

THE SUMMARY BUDGET
and Budget Papers

The

BUILDING BUDGET

MANITOBA BUDGET 2007



MANITOBA BUDGET 2007
THE SUMMARY BUDGET

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- The 2007 Manitoba Budget Address
- 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 discours du Budget 2007
- 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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■ MINISTER'S MESSAGE

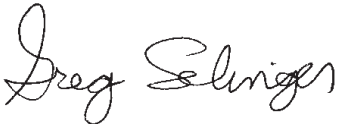
It is my pleasure to present Manitoba's first Summary Budget that aligns with the accounting standards set by the Public Sector Accounting Board. The Summary Budget also responds to the recommendations of the Auditor General to focus Manitoba's financial planning and reporting on the broader provincial public sector, or Government Reporting Entity.

The transition to a Summary Budget represents a significant change from the Budgets of the past. In the past, the focus of the Budget was on the allocation of revenues directly under government's control and the operations of government, specifically the programs and services delivered by government departments. The Summary Budget consolidates the revenues and expenditures of the provincial government, referred to in this Summary Budget as Core Government, with projected information for the operations of entities directly and indirectly controlled by government. The consolidation of these entities and Core Government is the Government Reporting Entity.

In the past, the Auditor General suggested that publishing separate financial information for both the Government Reporting Entity and Core Government operations may be confusing for the public. The Core Government is not presented separately in this Summary Budget – Core Government revenues and expenditures are contained within the projected revenues and expenditures presented for the Government Reporting Entity. At year end, only one set of audited Financial Statements for the Government Reporting Entity will be published. In accordance with the recommendations of the Auditor General, audited Financial Statements for Core Government will no longer be published.

For details of Core Government program expenditures and revenues, please refer to the *Estimates of Expenditure and Revenue*. Although the focus of the Summary Budget is on the Government Reporting Entity in its entirety, information contained in the Estimates focusses on the Core Government, reflecting the Legislature's role in approving Core Government program expenditures. Schedules are included in both this Summary Budget and the Estimates of Expenditure and Revenue to assist the reader in moving between the Estimates for Core Government and the Summary Budget for the Government Reporting Entity. Also included in this Summary Budget are a User's Guide and a Glossary of Key Terms that will assist in understanding this new Budget presentation.

I am also pleased to present Manitoba's first formal Financial Management Strategy, an integral component of Manitoba's new Summary Budget presentation. The Financial Management Strategy reflects our government's financial management priorities, identifies several measurable financial outcomes and establishes objectives for the budget year as well as the medium term in relation to these priorities. The inclusion of this information as part of the Summary Budget will provide Manitobans with additional insight regarding Manitoba's fiscal environment and demonstrates our commitment to continue to enhance accountability and transparency in our financial reporting.



Honourable Greg Selinger
Minister of Finance

THE SUMMARY BUDGET

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2007/08 SUMMARY BUDGET

■ INTRODUCTION

The 2007 Budget is the first Summary Budget produced by the Government of Manitoba that aligns with the accounting standards set by the Public Sector Accounting Board (PSAB), which require provincial governments to report on the broader definition of government, the Government Reporting Entity (GRE). Budget 2007 fully reflects Generally Accepted Accounting Principles (GAAP).

The Manitoba Budget is the primary means of reporting on government's plans and objectives for the year to come. Until this year, the focus of the Budget was on the revenues and expenditures directly under government's control. The Summary Budget includes revenue forecasts and expenditure estimates of the Core Government as well as high-level projections for Crown organizations, business entities and related public sector organizations such as health authorities and public schools, providing taxpayers with a more complete picture of the total cost of providing provincial public services.

Although the additional revenues and expenses of entities such as universities, public schools and government business enterprises are now included in the Summary Budget, the existing relationship between the government and the related entities does not change. Governance of these organizations and their relationships with government are not affected by the Summary Budget process.

Details of Core Government expenditures and revenues continue to be presented in the Estimates of Expenditure and Revenue tabled in the Legislature. Reconciliation schedules are contained in both the Summary Budget Book and the Estimates to assist the reader to move between these two documents and to understand the relationship between them.

“In our view, the Summary Financial Statements and therefore, the Summary Budget are the Government’s foremost accountability documents.

The benefits for the preparation of a detailed summary budget are many.”

. . .

“Without a detailed summary budget, the Legislative Assembly is not given the necessary depth of financial information upon which to fully discuss the planned use of public funds. As well, it is the comparison of the Summary Financial Statements’ actual results with that detailed summary budget which permits a thorough analysis of the Province’s financial position and operating results compared with planned results, and provides the ability to measure the Government’s management of public resources.”

- From the Auditor General’s Report to the Legislature on the Audit of the Public Accounts for the year ended March 31, 2006

“We congratulate the government on its commitment to be fully compliant with Generally Accepted Accounting Principles in both its budget and reporting for the year ended March 31, 2008. It will result in greater transparency and accountability to the citizens of Manitoba.”

- Gary Hannaford, Chief Executive Officer, Institute of Chartered Accountants of Manitoba

SUMMARY BUDGET

For the Fiscal Year Ending March 31, 2008

With Comparative Data for the Fiscal Year ended March 31, 2007

	2007/08 Budget	2006/07 Forecast	2006/07 Budget	Per cent Change 2007/08 Budget from	
				2006/07 Forecast	2006/07 Budget
(Millions of Dollars)					
REVENUE					
Income Taxes	2,439	2,440	2,400	0.0%	1.6%
Other Taxes	3,249	3,082	3,009	5.4%	8.0%
Fees and Other Revenue	1,215	1,182	1,186	2.8%	2.4%
Federal Transfers	3,687	3,349	3,370	10.1%	9.4%
Net Income of Government Business Enterprises (GBEs)	686	589	707	16.4%	(3.0)%
Sinking Funds and Other Earnings	534	519	481	2.9%	11.0%
TOTAL REVENUE	11,809	11,161	11,153	5.8%	5.9%
EXPENDITURE					
Health	4,091	3,919	3,800	4.4%	7.7%
Education	3,104	2,951	2,918	5.2%	6.4%
Family Services and Housing	1,251	1,189	1,155	5.2%	8.3%
Community, Economic and Resource Development	1,385	1,225	1,284	13.1%	7.9%
Justice and Other Expenditures	943	890	900	5.9%	4.7%
Debt Servicing	860	822	835	4.6%	3.0%
TOTAL EXPENDITURE	11,634	10,995	10,892	5.8%	6.8%
Restatement Adjustment	-	-	(113)		
SUMMARY NET INCOME	175	166	148	5.4%	18.1%

NOTES:

- The 2006/07 Budget numbers originally reported in the Medium-Term Summary Budget Projection in Budget 2006 have been restated to be consistent with the current presentation for the Government Reporting Entity.
- Details of Revenue and Expenditure for Fiscal Year 2007/08, and Reconciliation to the amounts reported for Core Government are found in Schedules 1 and 2.
- The Summary Budget includes a restatement adjustment in respect of 2006/07 Budget to reflect a change in accounting policy for Core Government effective in 2006/07, for contributions from Canada to capital projects.
- Numbers may not add due to rounding.

■ STRUCTURE OF THE SUMMARY BUDGET

The Summary Budget presents a high-level overview of revenue and expenditure of the entire GRE.

In the Summary Budget, Revenue is reported under six categories.

- Income Taxes – are entirely revenue of Core Government;
- Other Taxes – includes all of the other tax revenues of the Core Government as well as property taxes levied to support school funding;
- Fees and Other Revenue – includes fees such as automobile licences, park and forestry fees, and fees collected by Crown organizations such as fees for non-insured Health services and rental revenue for Manitoba Housing and Renewal Corporation (MHRC). Tuition fees collected by universities and colleges are also included in this category;
- Federal Transfers – Equalization, Canada Health Transfer, Canada Social Transfer and other grants and transfers are mostly received by Core Government although some federal funds are provided directly to entities not included in Core Government, such as housing subsidies to MHRC, insurance premiums for agriculture programs, and grants for public education;
- Net Income of Government Business Enterprises (GBEs) – this source is mainly attributable to Manitoba Lotteries and to the Liquor Control Commission whose net income continues to be recorded as revenue of Core Government;
- Sinking Funds and Other Earnings – these are interest and other investment earnings on sinking funds and other investments held by Core Government and the other reporting entities. For Core Government Estimates purposes investment revenue is netted against debt servicing costs.

Overall, \$9.3 billion – or 78.8% of Total Revenue – is revenue of Core Government.

In the Summary Budget, Expenditure has been classified by major sectors. See Appendix 4 for a list of the entities in the GRE.

- Health – represents all health-related expenditures including the activities of all Regional Health Authorities, hospitals, and other health-related entities in the GRE;
- Education – represents costs associated with all primary, secondary and post-secondary education including the operations of universities and colleges; includes additional funding for teachers' pensions and programs funded by other sources;
- Family Services and Housing – includes all costs related to social service and housing programs;
- Community, Economic and Resource Development – includes expenditures related to infrastructure and other government services such as Agriculture, Conservation, and Water Stewardship;
- Justice and Other Expenditures – includes costs for Justice services and costs related to services such as Finance, Culture, Heritage, Tourism and Sport, and Employee Pensions and Other Costs;
- Debt Servicing – contains the cost of interest and related expenses including funding for the Teachers' Retirement Allowances Fund (TRAF), capital funding, and general purpose borrowings associated with all provincial summary borrowings excluding debt servicing costs for debt incurred and repayable by Manitoba Hydro and Manitoba Lotteries. Debt servicing costs related to those borrowings are reflected in the net income of GBEs.

Summary Net Income is the "bottom line" – the result after Expenditure is subtracted from Revenue. This represents the GRE's financial result for the fiscal year.

■ SUMMARY BUDGET 2007/08

Revenue

Revenue growth in 2007/08 is projected to be \$648 million, or **5.8% higher** than forecast for 2006/07.

In relation to 2006/07 Forecast, Other Taxes are expected to grow by \$167 million, reflecting continued strong economic performance, particularly in the mining industry and retail sales. Federal Transfers will increase \$338 million in line with commitments on Equalization and health and social transfers and steps taken to address the fiscal imbalance. Better results for GBEs will also contribute about \$97 million more. Income Taxes will remain virtually unchanged in part reflecting our continued reductions in personal and corporation income taxes.

Expenditure

Total expenditure is budgeted to increase \$639 million, **up 5.8%**, from the 2006/07 Forecast.

The budgeted growth in Health expenditure is \$172 million, or 4.4%, from the 2006/07 Forecast; Community, Economic and Resource Development expenditure will rise by \$160 million, or 13.1%, while Education-related expenditure is up \$153 million, or 5.2% from the 2006/07 Forecast. Reflecting the government's recent announcement to fund 75% of the pension liability for teachers, combined with a continuing commitment to major capital and infrastructure projects, Debt Servicing costs are expected to rise by \$38 million*.

In Budget 2007, services to people represent over 75% of spending:

- Health expenditure makes up 35.1% of Total Expenditure.
- Education accounts for 26.7% of all expenditure: it includes public schools and post-secondary institutions.
- Family Services and Housing and Justice represent 13.7% of Total Expenditure.

■ SUMMARY NET INCOME

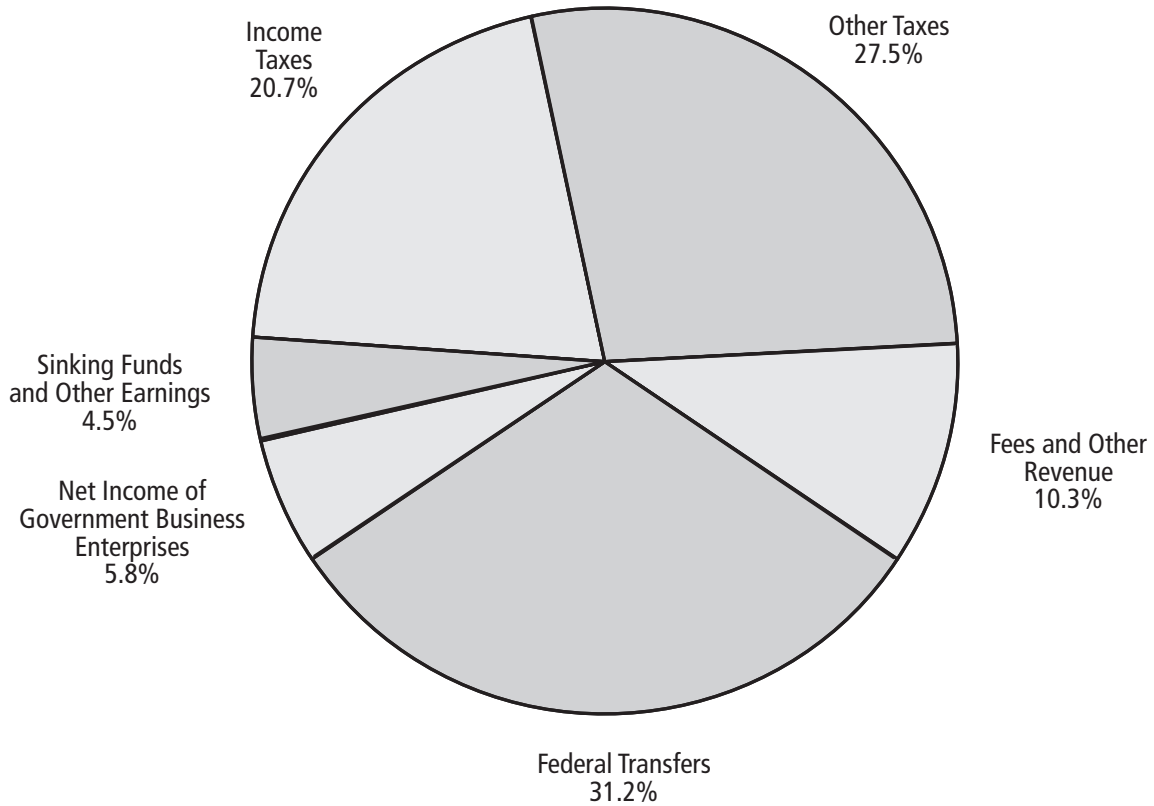
Budgeted Summary Net Income for the year is \$175 million, approximately \$9 million or 5.4% more than the 2006/07 Forecast amount.

* Debt Servicing costs are forecast to equal 7.3¢ of every dollar of revenue in 2007/08, down from 13.2¢ per dollar in 1999/2000.

Revenue, 2007/08

Major Sources

Per cent of Total



Revenue Sources

2007/08 and 2006/07

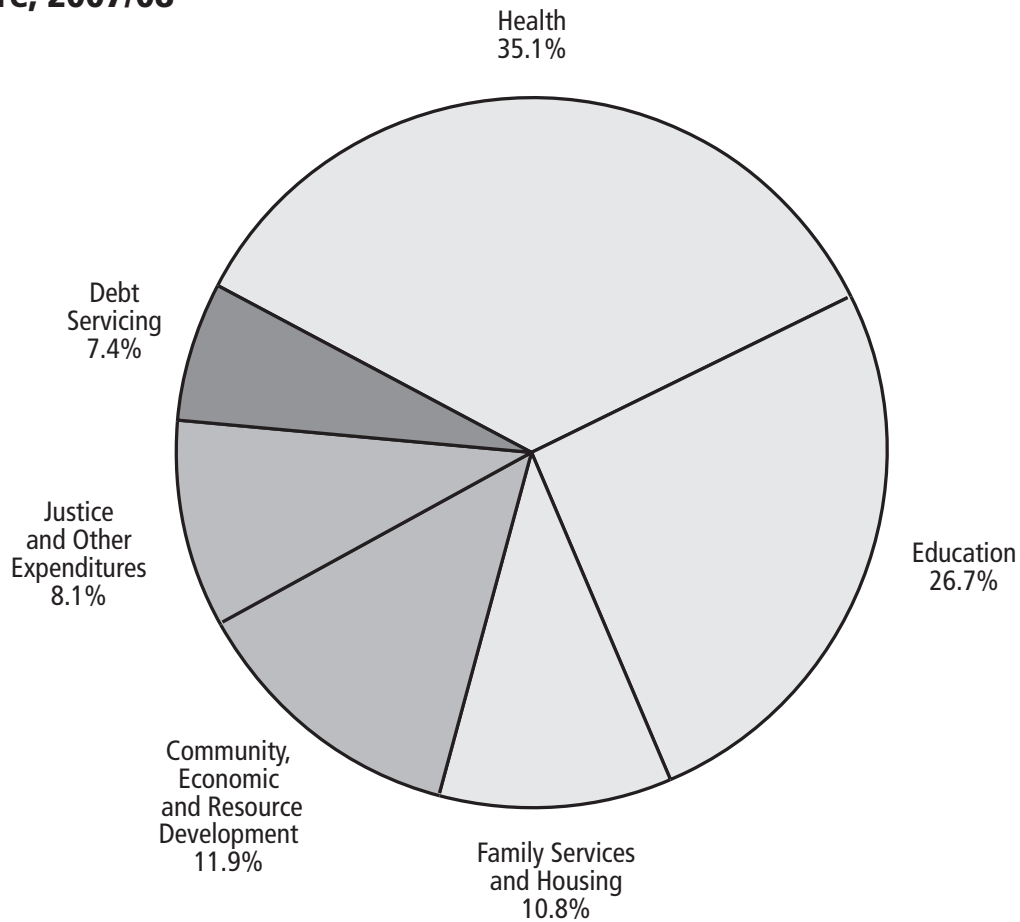
	2007/08 Budget	2006/07 Forecast	Change 2007/08 Budget from 2006/07 Forecast
	(Millions of Dollars)		(Millions of Dollars)
Income Taxes	2,439	2,440	(1)
Other Taxes	3,249	3,082	167
Fees and Other Revenue	1,215	1,182	33
Federal Transfers	3,687	3,349	338
Net Income of Government Business Enterprises	686	589	97
Sinking Funds and Other Earnings	534	519	14
TOTAL REVENUE	11,809	11,161	648

Numbers may not add due to rounding.

