit to the Fiscal Stabilization Fund includes funding to reduce wait times for specific health care services, as committed at the September First Ministers' Meeting. The multi-year funding was provided by the federal government from its 2004/05 surplus. Under Manitoba's accounting rules, this multi-year funding must be deposited in the fund in 2004/05. As always, we will be accountable for every dollar received for health care from the federal government. Manitoba will ensure this funding is used for its intended purpose.

Mr. Speaker, the \$314 million deposit is the second-largest in the 10-year history of the fund – surpassed only in 1996/97 when the government of the day sold the Manitoba Telephone System and deposited the proceeds into the fund.

The 2004/05 deposit will be achieved without selling a Crown corporation, imposing health premiums, or cancelling promised tax cuts or debt repayments – measures that have been used in the past and by other jurisdictions in order to balance the operating budget .

It is clear that increased federal transfers have helped us replenish this fund. However, with the Equalization Program currently under review, we must prudently manage the fund in a way that saves for our future and provides resources for priorities such as health care.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2005/06 and 2004/05

	2005/06 Budget	2004/05 Forecast	2004/05 Budget	Increase/ (Decrease) from 2004/05 Forecast to 2005/06 Budget		Increase/ (Decrease) from 2004/05 Budget to 2005/06 Budget	
	(Millions of Dollars)			(Millions of Dollars)	%	(Millions of Dollars)	%
Revenue							
Own-Source	5,381	5,286	5,206	95	1.8	175	3.4
Federal Transfers	2,796	2,918	2,447	(122)	(4.2)	349	14.3
Total Revenue	<u>8,177</u>	<u>8,204</u>	<u>7,653</u>	<u>(27)</u>	0.3	<u>524</u>	6.8
Expenditure							
Program	7,795	7,554	7,315	241	3.2	480	6.6
Unallocated							
Debt Servicing ¹	269	237	239	32	13.5	30	12.6
Total Expenditure	<u>8,064</u>	<u>7,791</u>	<u>7,554</u>	<u>273</u>	3.5	<u>510</u>	6.8
Net Revenue	113	413	99	(300)		14	
Interfund Transfers							
Debt/Pension Repayment	(110)	(99)	(96)	(11)		(14)	
Fiscal Stabilization Fund	0	0	0	0		0	
Balance under Balanced Budget Legislation	<u>3</u>	<u>314</u>	<u>3</u>	<u>(311)</u>		<u>0</u>	

Note 1: Debt servicing costs of the Operating Fund are \$354 million, of which \$85 million is allocated to departments in respect of the carrying costs of their tangible capital assets.

Our Fiscal Plan

Today's budget projects a positive balance of \$3 million with no draw from the Fiscal Stabilization Fund. \$110 million is dedicated to the repayment of debt and pension liabilities.

Our medium-term framework is now consolidated on a summary basis. It records not only that the province projects a Summary Budget surplus of \$417 million for 2004/05 but, also anticipates compliance with balanced budget legislation and Summary Budget surpluses over the medium term.

For 2005/06 our budget reflects the higher levels of federal transfers for health care and Equalization. This federal support is reflected in higher levels of spending for health and other vital programs than in previous years.

Overall, this year's budget expenditures are 3.5% higher than the 2004/05 current forecast. Over the past five years, total expenditures have increased an average 3.7% annually compared to 3.6% annually in the previous five years.

Budget 2005 begins our program of fully implementing Generally Accepted Accounting Principles, moving to full summary budgeting and reporting in 2007/08. We have given increased prominence to our Summary Budget projections in the documents that accompany today's budget speech.

Conclusion

Budget 2005 is a budget for all Manitobans.

Mr. Speaker, Manitobans have told us what their priorities are – accessible health care, cleaner water, quality education, better roads, and more opportunities and support for Manitobans and their families – and Budget 2005 has delivered. We have done all this while cutting taxes, paying down our debt and ensuring that Manitoba's future is secure by saving for tomorrow.

The four pillars of Budget 2005 are a solid, secure foundation that represent growth, inclusion and competitiveness for Manitoba.

By balancing priorities, building opportunities and investing in tomorrow, Manitobans can feel confident and optimistic about their future.