Expenditure, 2007/08

Major Sectors

Per cent of Total



Expenditure Sectors

2007/08 and 2006/07

	2007/08 Budget	2006/07 Forecast	Change 2007/08 Budget from 2006/07 Forecast
	(Millions of Dollars)		(Millions of Dollars)
Health	4,091	3,919	172
Education	3,104	2,951	153
Family Services and Housing	1,251	1,189	62
Community, Economic and Resource Development	1,385	1,225	160
Justice and Other Expenditures	943	890	53
Debt Servicing	860	822	38
TOTAL EXPENDITURE	11,634	10,995	639

Numbers may not add due to rounding.

Schedule 1

Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates

Fiscal Year ending March 31, 2008 (in Thousands of Dollars)

Source of Revenue	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
	Revenue Estimates	and Revenue of Other Reporting Entities	
Income Taxes			
Individual Income Tax	2,159,400	-	2,159,400
Corporation Income Tax	279,100	-	279,100
Subtotal: Income Taxes	2,438,500	-	2,438,500
Other Taxes			
Corporation Capital Tax	152,500	-	152,500
Gasoline Tax	147,000	-	147,000
Insurance Corporations Tax	62,000	-	62,000
Land Transfer Tax	38,500	-	38,500
Levy for Health and Education	328,800	-	328,800
Mining Tax	107,000	-	107,000
Motive Fuel Tax	84,900	-	84,900
Retail Sales Tax	1,326,500	-	1,326,500
Tax Administration and Miscellaneous Taxes	79,400	-	79,400
Tobacco Tax	204,000	-	204,000
Other Taxes	21,055	-	21,055
Education Property Taxes	-	697,185	697,185
Subtotal: Other Taxes	2,551,655	697,185	3,248,840
Fees and Other Revenue			
Fines and Costs and Other Legal	41,441	-	41,441
Minerals and Petroleum	10,405	-	10,405
Automobile and Motor Carrier Licences and Fees	97,998	-	97,998
Parks, Forestry and Other Conservation	35,376	-	35,376
Water Power Rentals	105,000	-	105,000
Service Fees and Other Miscellaneous Charges	110,211	643,088	753,299
Revenue Sharing from SOAs	21,395	(21,395)	-
Tuition Fees	-	171,501	171,501
Subtotal: Fees and Other Revenue	421,826	793,194	1,215,020
Federal Transfers			
Equalization	1,826,000	-	1,826,000
Canada Health Transfer	807,000	-	807,000
Canada Social Transfer	341,400	-	341,400
Health Funds	47,340	-	47,340
Infrastructure Renewal	45,600	-	45,600
Manitoba Floodway Expansion	100,155	-	100,155
Shared Cost and Other Transfers	234,298	285,329	519,627
Subtotal: Federal Transfers	3,401,793	285,329	3,687,122
Net Income of Government Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	213,200	-	213,200
Manitoba Lotteries Corporation	275,000	-	275,000
Manitoba Hydro	-	178,000	178,000
Workers Compensation Board	-	5,600	5,600
Manitoba Public Insurance Corporation	-	14,044	14,044
Subtotal: Net income of GBEs	488,200	197,644	685,844
Sinking Funds and Other Earnings	-	533,550	533,550
Total Revenue Estimate	9,301,974	2,506,902	11,808,876

Schedule 2

Summary Expenditure Estimate: Details, Reconciliation to Core Government Estimates and Summary Budget Result

Fiscal Year ending March 31, 2008 (in Thousands of Dollars)

Sector/Department	CORE GOVERNMENT Expenditure Estimates	CONSOLIDATION IMPACTS and Expenditures of Other Reporting Entities	SUMMARY
Health	3,882,409	208,536	4,090,945
Education			
Advanced Education and Literacy	539,724	380,429	920,153
Education, Citizenship and Youth	1,301,718	882,481	2,184,199
Total Education	<u>1,841,442</u>	<u>1,262,910</u>	<u>3,104,352</u>
Family Services and Housing	1,126,614	124,271	1,250,885
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	38,417	744	39,161
Agriculture, Food and Rural Initiatives	203,675	144,165	347,840
Competitiveness, Training and Trade	109,196	7,156	116,352
Conservation	119,416	(623)	118,793
Infrastructure and Transportation	493,390	(87,453)	405,937
Intergovernmental Affairs	246,468	-	246,468
Science, Technology, Energy and Mines	78,588	314	78,902
Water Stewardship	31,985	(45)	31,940
Total Community, Economic and Resource Development	<u>1,321,135</u>	<u>64,258</u>	<u>1,385,393</u>
Justice and Other Expenditures			
Legislative Assembly	30,361	(8)	30,353
Executive Council	2,759	-	2,759
Civil Service Commission	5,450	1,458	6,908
Culture, Heritage, Tourism and Sport	85,024	6,106	91,130
Employee Pensions and Other Costs	88,223	102,000	190,223
Finance	102,563	26,235	128,798
Healthy Child Manitoba	26,398	-	26,398
Justice	321,557	20,336	341,893
Labour and Immigration	46,510	8,144	54,654
Manitoba Seniors and Healthy Aging Secretariat	1,365	-	1,365
Enabling Appropriations	107,364	-	107,364
Other Appropriations	25,805	-	25,805
Less: Year-End Lapse	(65,000)	-	(65,000)
Total Justice and Other Expenditures	<u>778,379</u>	<u>164,271</u>	<u>942,650</u>
Debt Servicing Costs	276,000	583,814	859,814
Total Expenditure Estimate	9,225,979	2,408,060	11,634,039
Subtract: Total Expenditure Estimate (above) from			
Total Revenue Estimate (Schedule 1)	<u>9,301,974</u>	<u>2,506,902</u>	<u>11,808,876</u>
Net Result for the Year	<u>75,995</u>	<u>98,842</u>	<u>174,837</u>
Transfer to Debt Retirement Fund	(110,495)	110,495	-
Transfer from Fiscal Stabilization Fund	37,000	(37,000)	-
NET INCOME	<u>2,500</u>	<u>172,337</u>	<u>174,837</u>

FINANCIAL MANAGEMENT STRATEGY

■ FINANCIAL MANAGEMENT STRATEGY

In June 2006, the consulting firm of Deloitte delivered two reports outlining steps our government could take to fulfill our commitment to implement summary budgeting and reporting. At that time, it was recommended that the tabling of the Summary Budget each year should be accompanied by a Financial Management Strategy (FMS) for the Government Reporting Entity (GRE). In Deloitte's words, "the most relevant context for the annual budget is the financial strategy which the Government has chosen to pursue in the foreseeable future... Providing a summary of the Government's longer term fiscal priorities allows the annual budget to be read with a view to understanding how the upcoming year's financial activities contribute to longer term goals."*

The FMS sets out our government's priorities for financial management, one or more measurable outcomes for each priority area, and sets objectives for each measurable outcome for the current year and for the future. It is another way in which government is demonstrating its commitment to enhancing transparency and accountability.

By setting out what the government intends to achieve over the next year and into the future, the public is given the opportunity to assess the success of the government's performance. Results achieved in relation to priorities and measurable outcomes set out in this strategy for the 2007/08 fiscal year will be reported in Manitoba's *Public Accounts for the fiscal year ending March 31, 2008*.

For 2007/08, the FMS sets out five financial management priority areas. These areas, and their related measurable outcomes, are summarized in the chart below.

FINANCIAL MANAGEMENT PRIORITY	MEASURABLE OUTCOMES
Transparency, Accountability and Fiscal Discipline	<ul style="list-style-type: none"> • Transition to Summary Budgeting and Financial Reporting • Balancing Summary Net Income • Maintaining accountability for Core Government program expenditure and revenue • Quarterly financial reporting
Stable and Affordable Government	<ul style="list-style-type: none"> • Credit ratings • Expenditures as a percentage of Gross Domestic Product (GDP) • Addressing the unfunded pension liability
Managing Debt	<ul style="list-style-type: none"> • Net Debt to GDP ratio • Debt retirement
Infrastructure and Capital Asset Renewal	<ul style="list-style-type: none"> • Capital investments
Performance Reporting	<ul style="list-style-type: none"> • Continued development of performance reporting strategy

Discussion related to the financial management priority areas and the measurable outcomes within each area are presented in this section with descriptive narrative, historical trends, and current and longer-term objectives.

* Deloitte: Modernizing Manitoba's Financial Accountability Legislation, June 2006

■ PRIORITY AREA: TRANSPARENCY, ACCOUNTABILITY AND FISCAL DISCIPLINE

Our government is committed to continuing to improve transparency and accountability and to maintaining sound financial discipline. This commitment has been evident over the last number of years as we have passed a number of major milestones, including: the commitment to transition to Summary Budgeting and Reporting for 2007/08; the achievement of fully GAAP-compliant Summary Financial Statements as of March 31, 2005; the establishment of and adherence to a rigorous general purpose debt repayment regime; and, the development of plans to eliminate general purpose debt and pension liabilities.

Our government remains committed to the principles of transparency and accountability and continuing to demonstrate fiscal discipline into the future.

Measurable Outcome: Transition to Summary Budgeting and Financial Reporting

In 2005, our government committed to making the transition to Summary Budgeting and Reporting in the 2007/08 fiscal year. The tabling of this Summary Budget is the first official demonstration of our full transition and the achievement of our goal. As noted elsewhere in this Budget, the transition to a Summary Budget presents a significant shift in Budget information and presentation.

Similarly, our year-end financial reporting will also reflect significant changes. On the recommendation of the Auditor General, the Public Accounts tabled following the 2007/08 year end will contain audited Financial Statements for only the GRE. Audited Financial Statements for government's own operations will no longer be published. The Public Accounts for 2007/08 will also include a report on the objectives set out for the first year of this FMS.

As we continue to move forward in the Summary environment over the longer term, we will continue to refine and improve upon the current presentation of the Summary Budget, Summary Financial Statements and Public Accounts.

Measurable Outcome: Balancing Summary Net Income

The shift to a Summary Budget presents significant challenges. The GRE is comprised of many organizations over which government does not have direct or day-to-day control. Given the nature of some of the entities in the GRE, the Summary Budget is more volatile than Core Government. In keeping with advice we have received from the Office of the Auditor General and our own review conducted by Deloitte, we will introduce new balanced budget legislation later in the year that will support the transition to Summary Budgeting and Reporting.

Today we are presenting a budget which has a positive balance on a Summary basis, a Summary surplus of \$175 million for 2007/08.

We are committed to continuing to balance Summary Net Income into the future.

Measurable Outcome:

Maintaining accountability for Core Government program expenditure and revenue

In the past, the Auditor General has suggested that publishing audited Financial Statements for both the GRE (Summary Statements) and for government's own operations may be confusing for the public. Accordingly, a significant component of our government's commitment regarding the transition to GAAP is that beginning in 2007/08, only one set of audited Financial Statements – the Summary Statements for the GRE – will be published.

Our government will continue to report on the allocation of revenues directly under government's control – the Core Government through the Estimates of Expenditure and Revenue. We have balanced seven consecutive budgets under the current balanced budget legislation. Our government will plan annually for Core Government expenditures to be fully supported by the revenues government collects, including funding prepaid by the federal government to support joint federal/provincial priorities. This commitment is met in the 2007 Budget, as Core Government revenues are projected to exceed Core Government expenditures.

Measurable Outcome: Quarterly financial reporting

The transition to Summary Budgeting and Reporting requires not only that the annual Budget and Financial Statements (Public Accounts) be tabled on a Summary basis, but that all financial reporting, including quarterly financial reporting, must be transitioned to represent the GRE. In addition, to continue to move forward in the application of GAAP our quarterly reporting must also be made consistent with GAAP.

As recommended by Deloitte, our government's quarterly financial reporting will remain largely unchanged for 2007/08. Government will get a full year's experience in the Summary environment before making changes to quarterly reporting. In 2008/09, we will begin to introduce appropriate changes and will complete the transformation of our quarterly reporting by the end of 2009/10.

■ PRIORITY AREA: STABLE AND AFFORDABLE GOVERNMENT

Manitoba continues to have one of the most efficient and cost-effective governments in Canada. Continuous improvements in the way government operates and delivers services help keep Manitoba programs affordable. Providing affordable public services means using public revenues effectively and efficiently to deliver government programs and services. The government is carefully managing expenditures even as demands for services, especially in health care and education, are rising.

Measurable Outcome: Credit Ratings

Manitoba continues to maintain its reputation for fiscal responsibility. The Province's measured approach to balancing the budget, paying down debt and the pension liability, and dealing with the needs in health care and other program areas has been acknowledged by credit rating agencies. This performance has been reflected in the credit rating upgrades Manitoba received from Moody's Investors Service and Dominion Bond Rating Service (DBRS) over the past five years. In November 2006 Standard & Poor's revised its outlook on the Province of Manitoba to positive from stable, based on the Province's gradually declining debt burden, robust financial results and healthy liquidity support. It also affirmed its credit rating.

The Manitoba Government is committed to maintaining fiscal responsibility which will result in stable or improving credit ratings into the future.

Credit Rating Agency	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Forecast
DBRS	A(positive)	A(high)	A(high)	A(high)	A(high)	A(high)
Moody's	Aa2	Aa2	Aa2	Aa2	Aa1	Aa1
Standard & Poor's	AA-	AA-	AA-	AA-	AA-(positive)	AA-(positive)

NOTE: As at March 31 (end of fiscal year)

Measurable Outcome: Expenditures as a Percentage of Gross Domestic Product (GDP)

Like citizens, government must live within its means. Maintaining a stable and affordable government means managing the growth in spending needed to meet increasing demands for quality services in areas such as health, education and child care, while keeping pace with the growth in the provincial economy. An effective measure of appropriate spending is the ratio of Summary/GRE Expenditures as a percentage of GDP. This ratio has remained relatively stable over the last four years ranging from 24.1% to 25.3%. Expenditures to GDP ratios are reflected in the following table and as part of Appendix 2, Summary Financial Statistics.

	2004/05 Actual	2005/06 Actual	2006/07 Forecast	2007/08 Budget	2008/09 Projection	2009/10 Projection
	Per cent of GDP					
Core Government Programs	18.8	19.3	19.3	19.4	19.1	18.9
Other Reporting Entities	3.4	3.7	3.7	4.0	3.8	3.8
Debt Servicing	1.9	1.9	1.9	1.9	1.8	1.8
Summary/GRE Expenditures	24.1	24.8	24.9	25.3	24.7	24.5

NOTE: Actual numbers for other reporting entities for 2005/06 and earlier do not include public schools as this information is not available in a GAAP format. The percentages reflected for these years would increase if public schools information was included.

Numbers may not add due to rounding.

With the transition to Summary Budgeting, this ratio reflects the relationship between the economy and expenditures for the entire provincial public sector, including the operations of health care entities, public schools, Crown organizations and government programs and services.

The Manitoba Government's objective is to maintain a stable or declining ratio over the medium and longer term.

Measurable Outcome: Addressing the unfunded pension liability

Upon coming into office in 1999, a plan was put into place to retire General Purpose Debt and to eliminate the government's pension liability. If the pension liability had not been addressed, it was projected to have grown to \$8.4 billion by 2028.

The 2000 Budget introduced a comprehensive approach to address both debt and pension obligations, and in the 2002 Budget the plan was enhanced by funding all new entrants, to reduce the term over which the pension liability will be eliminated. This plan provided a formula to determine debt and pension obligation funding, which is currently set at \$110 million per year.

In 2007, the government is taking further steps to deal with the unfunded pension liability and will be funding 75% of the employer's liability relating to the current Teachers' Retirement Allowances Fund (TRAF). The province will continue to work on a similar approach for the unfunded liability of the Civil Service Superannuation Fund in future years.

Borrowing funds to pay down the unfunded TRAF liabilities allows the government to achieve savings over the next 15 years of approximately \$275 million on the Summary Financial Statements. In addition the current and retired employees covered by these pension plans will benefit from the fact that funding is in place to satisfy their current and future pension obligations.

■ PRIORITY AREA: MANAGING DEBT

Manitoba's measured approach to balancing the budget, paying down debt and eliminating pension liability, and dealing with the needs of health care and other program areas has been acknowledged by financial analysts and credit rating agencies. Stable or improving credit ratings ensure that Manitoba's debt servicing costs are maintained at an affordable level compared to other jurisdictions.

“Manitoba has managed to meet its fiscal targets over the past several years while continuing to make contributions to its debt retirement fund and to address pension obligations. Moody's expects that the province will continue to follow its steady fiscal plan and that its debt ratios will continue to show modest improvement over the medium term.”

- Moody's Investors Service Analysis Province of Manitoba, August 2006

Since 2000, there has been a prescribed formula for paying down the General Purpose Debt and the pension liability. This formula requires that funds be set aside each year for this purpose and requires increases to the annual payment at least every five years. In 1999/2000 the debt payment made by the province was \$75 million. In 2000/01, the payment was increased to \$96 million and again in 2004/05 to \$110 million.

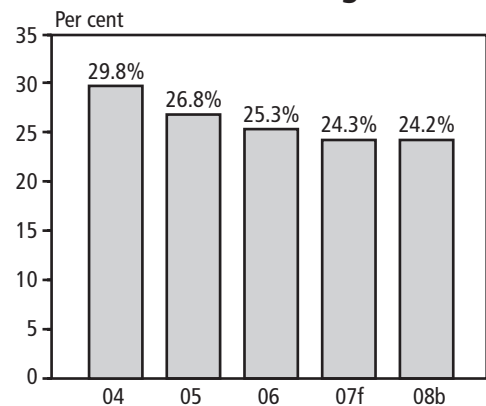
Measurable Outcome: Net Debt to GDP Ratio

Net debt is an important indicator of a government's financial position as this highlights the affordability of future government service. Summary net debt represents the difference between the GRE's total liabilities less its financial assets* – it reflects the residual liability that must be financed by future revenues. Net debt may grow in absolute terms from time to time, as needed investments in capital assets – assets like the Red River Floodway, and highway infrastructure – are made. These investments underpin and support Manitoba's economic performance. It is important therefore to measure changes in net debt against the growth of the economy, as measured by the nominal GDP.

Over the last several years, the Manitoba Government has successfully managed a substantial downward trend in net debt to GDP ratio which was at 31.4% in 1999/2000, while making much needed investments in Manitoba infrastructure, such as the expansion of the Floodway. Our government is committed to continuing to reduce net debt to GDP over time.

Our success in reducing net debt to GDP is reflected in the graph opposite.

Net Debt as a Percentage of GDP



f-Forecast b-Budget

Source: Manitoba Finance

* Financial assets are assets such as cash, investments, loans and accounts receivable that could be readily converted to cash.

Measurable Outcome: Debt Retirement

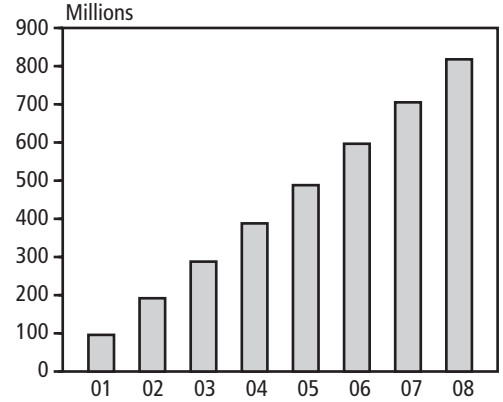
Upon coming into office in 1999, a plan was put into place to retire the General Purpose Debt and to eliminate the pension liability. If the pension liability had not been addressed, it was projected that it would have grown to \$8.4 billion by 2028.

Our government has committed more than \$814 million to debt retirement and to reducing the province’s unfunded pension liability. As noted in the discussion on stable and affordable government, the province continues to manage its debt with the decision to borrow funds to pay down a significant part of the unfunded TRAF pension liability. This decision will result in significant savings.

The Manitoba Government is committed to continuing to retire debt with the ultimate goal of eliminating the General Purpose Debt and the remaining unfunded pension liabilities. In the short term, increases in general purpose debt related to funding the TRAF pension liability will not change net debt.

Debt servicing costs as a percentage of revenue continue to decline. Since 1999/2000 debt servicing costs have declined 44.7% from 13.2¢ of every dollar of summary revenue collected to a budget of 7.3¢ forecasted for 2007/08.

Cumulative Debt Repayment



Source: Manitoba Finance

■ PRIORITY AREA: INFRASTRUCTURE AND CAPITAL ASSET RENEWAL

Provincial infrastructure such as roads, water control structures, parks and other capital assets such as public service buildings, schools and health facilities serve the public good. Renewal of these assets has become a growing priority for most governments and the public in recent years. Inadequate investment in these assets results in deterioration, loss of use and inefficiencies.

The public good provided by public capital assets is immeasurable; however it is estimated that the insured or replacement value of these investments is **in the range of \$30 billion**.

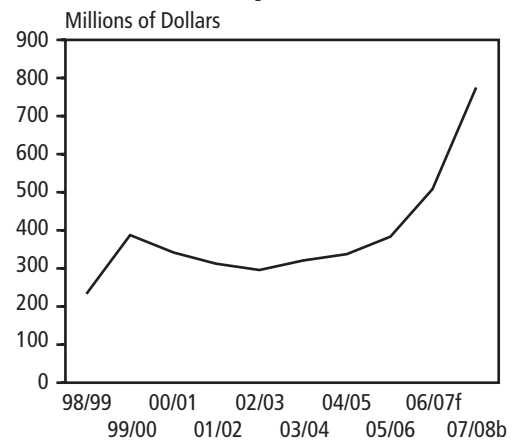
Measurable Outcome: Capital Investments

Recognizing the growing infrastructure needs in various sectors, our government has been committed to investing in public capital assets since taking office – capital assets such as new or renewed hospitals, colleges, the Red River Floodway and Manitoba’s highway system. The commencement of the Red River Floodway Expansion project in 2004/05 at a total cost of \$665 million and the recently announced 5-year, \$2 billion plan to revitalize Manitoba’s highways, represent very significant commitments to enhance Manitoba’s economic opportunities.

The chart to the right identifies the growth in investments in capital assets including expenditures for roads, public service buildings, schools (including colleges and universities) and health care facilities.

The 2007 Budget demonstrates our government’s commitment to infrastructure and public asset renewal. Major capital expenditures anticipated in 2007/08 include:

Investment in Capital Assets



f - Forecast b - Budget

Source: Manitoba Finance

	<u>\$ Millions</u>
Roads and Highways	239
Red River Floodway Expansion	214
Health Facilities	190
Public Service Buildings	73
Public Schools	45
Universities and Colleges	12
	<u>773</u>

Over the medium and longer term, our government will continue to invest in Manitoba’s public capital assets.

■ PRIORITY AREA: PERFORMANCE REPORTING

By improving the way government measures and reports to the public on both financial and non-financial performance outcomes, both transparency and accountability are enhanced. Outcomes-based reporting provides information on the actual impacts, benefits or changes experienced as a result of a program or government service. Although such reporting would include financial outcomes measures, most would be non-financial in nature.

Measurable Outcome: Continued development of performance reporting strategy

The first overall Manitoba Government performance report to the public, *Reporting to Manitobans on Performance: 2005 Discussion Document*, was released in June 2005. It introduced one way in which existing performance information can be reported within specific categories of importance to people's lives. It focussed on four broad categories: economy, people, community, and environment, and reported measures in sixteen key areas. It summarized trends and drew upon existing output and outcome information to provide a concrete illustration of what government performance measures could encompass.

In the fall of 2006, for the first time, a set of key performance measures were included in every government department's annual report. A wide range of performance reporting information is also included in the regular annual reports, and various specialized reports, of many of the other entities in the GRE.

Manitoba is committed to making further progress over the coming years to improve the reporting of performance outcomes, beginning with the development of a comprehensive performance reporting strategy. For 2007/08, our government is committed to establishing an overall performance reporting strategy, which will set out clear principles to guide departmental and Crown organization performance reporting, as well as guidelines for how such information will appear in their annual reports.

Over the longer term our government intends to establish a regular means of reporting overall government performance in key areas of non-financial activity. Our approach will address the complementary relationship between non-financial performance information and the financial performance indicators now reported annually in the Public Accounts.

PROVINCIAL OUTLOOK

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	<u>589</u>	<u>686</u>	<u>635</u>	<u>649</u>	<u>669</u>
Less: Consolidation Adjustment	<u>(474)</u>	<u>(488)</u>	<u>(494)</u>	<u>(499)</u>	<u>(505)</u>
Net Contribution of GBEs	<u>115</u>	<u>198</u>	<u>141</u>	<u>150</u>	<u>164</u>
Other Reporting Entities ²	<u>2,207</u>	<u>2,309</u>	<u>2,388</u>	<u>2,431</u>	<u>2,544</u>
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	<u>2,195</u>	<u>2,408</u>	<u>2,448</u>	<u>2,552</u>	<u>2,613</u>
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.

CHANGE IN SUMMARY NET DEBT

Fiscal Year ending March 31, 2008

	Core Government	Other Reporting Entities	Summary	
			2007/08 Budget	2006/07 Forecast
Net investment in tangible capital assets	484	179	663	413
Less:				
Net result for the year	76	99	175	166
Other Comprehensive Income	0	68	68	56
Change in Net Debt	<u>408</u>	<u>12</u>	<u>420</u>	<u>191</u>

Net Debt is an important indicator of a government's financial position as it highlights the affordability of future government service. Net Debt may grow in absolute terms from time to time, as needed investments in capital assets - assets like the Red River Floodway and highway infrastructure - are made.

Budget 2007 demonstrates our government's commitment to infrastructure and public asset renewal, with investments in hospitals, colleges, the Red River Floodway and Manitoba's highway system. It is important though to measure changes in Net Debt against the growth of the economy, as measured by the nominal GDP. The following table illustrates Net Debt, GDP and the ratio of Net Debt to GDP over the last several years.

Fiscal Year	Net Debt	GDP	Net Debt as a % of GDP
2003/04 Actual	11,129	37,408	29.8
2004/05 Actual	10,670	39,770	26.8
2005/06 Actual	10,519	41,650	25.3
2006/07 Budget	10,786	43,975	24.5
2006/07 Forecast	10,710	44,085	24.3
2007/08 Budget	11,130	45,981	24.2

APPENDIX 1

SUMMARY BUDGET USER'S GUIDE

■ INTRODUCTION

This document provides an annotated table and schedules that are intended to guide the reader through the new format of the Manitoba Budget. The table and schedules illustrate how the Estimates of Expenditure and Revenue for Core Government are combined with high level projections of revenues and expenses for the other reporting entities of the GRE to produce the Summary Budget.

A list of Frequently Asked Questions is also provided.

“The tabling of a Summary Budget is an important step in the Province’s transition to GAAP and full Summary Budgeting and Reporting. This presentation responds to longstanding comments from the Auditor General. The summary format presents the financial side of provincial public service delivery in a single, comprehensive picture, regardless of which entity delivers the service or how the service provider is structured.”

- Richard Olfert, Managing Partner of Deloitte in Manitoba

■ ANNOTATED SUMMARY BUDGET

The Summary Budget includes the revenue and expenditure of all entities in the GRE. Amounts are adjusted on consolidation to avoid counting the same revenue or expenditure twice.

SUMMARY BUDGET			
For the Fiscal Year Ending March 31, 2008			
With Comparative Data for the Fiscal Year ended March 31, 2007			
	<u>2007/08</u>	<u>2006/07</u>	<u>2006/07</u>
	Budget	Forecast	Budget
(Millions of Dollars)			
REVENUE			
Income Taxes	2,439	2,440	2,400
Other Taxes	3,249	3,082	3,009
Fees and Other Revenue	1,215	1,182	1,186
Federal Transfers	3,687	3,349	3,370
Net Income of Government Business Enterprises (GBEs)	686	589	707
Sinking Funds and Other Earnings	534	519	481
TOTAL REVENUE	<u>11,809</u>	<u>11,161</u>	<u>11,153</u>
EXPENDITURE			
Health	4,091	3,919	3,800
Education	3,104	2,951	2,918
Family Services and Housing	1,251	1,189	1,155
Community, Economic and Resource Development	1,385	1,225	1,284
Justice and Other Expenditures	943	890	900
Debt Servicing	860	822	835
TOTAL EXPENDITURE	<u>11,634</u>	<u>10,995</u>	<u>10,892</u>
Restatement Adjustment	-	-	(113)
SUMMARY NET INCOME	<u>175</u>	<u>166</u>	<u>148</u>
NOTES:			
<ul style="list-style-type: none"> • The 2006/07 Budget numbers originally reported in the Medium-Term Summary Budget Projection in Budget 2006 have been restated for presentation for the Government Reporting Entity. • Details of Revenue and Expenditure for Fiscal Year 2007/08, and Reconciliation to the amounts reported for Core Government are in the accompanying notes. 			

includes school property taxes

includes University and College tuition fees

Most Federal Transfers are received by Core Government but some Entities also receive Federal Transfers or cost-shared payments directly.

includes all expenditures of Departments of Education, Citizenship and Youth; Advanced Education and Literacy; and K-12 public schools, colleges and universities

This includes all health-related expenditures of the Department of Health, hospitals, Regional Health Authorities and other health-related entities.

The revenue and expenditure of other reporting entities are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles that differ from the Core Government's. In those cases we have used data for the closest fiscal year-end date to the government's own year-end date.

■ ANNOTATED SUMMARY REVENUE ESTIMATE: DETAILS AND RECONCILIATION TO CORE GOVERNMENT ESTIMATES

Schedule I – groups individual revenue sources under six categories, showing the contributions of Core Government and the impact of consolidating Core Government and Other Reporting Entities.

Schedule 1			
Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates			
Fiscal Year ending March 31, 2008 (in Thousands of Dollars)			
	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
Source of Revenue	Revenue Estimates	and Revenue of Other Reporting Entities	
Income Taxes			
Individual Income Tax	2,159,400	-	2,159,400
Corporation Income Tax	279,100	-	279,100
Subtotal: Income Taxes	2,438,500	-	2,438,500
Other Taxes			
Corporation Capital Tax	152,500	-	152,500
Gasoline Tax	147,000	-	147,000
Insurance Corporations Tax	62,000	-	62,000
Land Transfer Tax	38,500	-	38,500
Levy for Health and Education	328,800	-	328,800
Mining Tax	107,000	-	107,000
Motive Fuel Tax	84,900	-	84,900
Retail Sales Tax	1,326,500	-	1,326,500
Tax Administration and Miscellaneous Taxes	79,400	-	79,400
Tobacco Tax	204,000	-	204,000
Other Taxes	21,055	-	21,055
Education Property Taxes	-	697,185	697,185
Subtotal: Other Taxes	2,551,655	697,185	3,248,840
Fees and Other Revenue			
Fines and Costs and Other Legal	41,441	-	41,441
Minerals and Petroleum	10,405	-	10,405
Automobile and Motor Carrier Licences and Fees	97,998	-	97,998
Parks, Forestry and Other Conservation	35,376	-	35,376
Water Power Rentals	105,000	-	105,000
Service Fees and Other Miscellaneous Charges	110,211	643,088	753,299
Revenue Sharing from SOAs	21,395	(21,395)	-
Tuition Fees	-	171,501	171,501
Subtotal: Fees and Other Revenue	421,826	793,194	1,215,020
Federal Transfers			
Equalization	1,826,000	-	1,826,000
Canada Health Transfer	807,000	-	807,000
Canada Social Transfer	341,400	-	341,400
Health Funds	47,340	-	47,340
Infrastructure Renewal	45,600	-	45,600
Manitoba Floodway Expansion	100,155	-	100,155
Shared Cost and Other Transfers	234,298	285,329	519,627
Subtotal: Federal Transfers	3,401,793	285,329	3,687,122
Net Income of Government Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	213,200	-	213,200
Manitoba Lotteries Corporation	275,000	-	275,000
Manitoba Hydro	-	178,000	178,000
Workers Compensation Board	-	5,600	5,600
Manitoba Public Insurance Corporation	-	14,044	14,044
Subtotal: Net income of GBEs	488,200	197,644	685,844
Sinking Funds and Other Earnings			
	-	533,550	533,550
Total Revenue Estimate	9,301,974	2,506,902	11,808,876

Category headings match those in the Summary Budget

Similar types of revenue may be received by Core Government and Reporting Entities; ex: Service Fees, and Shared Cost Transfers

The revenue and expenditure of other reporting entities are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles that differ from the Core Government's. In those cases we have used data for the closest fiscal year-end date to the government's own year-end date.

■ ANNOTATED SUMMARY EXPENDITURE ESTIMATE: DETAILS, RECONCILIATION TO CORE GOVERNMENT ESTIMATES AND SUMMARY BUDGET RESULT

Schedule 2 –groups expenditures in six sectors. It shows Core Government Expenditure Estimates, Consolidation Impacts to avoid double counting of expenditures; and the additional expenditure of Other Reporting Entities which is not financed by Core Government.

Schedule 2			
Summary Expenditure Estimate: Details, Reconciliation to Core Government Estimates and Summary Budget Result			
Fiscal Year ending March 31, 2008 (in Thousands of Dollars)			
	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
Sector/Department	Expenditure Estimates	and Expenditures of Other Reporting Entities	
Health	3,882,409	208,536	4,090,945
Education			
Advanced Education and Literacy	539,724	380,429	920,153
Education, Citizenship and Youth	1,301,718	882,481	2,184,199
Total Education	1,841,442	1,262,910	3,104,352
Family Services and Housing	1,126,614	124,271	1,250,885
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	38,417	744	39,161
Agriculture, Food and Rural Initiatives	203,675	144,165	347,840
Competitiveness, Training and Trade	109,196	7,156	116,352
Conservation	119,416	(623)	118,793
Infrastructure and Transportation	493,390	(87,453)	405,937
Intergovernmental Affairs	246,468	-	246,468
Science, Technology, Energy and Mines	78,588	314	78,902
Water Stewardship	31,985	(45)	31,940
Total Community, Economic and Resource Development	1,321,135	64,258	1,385,393
Justice and Other Expenditures			
Legislative Assembly	30,361	(8)	30,353
Executive Council	2,759	-	2,759
Civil Service Commission	5,450	1,458	6,908
Culture, Heritage, Tourism and Sport	85,024	6,106	91,130
Employee Pensions and Other Costs	88,223	102,000	190,223
Finance	102,563	26,235	128,798
Healthy Child Manitoba	26,398	-	26,398
Justice	321,557	20,336	341,893
Labour and Immigration	46,510	8,144	54,654
Manitoba Seniors and Healthy Aging Secretariat	1,365	-	1,365
Enabling Appropriations	107,364	-	107,364
Other Appropriations	25,805	-	25,805
Less: Year-End Lapse	(65,000)	-	(65,000)
Total Justice and Other Expenditures	778,379	164,271	942,650
Debt Servicing Costs	276,000	583,814	859,814
Total Expenditure Estimate	9,225,979	2,408,060	11,634,039
Subtract: Total Expenditure Estimate (above) from Total Revenue Estimate (Schedule 1)	9,301,974	2,506,902	11,808,876
Net Result for the Year	75,995	98,842	174,837
Transfer to Debt Retirement Fund	(110,495)	110,495	-
Transfer from Fiscal Stabilization Fund	37,000	(37,000)	-
NET INCOME	2,500	172,337	174,837

The revenue and expenditure of other reporting entities are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles that differ from the Core Government's. In those cases we have used data for the closest fiscal year-end date to the government's own year-end date.

■ FREQUENTLY ASKED QUESTIONS

Q1 What is a Summary Budget?

A A Summary Budget is a comprehensive picture of Core Government expenditure and revenue together with high-level projections for the operations of Crown organizations, business entities, and related public sector organizations such as health authorities and public schools.

It is called a Summary Budget because the revenue and expenditure of general program and departmental operations of the government – the services of government usually associated with the Legislature – and the additional functions that are indirectly controlled by the provincial government, such as public schools and universities, are consolidated.

For example, public school expenditures paid for by school division property taxes and provincial support payments are shown together in one sum. This approach allows taxpayers to see the total cost of providing public school services.

Q2 How can I tell how much the government raises as revenue and plans to spend on Core Government programs and services?

A Details of Core Government expenditure and revenue are presented in the Estimates of Expenditure and Revenue tabled in the Legislature. The Summary Budget and the Estimates both contain reconciliation schedules (Schedule 1 for Revenue, Schedule 2 for Expenditure) to help the reader move between the Summary Budget and the Estimates.

Q3 What entities are included in the Summary Budget and where can I get more information about their plans for 2007/08?

A A listing of all the entities in the Government Reporting Entity (GRE) is included in the Summary Budget as Appendix 4. The Summary Budget combines the Estimates of Expenditure and Revenue for the Core Government with high-level projections for other reporting entities. Questions about financial information of other reporting entities should be directed to the appropriate entity.

Q4 As the additional revenues and expenses of universities and health authorities, for example, are now reported in the provincial budget, will that change the government's relationship with those institutions?

A The government does not intend, or have the statutory authority, to manage the day-to-day operations of these entities. The normal governance relationships between the government and these entities, and between the entities and their Boards and stakeholders, are not affected by the Summary Budget process, other than that the entities must provide financial information on a regular basis.

Q5 As Manitoba's Budget is now presented for the GRE, will the government use the revenues of other reporting entities to pay for Core Government operations?

A In the same way that the transition to a Summary Budget does not affect the governance relationships between other reporting entities and government, it also does not change the way in which Core Government operations will be funded. Under the Summary Budget, only revenue from those Crown entities that has traditionally been used to support government programs and services (Manitoba Lotteries Corporation, Manitoba Liquor Control Commission and the Special Operating Agencies established by government) will continue to be used to pay for Core Government operations.

- Q6** If the government isn't controlling the other reporting entities directly, why does the government combine their revenue and expenses with its own in the Summary Budget?
- A** The Manitoba Government is acting on the recommendations of the Office of the Auditor General for Manitoba. Generally Accepted Accounting Principles (GAAP) and the Public Sector Accounting Board (PSAB) standards for senior Canadian governments require provincial, territorial and federal governments to prepare their annual financial statements on this basis. The Manitoba Government is presenting its Summary Budget in the same general format as its year-end financial reports to make it easier to compare plans and results.
- Q7** How do Core Government and Summary expenses differ?
- A** Core Government expenses reflect the departmental expenditure estimates of the Manitoba government that are presented and approved by the Legislative Assembly. These expenditures include grants to other reporting entities. The summary expenditures include incremental expenses of other reporting entities that are financed from sources other than the provincial government. The summary total reflects the total cost of the service provided, under the various sectors, that are financed by the Core Government and the other reporting entities.
- Q8** How does the Summary Budget treat pension liabilities?
- A** The pension liability is recorded in full in the Summary Financial Statements and therefore changes in this liability are reflected in the Summary Budget. The pension expenses include amounts that are funded through the appropriations of the Core Government as well as summary adjustments for actuarially determined increases in the value of the outstanding pension liability. Pension expenses related to Teachers' Retirement Allowances Fund are included in the Education sector.
- Q9** What is meant by Consolidation Impacts?
- A** Consolidation Impacts are adjustments needed to bring the revenue and expenditure of the other reporting entities into the Summary Budget. They include adjustments needed to present the information on a consistent basis and to eliminate transactions between entities in the GRE, to avoid duplicating revenues and expenses in the Summary Result (ex: a government grant is counted as an expenditure of Core Government and is eliminated from the revenue of the other reporting entity).

APPENDIX 2

MANITOBA SUMMARY FINANCIAL STATISTICS

Manitoba Summary Financial Statistics

	2007/08 Budget	2006/07 Forecast	2005/06 Actual	2004/05 Actual	2003/04 Actual
(Millions of Dollars)					
SUMMARY FINANCIAL STATEMENTS					
Revenue					
Income Taxes	2,439	2,440	2,322	2,244	2,091
Other taxes	3,249	3,082	2,285	2,219	2,067
Fees and Other Revenue	1,215	1,182	1,552	1,398	1,316
Federal Transfers	3,687	3,349	3,103	3,156	2,723
Net Income (Loss) of Government Business Enterprises	686	589	958	679	(10)
Sinking Funds and Other Earnings	534	519	505	444	473
Total Revenue	11,809	11,161	10,725	10,140	8,659
Expenditure					
Health	4,091	3,919	3,849	3,560	3,410
Education	3,104	2,951	2,366	2,309	2,220
Family Services and Housing	1,251	1,189	1,075	1,020	954
Community, Economic and Resource Development	1,385	1,225	1,448	1,169	1,095
Justice and Other Expenditures	943	890	822	755	757
Debt Servicing	860	822	790	765	799
Total Expenditure	11,634	10,995	10,350	9,578	9,236
Summary Net Revenue (Expenditure)	175	166	375	562	(577)
Provincial Borrowings, Guarantees & Obligations					
Government Programs – General	6,354	6,563	6,583	6,594	6,546
Government Programs – TRAF	1,502	0	0	0	0
Manitoba Hydro	6,971	6,632	6,524	6,615	6,649
Other Crown Organizations	1,314	1,304	1,272	1,340	1,187
Health Facilities	866	790	767	739	615
Government Enterprises and Other	158	168	163	173	182
Capital Investments	1,125	749	464	363	321
Subtotal	18,290	16,206	15,773	15,824	15,500
Other Obligations					
Pension Liability	4,366	4,164	3,967	3,761	3,571
Pension Asset Fund	(2,339)	(701)	(537)	(382)	(267)
Net Pension Liability	2,027	3,463	3,430	3,379	3,304
Debt Incurred for and Repayable by Manitoba Hydro and Manitoba Lotteries	(6,496)	(6,173)	(6,276)	(6,215)	(5,937)
Education and Health Debt held by Government Enterprises	337	325	339	324	296
Direct Debt of Crown Organizations	215	215	215	173	270
Subtotal	(3,917)	(2,170)	(2,292)	(2,339)	(2,067)
Net Summary Borrowings, Guarantees & Obligations	14,373	14,036	13,481	13,485	13,433
Adjustments to arrive at Summary Net Debt					
Guarantees	(656)	(656)	(491)	(660)	(923)
Net Financial Assets	(2,587)	(2,670)	(2,471)	(2,155)	(1,381)
Summary Net Debt	11,130	10,710	10,519	10,670	11,129
Summary Net Debt as percentage of GDP	24.2	24.3	25.3	26.8	29.8

Numbers may not add due to rounding.

NOTES

- Actual numbers for summary expenditures for 2005/06 and earlier do not include public schools as this information is not available in a GAAP format. The above results and the statistics associated with these results would change if public schools were included.
- Education and Health debt held by Government Enterprises has been restated to conform with the current presentation.
- Further historical information on a limited GRE basis (excluding public schools and certain other entities) is available in prior years' Budget Papers. Pages B34 and B35 of the 2006 Budget Papers book provides both an historical 10-year Statistics table, and an initial Summary Statistics table covering three years.

Manitoba Summary Financial Statistics

	2007/08 Budget	2006/07 Forecast	2005/06 Actual	2004/05 Actual	2003/04 Actual
	(Percentage Change)				
Annual Change					
Income Taxes	(0.0)	5.1	3.5	7.3	11.3
Other Taxes	5.4	34.9	3.0	7.4	4.7
Fees and Other Revenue	2.8	(23.8)	11.0	6.2	4.5
Federal Transfers	10.1	7.9	(1.7)	15.9	12.9
Total Revenue	5.8	4.1	5.8	17.1	2.0
Health	4.4	1.8	8.1	4.4	11.4
Education	5.2	24.7	2.5	4.0	3.2
Debt Servicing	4.6	4.1	3.3	(4.3)	(7.6)
Total Expenditure	5.8	6.2	8.1	3.7	5.3
Summary Net Debt	3.9	1.8	(1.4)	(4.1)	7.5
	(Per cent)				
Per Cent of GDP					
Income Taxes	5.3	5.5	5.6	5.6	5.6
Other Taxes	7.1	7.0	5.5	5.6	5.5
Fees and Other Revenue	2.6	2.7	3.7	3.5	3.5
Federal Transfers	8.0	7.6	7.5	7.9	7.3
Total Revenue	25.7	25.3	25.8	25.5	23.1
Health	8.9	8.9	9.2	9.0	9.1
Education	6.8	6.7	5.7	5.8	5.9
Debt Servicing	1.9	1.9	1.9	1.9	2.1
Total Expenditure	25.3	24.9	24.8	24.1	24.7
Summary Net Debt	24.2	24.3	25.3	26.8	29.8
	(Dollars)				
Dollars Per Capita					
Total Revenue	9,982	9,475	9,135	8,659	7,452
Total Expenditure	9,834	9,334	8,816	8,179	7,948
Debt Servicing	727	698	673	653	688
Summary Net Debt	9,408	9,092	8,960	9,112	9,577
	(Dollars)				
Memorandum Items					
Population (000's)*	1,183	1,178	1,174	1,171	1,162
GDP at Market Prices	45,981	44,085	41,650	39,770	37,408

Source: Manitoba Finance

* Official Population July 1

APPENDIX 3

GLOSSARY OF KEY TERMS

■ GLOSSARY OF KEY TERMS

Borrowings: Borrowings are securities issued in the name of the Province to capital markets investors. Securities include debentures, treasury bills, promissory notes, medium-term notes and Manitoba Savings Bonds.

Consolidation Impacts: The adjustments needed to bring the revenue and expenditure of the Other Reporting Entities into the Summary Budget, and to eliminate transactions between entities to avoid duplication of revenues and expenses (ex: a government grant is counted as an expenditure of Core Government and is eliminated from the revenue of the Other Reporting Entity).

Core Government: A component of the GRE. Represents the operations of government, including the revenues directly under government's control and the programs and services delivered by government departments.

Crown Organization: An organization in the GRE that is wholly owned or established by government, such as a Crown corporation (ex: Manitoba Agricultural Services Corporation).

Debt Servicing Cost: Interest and other expenses associated with provincial borrowings.

Fair Market Value: Represents the value obtainable for an asset, financial or non-financial, if disposed of on the open market.

Federal Recoveries and Transfers: Revenues that are either received or receivable from the federal government.

Financial Assets: Assets of the Province such as cash, investments, loans and accounts receivable that could be readily converted to cash in order to pay the Province's liabilities or finance its future operations.

Generally Accepted Accounting Principles (GAAP): Standard accounting practices and reporting guidelines as prescribed by The Canadian Institute of Chartered Accountants.

General Purpose Debt: General program borrowings including any provincial securities that are not self-sustaining, or are not associated with the acquisition of capital assets.

Government Business Enterprises (GBEs): A Crown organization delegated with the financial and operating authority to carry on a business. It sells goods or services to individuals and organizations outside the GRE and can maintain its business on those revenues.

Government Reporting Entity (GRE): Government and those entities it directly and indirectly controls as prescribed by the Public Sector Accounting Board (PSAB).

Gross Domestic Product (GDP): Represents the total market value of all final goods and services produced in the Manitoba economy.

Guarantees: The Province, in the normal course of business, may provide a guarantee to honour the repayment of debt or loans of an organization, primarily GBEs. Such a guarantee is provided on the Manitoba Hydro Savings Bonds.

Infrastructure Assets: A subset of tangible capital assets that are used by the general public, such as parks, highways and water control structures.

Net Financial Assets: Assets of the Province (such as cash, investments, loans and accounts receivable) less accounts payable, that could be readily converted to cash in order to pay the Province's liabilities or finance its future operations.

Non-Financial Assets: Includes physical items such as tangible capital assets (ex: buildings and roads) and consumable goods such as inventories that are not normally converted to cash.

Obligations: Long-term, non-interest-bearing liabilities of the Province, which may or may not carry specific repayment terms.

Other Comprehensive Income: Gains and losses on the changes in fair market value of financial assets held as available for sale by Other Reporting Entities. When the assets are sold, the Reporting Entity will recognize a gain or loss in net income.

Other Reporting Entities: Entities in the GRE such as Crown organizations, health authorities, universities, colleges and public schools that are directly or indirectly controlled by the Government, as prescribed by PSAB. Excludes Core Government.

Pension Assets Fund: Financial assets that are set aside to provide for the orderly retirement of the government's pension obligations.

Pension Liability: Outstanding actuarial-calculated pension liability of the government and participating Crown organizations. The expense includes amounts funded through the appropriations of Core Government as well as for the actuarially determined increases in the pension liability. The Government of Manitoba supports eight separate pension plans.

Public Sector Accounting Board (PSAB): A board responsible for setting accounting standards for the public sector based upon GAAP.

Replacement Value of Assets: Represents the cost of replacing capital assets at current values.

Sinking Funds: Funds that are set aside to provide for the orderly retirement of borrowings as they become due.

Summary Budget: Includes revenue forecasts and expenditure estimates for the Core Government as well as high-level projections for the entities directly or indirectly controlled by government, as prescribed by the PSAB.

Summary Net Debt: Represents the total liabilities of the GRE less its financial assets. This is the residual amount that will have to be paid or financed by future revenue.

Tangible Capital Assets: Assets with a useful life extending beyond one year which are acquired, constructed or developed and held for use, not for resale.

APPENDIX 4
ENTITIES INCLUDED IN SUMMARY BUDGET
(GOVERNMENT REPORTING ENTITY)

HEALTH

Manitoba Health
Addictions Foundation of Manitoba
CancerCare Manitoba
Diagnostic Services of Manitoba Inc.
Manitoba Adolescent Treatment Centre Inc.
Manitoba Health Research Council
Manitoba Health Services Insurance Plan
Manitoba Hospital Capital Financing Authority
Regional Health Authorities (including controlled organizations)
 Assiniboine Regional Health Authority Inc.
 Brandon Regional Health Authority Inc.
 Burntwood Regional Health Authority Inc.
 Churchill Regional Health Authority Inc.
 Interlake Regional Health Authority Inc.
 NOR-MAN Regional Health Authority Inc.
 North Eastman Health Association Inc.
 Parkland Regional Health Authority Inc.
 Regional Health Authority - Central Manitoba Inc.
 South Eastman Health/Santé Sud-Est Inc.
 Winnipeg Regional Health Authority
Rehabilitation Centre for Children Inc.

EDUCATION

Advanced Education and Literacy

Manitoba Advanced Education and Literacy
Assiniboine Community College
Brandon University
Collège universitaire de Saint-Boniface
Council on Post-Secondary Education
Red River College
University College of The North
University of Manitoba
University of Winnipeg

Education, Citizenship and Youth

Manitoba Education, Citizenship and Youth
Manitoba Text Book Bureau
Public Schools Finance Board
Public School Divisions

FAMILY SERVICES AND HOUSING

- Manitoba Family Services and Housing
- Child and Family Services of Central Manitoba
- Child and Family Services of Western Manitoba
- First Nations of Northern Manitoba Child and Family Services Authority
- First Nations of Southern Manitoba Child and Family Services Authority
- General Child and Family Services Authority
- Métis Child and Family Services Authority
- Manitoba Housing and Renewal Corporation

COMMUNITY, ECONOMIC AND RESOURCE DEVELOPMENT

Aboriginal and Northern Affairs

- Manitoba Aboriginal and Northern Affairs
- Communities Economic Development Fund

Agriculture, Food and Rural Initiatives

- Manitoba Agriculture, Food and Rural Initiatives
- Cooperative Loans and Loans Guarantee Board
- Cooperative Promotion Board
- Farm Machinery and Equipment Act Fund
- Food Development Centre
- Horse Racing Commission
- Manitoba Agricultural Services Corporation
- Veterinary Science Scholarship Fund

Competitiveness, Training and Trade

- Manitoba Competitiveness, Training and Trade
- Manitoba Development Corporation
- Manitoba Opportunities Fund Ltd.
- Manitoba Trade and Investment Corporation

Conservation

- Manitoba Conservation
- Manitoba Habitat Heritage Corporation
- Pineland Forest Nursery
- Tire Stewardship Board

Infrastructure and Transportation

- Manitoba Infrastructure and Transportation
- Crown Lands and Property
- Fleet Vehicles Agency
- Manitoba Floodway Authority
- Manitoba Trucking Productivity Improvement Fund
- Manitoba Water Services Board
- Materials Distribution Agency

Intergovernmental Affairs

Manitoba Intergovernmental Affairs

Science, Technology, Energy and Mines

Manitoba Science, Technology, Energy and Mines

Abandonment Reserve Fund

Economic Innovation and Technology Council

Green Manitoba Eco Solutions

Industrial Technology Centre

Manitoba Education, Research and Learning Information Networks (MERLIN)

Mining Community Reserve

Mining Rehabilitation Reserve

Quarry Rehabilitation Reserve

Water Stewardship

Manitoba Water Stewardship

JUSTICE AND OTHER EXPENDITURES

Legislative Assembly

Legislative Assembly

Executive Council

Executive Council

Civil Service Commission

Civil Service Commission

Organization and Staff Development

Culture, Heritage, Tourism and Sport

Manitoba Culture, Heritage, Tourism and Sport

Centre culturel franco-manitobain

Manitoba Arts Council

Manitoba Boxing Commission

Manitoba Centennial Centre Corporation

Manitoba Community Services Council Inc.

Manitoba Film and Sound Recording Development Corporation

Sport Manitoba Inc.

Travel Manitoba

Venture Manitoba Tours Ltd.

Employee Pensions and Other Costs

Pension Assets Fund

Finance

Manitoba Finance
Board of Administration under the Embalmers and Funeral Directors Act
Companies Office
Crown Corporations Council
Insurance Council of Manitoba
Land Titles Assurance Fund
Manitoba Securities Commission
The Property Registry
Vital Statistics Agency

Healthy Child Manitoba

Healthy Child Manitoba Office

Justice

Manitoba Justice
Civil Legal Services
Helen Betty Osborne Foundation
Legal Aid Manitoba
Manitoba Gaming Control Commission
Manitoba Law Reform Commission
The Public Trustee
Victims Assistance Fund

Labour and Immigration

Manitoba Labour and Immigration
Office of the Fire Commissioner

Manitoba Seniors and Healthy Aging Secretariat

Manitoba Seniors and Healthy Aging Secretariat

GOVERNMENT BUSINESS ENTERPRISES

Leaf Rapids Town Properties Ltd.
Manitoba Hazardous Waste Management Corporation
Manitoba Hydro-Electric Board
Manitoba Liquor Control Commission
Manitoba Lotteries Corporation
Manitoba Product Stewardship Corporation
Manitoba Public Insurance Corporation
Workers Compensation Board

SPECIAL FUNDS, not attached to Sector or Department

Debt Retirement Fund
Fiscal Stabilization Fund

Budget Paper A

**THE
ECONOMY**

THE ECONOMY

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■ THE CANADIAN ECONOMY

The Canadian economy grew 2.7% in real terms in 2006, down slightly from the 2.9% growth of 2005 (see Chart 1). Nominal gross domestic product (GDP) increased by 4.9%, down from the 6.2% growth posted in 2005.

Canada started 2006 with a strong 3.8% annualized increase in real GDP in the first quarter. For the rest of the year however, growth slowed sharply, averaging 1.8% on an annualized basis. The increase in the last quarter of the year was only 1.4%.

Economic growth was led by an uptick in service sector activity, as it did much better than goods industries. Led by wholesale and retail trade and finance, insurance and real estate, service industries posted growth of 3.6%.

Among industries, the manufacturing sector was hard hit, posting a 1.2% real decline. Utilities and forestry also fared poorly in 2006, reducing overall real growth in the goods-producing sector of the economy to 0.8%. Industrial production fell in 2006 by 0.5%, the first decline since 2001.

A number of factors contributed to the economic slowdown, including a pull back in housing construction, higher interest rates, slower U.S. growth and an increase in the value of the Canadian dollar. The latter two factors played a role in the 2.1% fall in merchandise exports to the U.S. and a decline in manufacturing output last year.

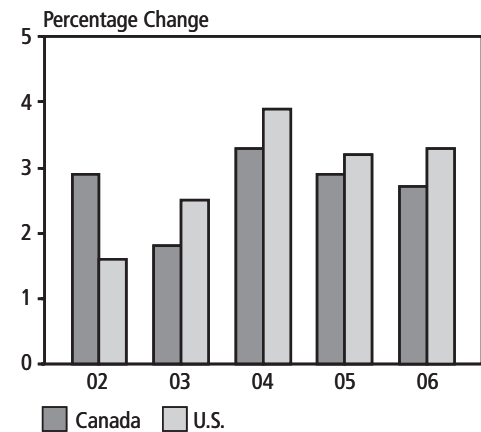
The U.S. is Canada's largest trading partner, accounting for over 80% of all exported merchandise. Similarly, Canada is the single largest market for U.S. exports, accounting for 22% of that country's exports. With this integration of trade, currency fluctuations are important to both economies. In 2006, the Canadian dollar value averaged US\$0.882, an increase of 6.9% from the 2005 average of US\$0.825 (see Chart 2).

Despite weakness in certain sectors of the economy, primary goods producers continued to enjoy solid market conditions. Last year, prices for many base metals and other resource products approached or exceeded previous records.

Unlike 2004 and 2005, when oil prices generally traced a steady upward trajectory, 2006 saw oil prices stronger in the second and third quarters but weaker in the first and fourth quarters. With the increase in oil prices moderating and natural gas prices averaging lower, the inflationary pressure of energy prices that had played such a significant role in pushing up consumer prices over the previous two years eased. The energy component of the Consumer Price Index (CPI) rose 5.1%, down from the 9.7% increase in 2005 and the lowest increase since 2002. Overall, the national

Chart 1

Real Gross Domestic Product At Market Prices

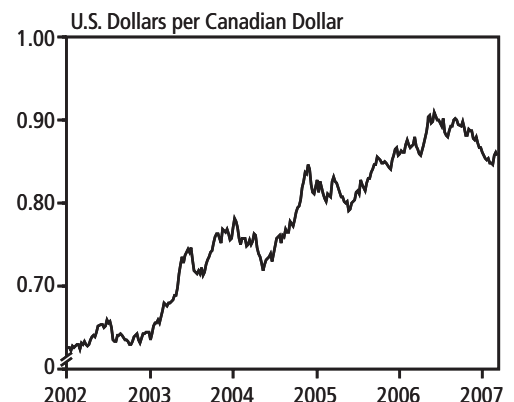


Sources: Statistics Canada

U.S. Bureau of Economic Analysis

Chart 2

Canada-U.S. Exchange Rate



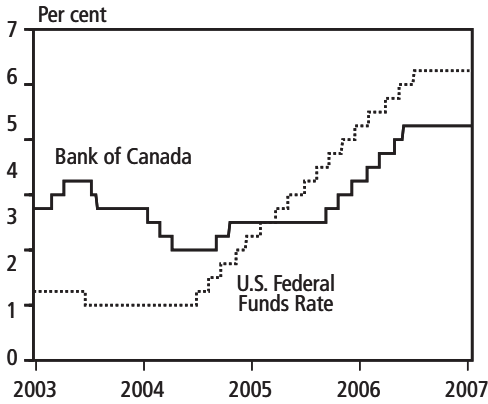
Source: Bank of Canada

Industrial Commodity Prices

Index: 2004=100	2005	2006
Newsprint	110	120
Pulp, Northern Bleached	101	113
Zinc	133	314
Nickel	107	175
Copper	128	235
Gold	109	148
Oil, WTI	137	160

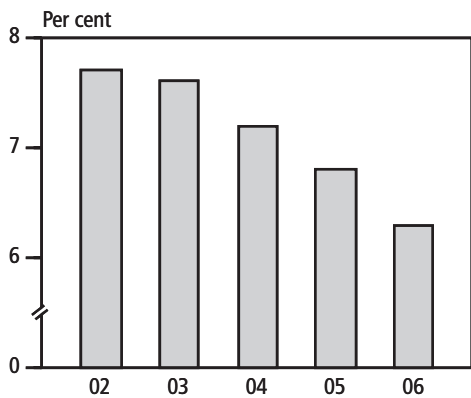
Source: Scotiabank

Chart 3
Canada and U.S. Interest Rates



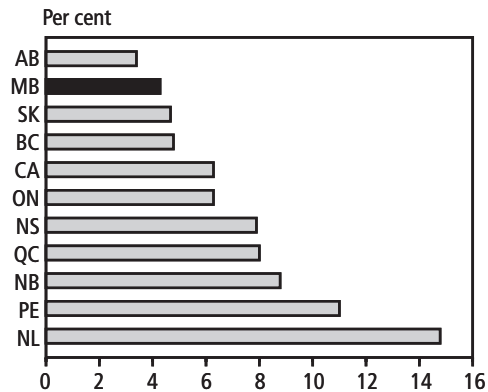
Source: Bank of Canada

Chart 4
Canada Unemployment Rate, 2002 to 2006



Source: Statistics Canada

Chart 5
Unemployment Rate By Province, 2006



Source: Statistics Canada

CPI increased 2.0% in 2006, down slightly from 2.2% in 2005. The 2006 rise in core CPI (excluding food and energy) remained relatively modest at 1.5%. This suggests that the impact of energy price increases is not being passed through to general prices to a degree that would significantly affect overall inflation. Manitoba Finance's survey of private economic forecasts shows the CPI growth is forecast to remain moderate, near the mid-point of the Bank of Canada's 1 to 3% inflation target range, for the next two years.

Between September 2005 and May 2006, the Bank of Canada raised the overnight target rate seven times in 25 basis point increments, boosting the rate to 4.25%. Contained inflationary pressures and slower economic growth in the second half of 2006 appear to have brought the Bank of Canada's series of interest rate hikes to an end (see Chart 3). Most forecasters expect only small changes to interest rates in 2007.

Employment grew by 1.9% in 2006 and exceeded most forecasters' expectations. Full-time employment increased 2.3%, while part-time employment advanced by 0.4%. Over 314,000 jobs were created, virtually all of them in the service sector. Canada's manufacturing sector continued to shed jobs, as employment declined by 4.1% after a 3.7% drop in 2005. This sector has lost 175,000 jobs over the last two years, with the majority of cuts coming in Ontario and Quebec.

Robust job growth in Canada helped push the unemployment rate down to 6.3%, an improvement from 6.8% in 2005 and the lowest rate in over 30 years (see Chart 4). Canada's labour force participation rate remained steady at 67.2% while the employment rate reached a record-high level of 63.0%, up from 62.7% in 2005.

Private economic forecasters, surveyed by Manitoba Finance, predict employment growth will slow in line with generally weaker Canadian economic growth in 2007 and 2008. Employment growth is projected at 1.3% in both 2007 and 2008. The national unemployment rate is expected to remain relatively unchanged from its current low level, rising modestly to 6.4% in both years. Manitoba Finance's survey projects that Canada's real GDP will increase by 2.3% in 2007 and 3.0% in 2008. Nominal GDP is expected to grow by 4.2% in 2007 and 5.1% in 2008.

Considerable risks remain for the Canadian economy in 2007, including adverse trade consequences of a further appreciation of the Canadian currency, resource price volatility and possible weaker than forecast growth in the economies of the U.S. and China.

■ THE MANITOBA ECONOMY

Preliminary estimates show that Manitoba's economy expanded by 3.1% in 2006, up from 2.8% growth posted in 2005 (see Chart 6). The strong performances of construction, agriculture and mining were principally responsible for the improvement.

Most goods-producing industries posted gains last year. Manufacturing shipments increased 5.2%, with a broad-based positive performance in spite of a higher exchange rate and a slowing U.S. economy. Robust investment in both residential and non-residential projects added strength to the construction industry last year. Propelled by strong prices for metals and significantly higher levels of activity in the oil industry, Manitoba's mining sector also enjoyed significant growth in 2006. Although weaker prices for hogs dampened agriculture output growth, strong shipments of cattle combined with a very favourable year for crop production boosted real GDP in agriculture by 16.2%.

Overall, goods-producing industries grew by 6.7% in real terms, while service industries expanded by 1.8%.

Manitoba's retail sales grew 6.0% last year following 6.4% growth in 2005. Almost all major retail trade categories were up last year.

Manitoba's unemployment rate fell to 4.3% in 2006, the lowest level in over 30 years and well below the national rate of 6.3%. Manitoba's unemployment rate was the second lowest among provinces. Manitoba's employment grew by 6,700 last year, or 1.2%. About nine in ten jobs were created by the private sector.

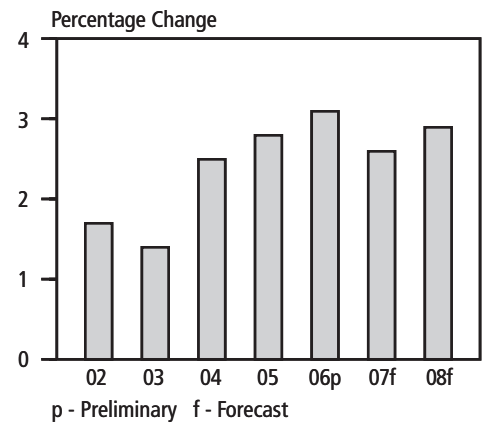
Strong growth in capital investment continued in 2006 as total capital investment rose 14.2%, second highest among provinces. Private capital investment grew by 11.0%, while public investment grew 23.4%. For 2007, Statistics Canada estimates that capital investment in Manitoba will grow by 11.3%, maintaining the second-highest ranking among provinces and growing by more than double Canada's increase of 4.6%.

Manitoba registered very strong export growth in 2006. Total foreign merchandise exports increased 17.2%, significantly higher than the 0.5% increase posted for Canada as a whole (see Chart 7). Exports to the U.S., which account for about three-quarters of total exports, were up 15.1%, while non-U.S. exports increased 24.4%.

Manitoba's CPI rose 1.9% in 2006, just below the national increase of 2.0%. The Manitoba increase was down from 2.7% in 2005, reflecting more moderate growth in energy prices compared to the previous two years.

Chart 6

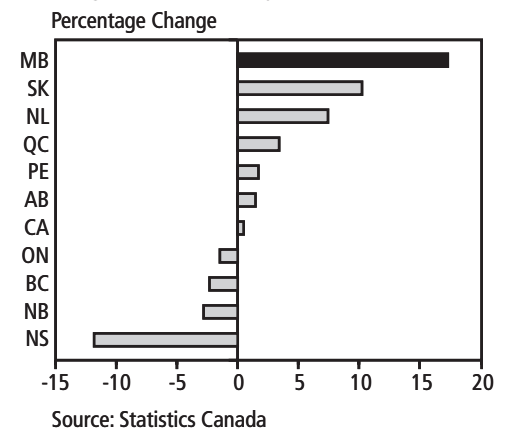
Manitoba Real Gross Domestic Product



Sources: 2002-2006p: Manitoba Bureau of Statistics
2007-2008: Manitoba Finance, survey of economic forecasters

Chart 7

Foreign Exports By Province, 2006



Manitoba Real Gross Domestic Product, at Basic Prices by Industry, 2005 and 2006p

(Millions of Chained 1997 Dollars)

	2005	2006p	Percentage Change
Goods	8,714	9,300	6.7
Agriculture	1,286	1,495	16.2
Mining	643	809	25.8
Other Primary	67	65	-2.2
Manufacturing	4,069	4,108	0.9
Construction	1,529	1,735	13.5
Utilities	1,120	1,088	-2.9
Services	24,512	24,953	1.8
Transportation & Warehousing	2,289	2,334	2.0
Information & Culture	1,310	1,325	1.1
Wholesale Trade	2,119	2,056	-3.0
Retail Trade	2,232	2,322	4.0
Finance & Insurance	1,803	1,865	3.5
Real Estate	1,784	1,841	3.2
Imputed Rent	3,081	3,184	3.3
Professional Services	842	865	2.7
Other Business Services	569	584	2.7
Federal Government	1,037	1,044	0.7
Provincial Government	726	731	0.7
Municipal Government	592	595	0.5
Education Services	1,709	1,727	1.0
Health & Social Services	2,449	2,490	1.7
Arts, Entertainment & Recreational	341	351	2.9
Accommodation & Food	714	713	-0.1
Other Services	916	926	1.1
Real GDP at Basic Prices	33,224	34,253	3.1

p – Preliminary

Source: Manitoba Bureau of Statistics

Totals may not add due to rounding and chained.

Manitoba's 2007 economic outlook remains positive. Based on Manitoba Finance's survey of private economic forecasters, real GDP is expected to grow 2.6%, and exceed Canada's increase for the second consecutive year. CPI growth is projected to moderate further to 1.5%, while employment growth will be 1.0%. Manitoba is expected to continue to have the second-lowest unemployment rate in Canada in 2007 at 4.3%.

Manufacturing

The manufacturing sector is a key part of the Manitoba economy, generating 12% of total GDP. It also accounts for about 11% of total employment in the province, the third-highest share among provinces following Ontario and Quebec.

The sector has a broad base with many medium-sized industries and two larger industries – food processing and transportation equipment manufacturing. Manitoba’s diversified manufacturing sector contributed to the balance and sustainability of the overall economy.

Manitoba manufactures a wide spectrum of industrial, commercial and household goods, including urban and intercity energy-efficient buses, aerospace equipment, industrial chemicals, fertilizers, pharmaceuticals, processed food, furniture, apparel, newsprint, plastic products, windows, and fabricated and primary metals.

Sales of value-added manufactured goods dominate provincial exports. Over two-thirds of international merchandise exports and over 40% of interprovincial exports are manufactured goods. The main destination for international exports is the U.S., while Ontario and Alberta are the major Canadian markets.

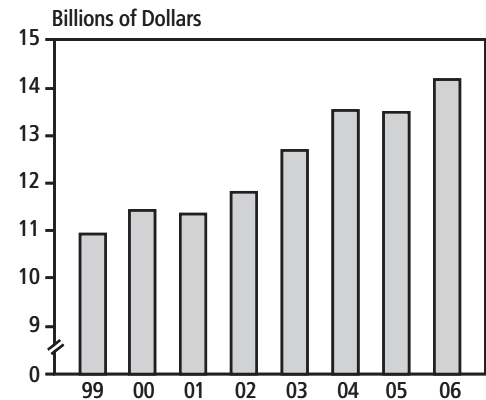
Manufacturing is the largest single contributor to total provincial income. In 2006, it provided, on average, \$750 per week per employee, well above the economy average of \$677 per week and up 2.9% from 2005. The highest-paid category in this sector is chemical manufacturing, at \$1,245 per week, followed by sawmill and wood manufacturing at \$949 per week.

Manitoba’s manufacturing sector has outperformed the national average in five of the last six years. In 2006, Manitoba manufacturing shipments rose 5.2%, the second-highest growth among provinces and much more favourable than the national decline of 0.6%. Manitoba is now consistently generating in excess of a billion dollars worth of sales every month. In 2006, total shipments tallied a record \$14.2 billion (see Chart 8).

Of the 15 industry categories within the sector, nine reported increased shipments (see Chart 9). The strong pace of residential and non-residential construction activity boosted electrical equipment and appliance shipments by 19.4% and non-metallic mineral product (cement and concrete) shipments by 17.6%. Printing and related support activities sales rose by 10.9% last year. Food processing, the largest manufacturing category, increased 6.5%.

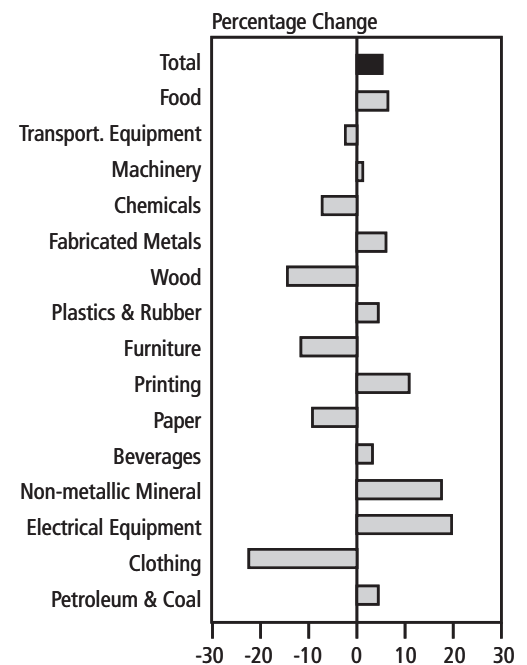
Manitoba’s manufacturing employment declined by 2.8% in 2006, a smaller decline than the country overall. The largest losses in manufacturing

Chart 8
Manitoba Manufacturing Shipments



Source: Statistics Canada

Chart 9
Manitoba Manufacturing Shipments by Industry, 2006



Note: ranked by size in descending order

Source: Statistics Canada

Manitoba is now consistently generating in excess of a billion dollars worth of manufacturing sales every month.

“In the [Manitoba] aerospace industry, a new training and simulation facility will provide training to the Canadian Air Force under a 20-year \$1.8 billion contract.”

Provincial Trends
Scotiabank Group
March 2007

employment were in Newfoundland and Labrador, where manufacturing employment fell 6.5%, and Quebec, where it fell by 5.6%.

The Canadian manufacturing sector is presently encountering many challenges, including the appreciation of the Canadian dollar against the U.S. dollar, rising energy costs, increased global competition and skilled labour pressures.

In the face of increasing global competitive pressures, Manitoba manufacturers are adapting to the challenge of the stronger Canadian dollar and taking advantage of enhanced government incentives, such as the manufacturing investment tax credit, by increasing spending on new technology and making capital investments to enhance efficiency.

According to Statistics Canada's investment intentions survey, capital investment in machinery and equipment and new structures in the manufacturing sector grew by 16.2% in 2006, with a further 29.8% increase expected in 2007. The Conference Board of Canada's long-term economic forecast predicts recent manufacturing investments will fuel growth in several industries, including agrifood, aerospace and transportation equipment. The Manitoba aerospace industry is identified as growing into one of the largest in Canada over the next several years.

Agriculture

The agriculture sector, directly and through spinoffs, is a major contributor to the Manitoba economy. Crop and livestock enterprises produce a variety of commodities and provide a strong link to other sectors of the rural and urban economy, including food manufacturing, transportation and storage, retail and wholesale trade as well as finance, insurance and real estate.

Agriculture directly employs approximately 29,400 workers and generates about 4.4% of total GDP in the province. The sector, on average, generates about \$3.8 billion worth of income annually. Revenue from production is split relatively evenly between crops and livestock, with crops accounting for 42% and livestock 58% of receipts in 2006.

Real output in Manitoba's agricultural sector rose 16.2% in 2006 after a 12.8% decline in 2005. In 2005, farmers were plagued by heavy rains, flooded fields and a closed U.S. border for Manitoba cattle in the first half of the year. Near-normal weather conditions and a partial opening of the border to cattle exports benefited Manitoba farmers in 2006.

Despite the sharp increase in crop production and favourable prices, sales receipts from crops were up only 2.1% in 2006. Sales reflect the poor yields in 2005 as farmers had very little stored crop to market in the first half

of 2006. Crop receipts have picked up in the second half of 2006 which bodes well for 2007 as the 2006 crop is sold out of inventory. Receipts from hog production were down 12.6% in 2006 due to low prices. Mainly driven by exports sales, receipts from cattle and calf production were up 19.4% in 2006 (see Chart 11).

Last year, hog production in Manitoba increased by 1.6%, while total interprovincial and international hog exports expanded by 4.7%. New records were set for both hog production and exports. Manitoba produced over 9.2 million hogs in 2006. Manitoba exported over 5.4 million hogs, accounting for three-fifths of Canadian international hog exports. Reflecting increased exports, hog slaughter volumes were down by 4.8% in 2006. At any one time, Manitoba has an average of approximately three million hogs in inventory.

Manitoba is the fourth-largest cattle producing province after Alberta, Saskatchewan and Ontario. In 2006, Manitoba produced 586,300 calves or 10.6% of the Canadian total. Manitoba accounted for 16.5% of Canadian exports of cattle, the second largest among provinces.

Cattle exports resumed to the U.S. on July 18, 2005, after the 26-month BSE ban was lifted for cattle less than 30 months of age. In 2006, Manitoba shipped almost 172,000 head of cattle compared to none in 2004. The level of exports has not recovered to the pre-closure levels as trade is being hampered by a strong Canadian dollar, BSE-related trade rules, transportation bottlenecks and a somewhat saturated U.S. cattle market. The oversupply in the U.S. market resulted from southern U.S. ranchers selling off large portions of their herd due to drought-like weather conditions. The sell off prompted Manitoba's cattle producers to cut production by 4.7% in 2006. As a result of slower production combined with a resumption of exports, Manitoba's herd was reduced by 110,000 head in 2006, from 1.49 million in 2005 to 1.38 million.

Cattle prices decreased by 1.3% in 2006 and hog prices declined 5.9%. As higher feed prices filter into livestock prices, the current excess supply will likely dissipate in 2007 as ranchers cut back on production. Due to the length of the production cycle for cattle and pigs, the tight supply condition is anticipated in the second half of 2007 and into 2008. Prices for chicken are expected to increase earlier as the chicken production cycle is much shorter.

Crop production in 2006 increased significantly. Wheat, barley and oat yields were up 67.3%, 68.1% and 122.1%, respectively. The volume of the canola harvest increased by 44.9% while flaxseed production increased by 31.0%. Most other specialty crops including soybeans, coloured beans and

Chart 10
Manitoba Market Receipts
by Commodity

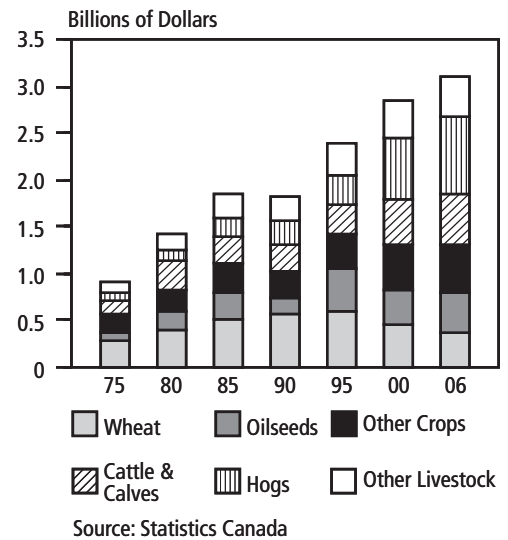
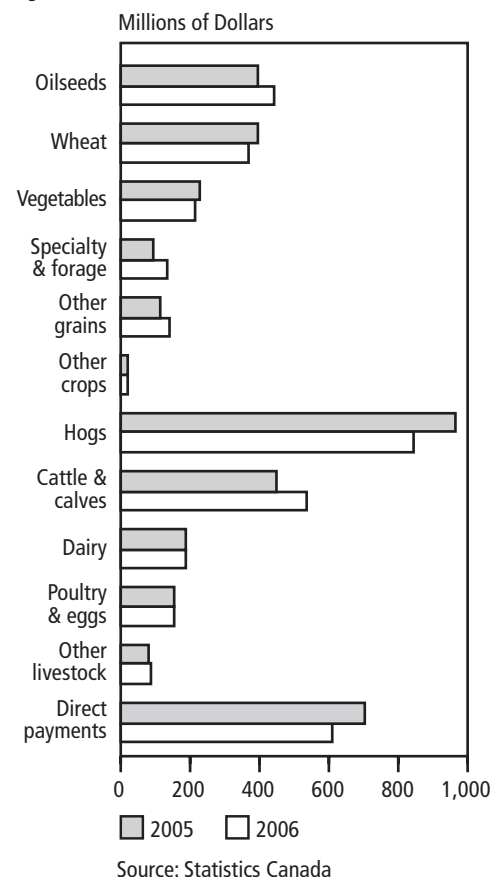


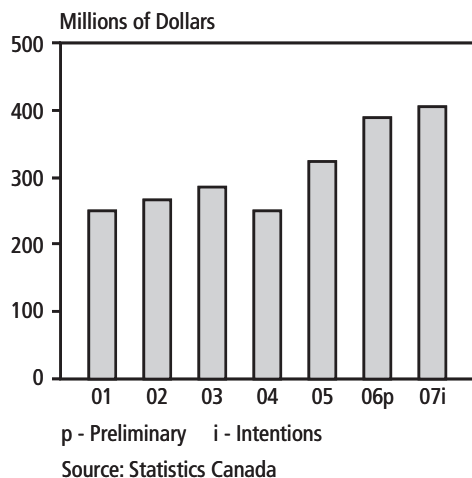
Chart 11
Manitoba Farm Cash Receipts
by Product, 2005 and 2006



“Manitoba crop production rebounded strongly last year across all crop harvests, along with boosts in yield and quality. Rising grain prices, attributable to droughts in several major producing countries alongside strong global demand, should provide for another good year in 2007.”

Provincial Trends
Scotiabank Group
March 2007

Chart 12
Manitoba Mining Investment



dry peas also experienced significant increases in yield. The grade quality of the 2006 cereal and oilseeds harvest was average to above average.

Crop and livestock prices went in different directions in 2006. Poor weather conditions in the U.S., tight inventory levels and surge in demand related to ethanol production pushed overall crop prices up. Wheat prices increased by almost 10% in 2006, amid tight global supply conditions. Barley prices rose by 13.4% due to adverse weather conditions in key growing regions of the world and because of increased demand from ethanol producers seeking substitute grains as inputs. Barley prices were up 39% compared to the previous year. Canola prices averaged 10.6% higher in 2006, rebounding from their decline in 2005. Crop prices, especially for feed wheat, barley and corn, are expected to remain stable over the medium term.

Minerals

Mining is the second-largest primary resource industry in the province. Mining, which directly accounts for 2.4% of the output in the Manitoba economy, had the strongest growth of any industry last year at 25.8%. The industry employed approximately 5,000 workers in 2006, up 8.7% from 2005. Average earnings in mining are the highest among industries in the province.

Record-high prices for base metals, precious metals and crude oil have boosted the value of production of Manitoba’s mining and petroleum industries. Sustained high prices for these commodities have renewed interest in exploration activity and spurred new developments and expansion plans for existing facilities throughout Manitoba.

Two new mines have been developed that will extend operations in the Flin Flon and Snow Lake areas until 2016, approximately 90 years after the first mines there were opened. Similarly, new investments at CVRD Inco’s Thompson mines are projected to extend mining operations until 2016, about 60 years after initial production began. Southwest of Thompson, Crowflight Minerals will spend \$66 million to develop its Bucko nickel deposit near Wabowden and Victory Nickel is conducting a feasibility study at its Minago deposit north of Grand Rapids.

HudBay Minerals Inc. has increased its Manitoba exploration budget to \$34.5 million for 2007 and its copper and zinc production estimates have also been raised. BHP Billiton will spend \$15 million to explore a potentially large potash deposit and Agrium Inc. has acquired a 45,000 hectare potash exploration permit. Mustang Minerals is conducting feasibility studies at its Maskwa site near Lac du Bonnet for nickel. Near Lynn Lake, Carlisle Goldfields Ltd. plans to reopen the McClellan gold mine and Independent Nickel is in the midst of an aggressive exploration program.

High prices and a supportive policy environment led to an unprecedented expansion of mining and oil and gas sectors. In 2006, construction and machinery and equipment investments in mining grew 20.4% to \$389.1 million, on the heels of 28.9% growth in 2005 (see Chart 12). Investment in mining and oil and gas extraction is expected to increase 4.5% in 2007, with particular strength coming from machinery and equipment investment.

The overall production value of minerals in Manitoba exceeded \$2 billion in 2006, 65.3% greater than in 2005 (see Chart 13). The value of Manitoba's four chief products – nickel, zinc, copper and gold – increased 78.1% in 2006, to a record \$1.9 billion. Each commodity has seen its price rise significantly last year, as global demand has been high and inventories have generally been tight.

In 2006, nickel prices on the London Metal Exchange averaged 60% higher than in 2005 as supplies fell dramatically. The volume of nickel produced in the province was largely unchanged from the previous year, but owing to sharply higher prices, the value of Manitoba nickel production increased 50.4%. Several advanced nickel projects have benefited from an extremely strong market.

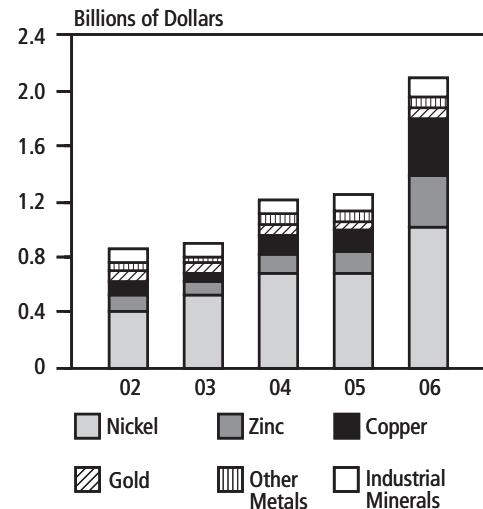
Due to a surge in demand from China and India, zinc inventories were drawn down last year. As a result, prices increased to levels significantly greater than historical norms, averaging 137% higher in 2006 compared to the previous year. As in the case of nickel, the increased price contributed to the higher value of Manitoba production, up 111.2%, as volumes of zinc production were up only slightly at 0.6%.

Global copper inventories plunged in 2004 and the market has remained tight over the past few years as supplies gradually increased. Reacting to demand, prices rose to a record US\$3.99 per pound in May 2006 and averaged US\$3.05 over the year, up 82.7% from 2005. Copper production in Manitoba increased by 54.3% in 2006 and, coupled with high prices, the value of production increased by 167.7%. So far in 2007, prices have moderated from the beginning of the year reflecting higher supply. Prices remain at historically high levels.

Gold also experienced large price swings in 2006, reaching almost US\$720 per ounce in May. The overall New York Mercantile Exchange average annual price increased 35.8% in 2006 over the previous year. San Gold Corporation opened its Bissett-area mine in April and poured its first gold bars in August. Manitoba gold output volumes increased by 20.4% and the value of production rose 50.9%.

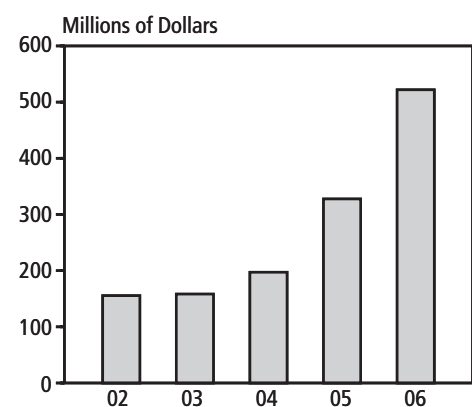
Manitoba's petroleum industry had its busiest year in 2006, with a 59.0% increase of production (see Chart 14) and 478 new wells drilled. This represents an increase of almost 70% over the number of wells drilled in

Chart 13
Manitoba Mineral Production



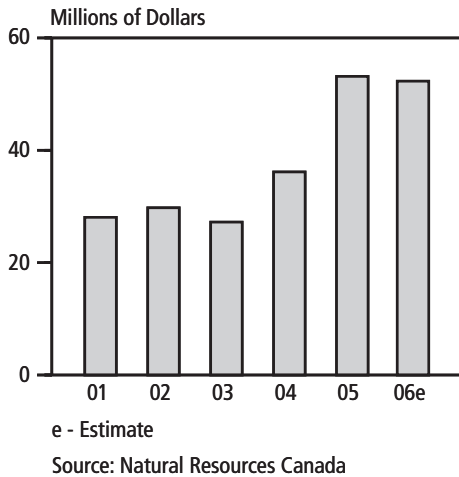
Source: Natural Resources Canada

Chart 14
Manitoba Petroleum Production



Source: Manitoba Science, Technology, Energy and Mines

Chart 15
Manitoba Mining Exploration



2005 and eclipses the previous record set over 50 years ago. The industry set a new benchmark by investing \$400 million in exploration and production last year. Almost 100 exploratory wells revealed potential new discoveries in several areas, including Sinclair, Pierson, Waskada, Daly, Goodlands and Regent. Sinclair, discovered in 2004, already accounts for over 40% of Manitoba oil production. The relatively shallow depth of sedimentary rocks in Manitoba and the generally flat terrain keep drilling costs fairly low.

In addition to rich mineral deposits, Manitoba offers a number of economic advantages that support the mining and minerals sector including affordable land, at- or near-surface geological resources, a transparent land tenure system, a well-defined permitting and protected areas process, competitive business costs, high-quality transportation infrastructure, access to a sea port, and reliable low-cost electricity.

Higher price signals, clear and consistent regulation among companies and fair application of policies over time, plus support for the industry through tax credits and exploration assistance programs, were all factors in attracting higher levels of investment in Manitoba's mining industry (see Chart 15).

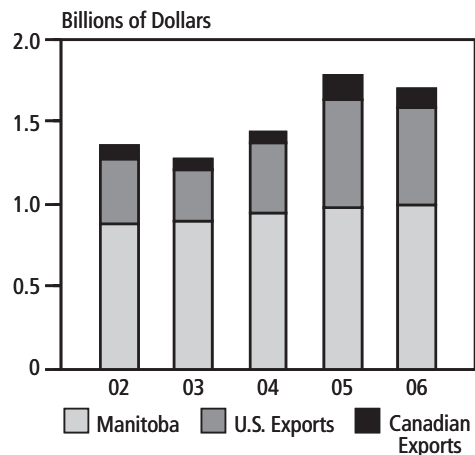
Hydro-Electricity

Manitoba Hydro is Manitoba's largest utility and accounts for virtually all electricity generation, transmission and distribution in the province. Over 98% of Manitoba Hydro's electricity last year was produced by water, a clean and renewable source of energy. Currently, Manitoba Hydro has a generating capability of more than 5,000 MW, with a further 5,000 MW of identified undeveloped resources.

Electricity sales declined last year following two years of significant growth. The increases in electricity generation in 2004 and 2005 were associated with higher water flows due to higher levels of precipitation. Lower precipitation in 2002 and 2003 had weakened hydraulic electricity generation. The value of Manitoba Hydro's sales declined 5.5% in calendar year 2006 to \$1.7 billion, down from the historical high established the previous year (see Chart 16).

The value of Manitoba in-province electricity sales, which account for 59% of the total, increased 1.7% in 2006. The value of electricity export sales, which account for the remainder, declined by 14.1%. The total value of U.S. exports declined 7.9% and sales to other provinces (Ontario and Saskatchewan) fell by 39%, offsetting some of the 164% increase posted the

Chart 16
Manitoba Hydro-Electricity Sales



previous year. The U.S. is presently the key market for Manitoba's electricity exports and accounted for about 86% of total out-of-province sales in 2006.

Manitoba Hydro has been working closely with northern Aboriginal communities to develop new generating facilities in the province. Manitoba Hydro and Nisichawayasihk Cree Nation (NCN) have signed a Project Development Agreement for the joint development of the Wuskwatim Generating Station on the Burntwood River in Northern Manitoba. Through this agreement, NCN can acquire up to a one-third partnership interest in the station. Construction of the access road to the generating station site has begun which will allow for an expected 2012/13 in-service date for the project. The cost for this project is estimated at \$1.3 billion.

In November 2006, the government announced that the Conawapa dam will be built. The schedule for this project has not yet been announced, although Manitoba Hydro has initiated discussions in respect of establishing process agreements with certain local communities regarding Aboriginal participation in the project. The multi-billion dollar generating facility project would be similar in magnitude to Manitoba's Limestone facility, currently the largest single generating station in the province, and will add net generating capacity of 1,250 MW. The construction activity associated with the facility would provide a considerable impetus for economic activity in Manitoba.

Keeyask is another potential hydro-electric development under consideration. Manitoba Hydro is also involved in active negotiations with four local communities which may partner with the utility to build this 620 MW project on the Nelson River.

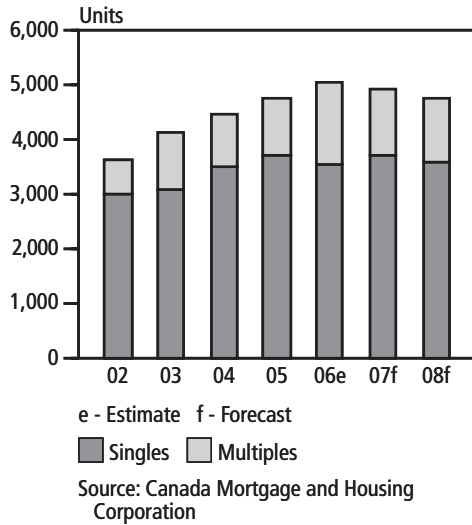
A new \$210 million 99 MW wind energy project near St. Leon began operation in early 2006. The project was privately financed and takes advantage of Manitoba's world-class wind energy capabilities. It was facilitated by a 20-year power purchase agreement with Manitoba Hydro. The 63 wind turbine generator wind farm is one of Canada's largest.

Large-scale wind power is one of the most competitive forms of renewable energy. The provincial government is committed to further harvest Manitoba's potential for clean, affordable energy with plans to develop up to 1,000 MW of wind power over the next 10 years. A request for proposals for the development of a further 300 MW of wind energy was issued in March 2007. Manitoba is well positioned to be a global leader in wind generation and, in so doing, will contribute to the reduction of global greenhouse gas emissions.

“Manitoba hopes to aggressively expand electricity-generating capacity, to take advantage of its large hydroelectric potential.”

Provincial Trends
Scotiabank Group
March 2007

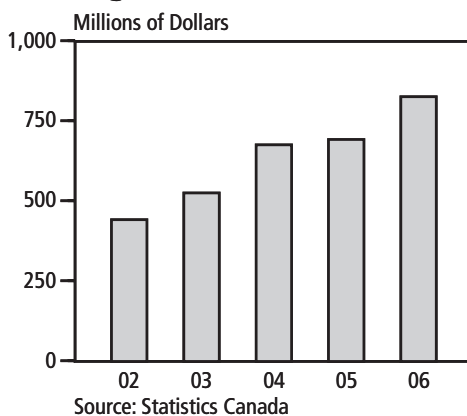
Chart 17
Manitoba Housing Starts



“As a place to live, Manitoba stood out in affordability with the lowest cost of living.”

The Institute of Chartered Accountants of Manitoba
 MB Check-Up 2006

Chart 18
Value of Manitoba Residential Building Permits Issued



Housing

Manitoba's housing market continued to be one of the most active in Canada last year. In 2006, Manitoba housing starts grew 6.3% to 5,028 units (see Chart 17), the third-strongest among provinces. This was the sixth consecutive year of housing starts growth and pushed the number of housing starts to the highest level since 1988.

Driven by the construction of semi-detached homes, apartments and condominiums, multiple-unit housing starts grew 44.4% in 2006. The 1,476 multiple-unit starts were the highest level of starts since 1988.

Single-detached housing starts declined 4.2% in 2006. This was the first decline in single-detached housing starts since 1999. Single-detached dwelling units represented over 70% of total housing starts in Manitoba last year.

The Canada Mortgage and Housing Corporation (CMHC) projects that Manitoba's housing starts will slip by 2.5% in 2007, compared to the projected national decline of 7.9%. Manitoba's decline will be the smallest among provinces. For 2008, CMHC projects a further decline of 3.1% for Manitoba and a 6.7% drop in national housing starts.

The value of residential building permits issued in 2006 indicates that home builders invested a significantly higher amount in residential construction activity last year. Overall residential building permits increased to \$829 million from \$695 million in 2005, a 19% increase (see Chart 18). In Winnipeg, residential building permits increased by 32% to \$529 million. Winnipeg's increase can partly be attributed to good growth in home alterations and additions.

The robust Manitoba housing market was also reflected in strong growth in Manitoba house prices last year. In 2006, CMHC estimates that the average residential resale price grew by 12%, the fourth consecutive double-digit increase in house prices for the province (see Chart 19). Despite the increase, Manitoba's average residential resale price remained relatively low compared to most other provinces.

CMHC projects Manitoba's house prices will continue to increase in 2007 and 2008. For 2007, Manitoba's average residential resale price is forecast to increase by 6.4%. For 2008, CMHC projects a further increase of 5.7%. In both years, CMHC projects that Manitoba's house price increases will exceed the national average.

In 2006, the total number of residential resales in Manitoba increased for the fourth consecutive year. Resales increased 1.9% while national resale

activity was virtually unchanged in 2006. CMHC predicts that Manitoba residential resale activity will increase by 1.9% and 0.4% in 2007 and 2008 respectively. Manitoba is the only province projected to have continued resale activity growth in both years.

According to WinnipegREALTORS (formerly Winnipeg Real Estate Board), MLS sales activity of 12,304 properties and \$1.9 billion in 2006 established a new all-time high for number of sales and sales dollar volume. The dollar volume of houses sold in 2006 was 15% higher than in 2005. Over half of the residential detached homes sold in Winnipeg last year were in the \$100,000 - \$160,000 price range.

Retail Trade

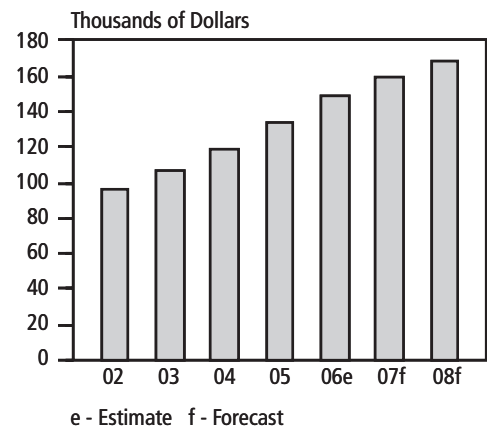
Manitoba's retail sales rose 6.0% in 2006 (see Chart 20), fourth highest among provinces. Manitoba is the only province outside Alberta to post three consecutive years of growth at or above 6.0% and ranks as the second fastest over that period. Low unemployment, positive consumer confidence and rising incomes helped support consumer spending.

Winnipeg's sustained real estate boom continued to boost retail sales. WinnipegREALTORS reported double-digit growth in the value of sales in five of the last six years. Housing starts increased and greater activity in the new and resale housing market promoted strong increases in sales of household goods. Last year, home centre and hardware store sales were up 16.9% and furniture store sales increased 14.9%. Sales at department and general merchandise stores rose 11.6%. These three sectors generate more than a fifth of all retail sales.

Motor vehicles sales continued to accelerate in 2006 with an overall increase of 4.5%. Sales of pre-owned vehicles and recreational vehicles increased by 35.4%, while sales of new motor vehicles fell slightly by 1.2% in 2006. Manitoba new auto dealers sold 45,924 vehicles in 2006, of which trucks, minivans and SUVs accounted for 57% or 26,188 units, and passenger vehicles accounted for 43% or 19,736 units. These sales comprise more than a fifth of all Manitoba retail sales. High gas prices also contributed to retail sales as gasoline sales were up 8.4%

The largest decline among retail categories came from specialized building material and garden stores, with sales falling 20.7%. In 2005, these sales were up 27.9% over the previous year. Food and beverage sales, which account for almost a quarter of all Manitoba retail sales, were largely flat, up by 0.1%.

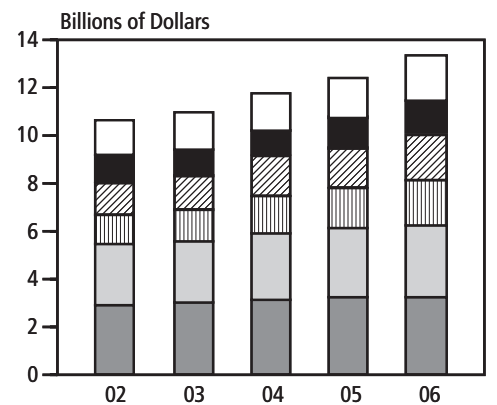
Chart 19
Manitoba Average Residential Resale Price



e - Estimate f - Forecast

Source: Canada Mortgage and Housing Corporation

Chart 20
Manitoba Retail Trade by Type



Source: Statistics Canada

**“Manitoba offers visitors
a broad range of activities
from fishing and hunting to
week-long festivals.”**

**Winnipeg Airports Authority
Leading Transportation
Innovation & Growth
February 2006**

Tourism

Manitoba's tourism activity growth outpaced the national average in 2006. A combination of favourable weather, a strong economy and record attendances at festivals and events mitigated the pressure from sustained high gasoline prices, the appreciation of the Canadian dollar and security concerns.

Most of Manitoba's popular festivals and events reported successes in 2006. The Winnipeg Fringe Festival attained a new record at 69,320 paid attendance for the 12-day event. The Winnipeg Folk Festival also reported a record of 45,190 concert-goers. The Canadian Football League's Grey Cup championship game in Winnipeg sold 44,786 tickets.

The total number of non-resident travellers entering the country in Manitoba fell 6.1%, compared to a 7.7% drop for Canada overall. The number of U.S. travelers to Manitoba fell 6.3% and declined 8.8% nationwide.

Trips to Manitoba by non-residents that were one or more nights in duration were down 4.3%. Same-day trips were particularly weak, down 8.3%. Response to gas prices and the exchange rate were factors, as gas prices were highest through the summer months last year and the Canadian dollar gained 6.9% relative to the U.S. dollar in 2006 on an annual average basis.

Passenger traffic at Winnipeg's James Armstrong Richardson International Airport was up 4.8% in 2006 after increasing 6.5% in 2005. Business travel supported increased passenger traffic.

2006 was a banner year for the number of conventions held in Winnipeg, up 4.3%. The scale of the conventions was also much larger than in 2005, as the number of delegates leapt 16.8%. The Winnipeg Convention Centre, the main convention facility in the province, was voted by convention planners as one of the favourite meetings facilities in Canada in 2006.

Winnipeg hotel occupancy rates rose to 65% in 2006, despite the lower traffic from the U.S. Increased domestic and overseas travel in Manitoba appear to have offset lower U.S. volumes. PKF Consulting, a hospitality and tourism industry consulting firm, commented that Winnipeg was one of the best-performing markets for revenue growth in its market outlook.

Overall, the Manitoba tourism season was solid in 2006, according to the Conference Board of Canada, attributed to good weather, pent-up demand, an enhanced provincial marketing strategy and a strong economy. The Conference Board estimates total domestic and foreign overnight trips increased 2.0% last year.

In its outlook for 2007, the Conference Board projects travel to Manitoba will increase 2.3% overall, owing to an improving Ontario economy, more business travel, lower gasoline prices and higher wages. However, the Board projects that U.S. visits will fall 1.9% in 2007, the third consecutive decline, due to new passport regulations.

Labour Market

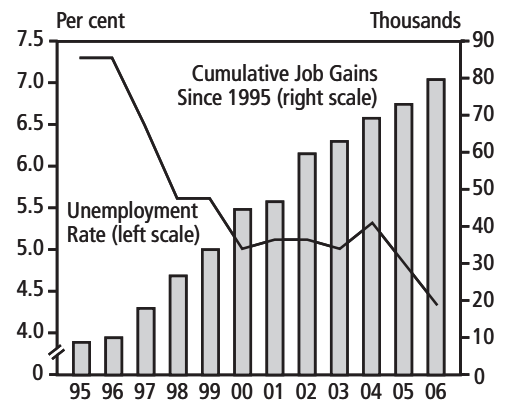
In 2006, the Manitoba economy generated 6,700 jobs, raising employment to a record 587,000. The rate of job creation doubled last year to 1.2% from 0.6% in 2005, with the private sector accounting for almost nine in ten jobs created. Private sector employment increased by 5,900, while public sector employment increased by 800. Since 1995, Manitoba has created a cumulative 79,300 jobs (see Chart 21).

With employment growth outstripping growth in labour supply, unemployment declined to 26,500, the lowest level in 29 years. Compared to the peak of 51,800 in 1993, the number of unemployed has almost been cut in half.

In the last two years, Manitoba employers generated 10,400 new jobs, all in the private sector, and reduced the number of unemployed by 5,800. Annual employment and labour force levels have consistently grown in the province over the last fourteen years, matching Ontario and Alberta for the longest-lasting growth cycle.

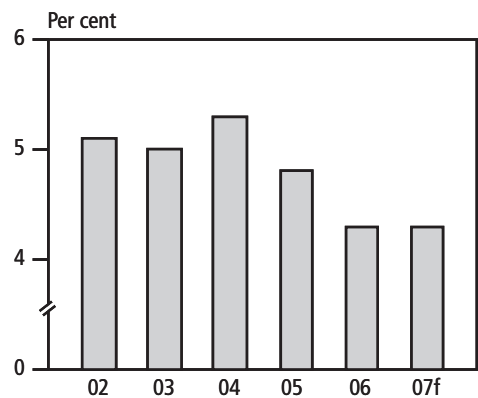
Strong labour market conditions helped reduce the unemployment rate to 4.3% in 2006, the lowest level since 1974 and the second-lowest rate among provinces (see Chart 22). Manitoba had the lowest or the second-lowest annual unemployment rate in Canada since 1998. The national unemployment rate was 6.3% in 2006.

Chart 21
Manitoba Employment and Unemployment Rate



Source: Statistics Canada

Chart 22
Manitoba Unemployment Rate



f - Forecast

Sources: 2002-2006: Statistics Canada
2007: Manitoba Finance, survey of economic forecasters

Labour Market Definitions

Employment: Non-institutionalized, civilian working-age adults (15 years of age and older) that work at paid jobs plus those who are self-employed, including unpaid workers who contribute to the family's farm or other business.

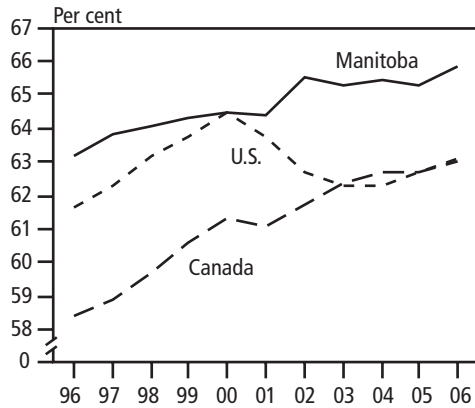
Unemployment: People without work who are available for work and are actively looking for jobs, or have looked for work in the previous four weeks.

Labour Force: The sum of employment and unemployment. Excludes those who are not employed and who are not looking for work.

Participation Rate: Labour Force as a percentage of working-age adults.

Employment Rate: Employment as a percentage of working-age adults.

Chart 23
Manitoba, Canada and U.S.
Employment Rates



Sources: Statistics Canada
U.S. Department of Labor

Since 1993, the number of unemployed has almost been cut in half.

With Manitobans encouraged by employment opportunities in the province, the employment rate set a new record at 65.8% in 2006 (see Chart 23). Similarly, the labour force participation rate nudged up last year, indicating a larger portion of the working-age population is entering the labour market. This bodes well for future growth in the province and instills employers with confidence in the labour market.

Almost all Manitoba regions experienced a reduction in the number of unemployed last year. In growth rate terms, the Interlake (-43.5%) and the North Central region (-40.0%) reported solid declines in the number of unemployed. Winnipeg, with the largest labour market in the province, reduced its level of unemployed by 2.2% in 2006.

Buoyed by high commodity prices, employment in Manitoba's mining, forestry and fishing sector grew 9.9%. Strong employment gains were also posted in the wholesale and retail trade sector (8.3%) and construction (6.1%). The largest losses are reported in the utilities sector (-18.4%) and business, building and other support services (-7.0%).

Manitoba Finance's survey of economic forecasters shows the projected annual employment growth in 2007 at 1.0%, just below Canada and tied for fourth among provinces. The unemployment rate is forecast to remain at 4.3% in 2007 and increase slightly to 4.4% in 2008 as the labour force expands.

Manitoba's Labour Force Statistics, 2006

Economic Region	Working Age Population	Labour Force	Employment	Unemployment	Unemployment		Employment
					Rate	Participation Rate	
			(Thousands)				
Southeast	74.7	53.0	50.9	2.1	4.0	71.0	68.1
South Central	42.4	27.6	26.9	0.8	2.9	65.1	63.4
Southwest	81.8	53.4	51.2	2.2	4.1	65.3	62.6
North Central	35.5	22.9	22.3	0.6	2.6	64.5	62.8
Winnipeg	528.9	368.8	351.2	17.7	4.8	69.7	66.4
Interlake	68.6	46.5	45.2	1.3	2.8	67.8	65.9
Parklands & North	60.1	41.2	39.3	1.9	4.6	68.6	65.4
Manitoba	892.0	613.5	587.0	26.5	4.3	68.8	65.8

Source: Statistics Canada, Labour Force Survey (LFS)

LFS does not include persons on reserves, members of the armed forces and people living in institutions (penal institutions, hospitals, nursing homes).

LFS totals may not add due to rounding.

Investment

Capital investment remains extremely buoyant in Manitoba. Statistics Canada's Survey of Private and Public Investment Intentions reports capital investment in Manitoba is expected to expand by 11.3% in 2007 (see Chart 24). This is the second-highest increase among provinces and more than twice the national increase of 4.6%. Capital spending is forecast to increase to a record \$8.7 billion this year, up \$880 million after a \$971 million increase in 2006.

Led by a 42.1% increase in the transportation and warehousing sector (primarily the Winnipeg airport redevelopment) and a 37.9% increase in the wholesale trade sector, investment in construction is projected to grow by 13.7% in 2007.

Consistent with the significant increase in construction, the strong Canadian dollar, tight labour market and high commodity prices, machinery and equipment purchases are expected to grow by 7.6% in 2007. Machinery and equipment investment in the mining and oil and gas extraction sector is expected to increase by 63.3% in 2007. Machinery and equipment upgrades in public administration are projected to increase by 56.6% and by 44.9% in the manufacturing sector.

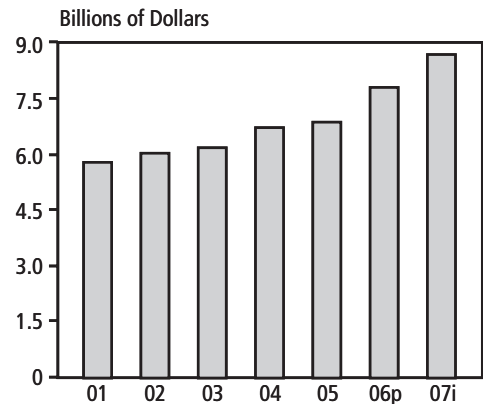
The outlook for capital investment in Manitoba beyond 2007 remains positive. The Conference Board of Canada projects capital investment to grow by 9.7% in 2008. Manitoba's investment profile is expected to be the second highest among provinces in 2008. The three-year growth for capital spending from 2006 to 2008 is estimated at 36.6%, the best performance in Canada and slightly above Alberta's 36.1%.

In 2006, Manitoba's total capital investment increased 14.2%, second highest among provinces. Private capital investment grew 11.0% (see Chart 25), while public investment grew 23.4%. Both public and private investment growth were considerably higher than for Canada overall.

Investment in construction increased by 21.4% in 2006. Combined with the intentions for 2007, investments in structures should increase by 38.1% over two years, the best growth among provinces. Machinery and equipment investment increased by 5.0% in 2006. In 2006, non-residential building permits issued in Manitoba jumped 27% to \$550 million. Industrial building permits increased by 68%, while commercial permits rose 3%. Government and institutional building permits increased by 66% in 2006.

Chart 24

Manitoba Total Capital Investment

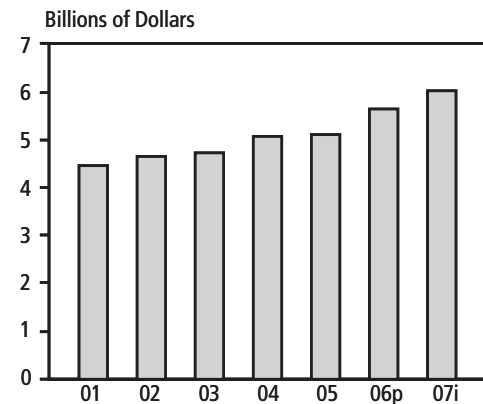


p - Preliminary i - Intentions

Source: Statistics Canada

Chart 25

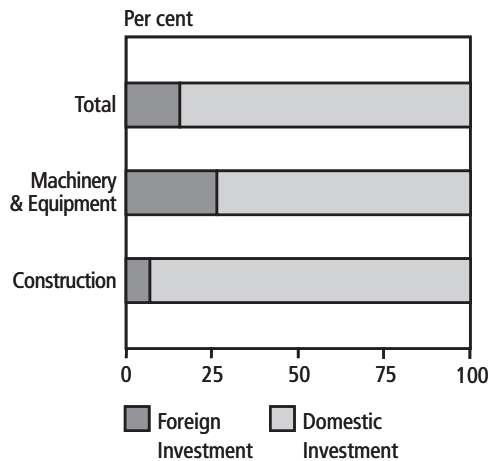
Manitoba Private Capital Investment



p - Preliminary i - Intentions

Source: Statistics Canada

Chart 26
Share of Domestic and Foreign Investment in Manitoba, 2006



Source: Statistics Canada

The three-year growth for capital spending in Manitoba is estimated to be the best performance in Canada.

According to Statistics Canada, about 16% of capital investments in Manitoba last year were made by foreign firms (see Chart 26), two-thirds of which are from the U.S.

There are several factors motivating strong capital spending in Manitoba. These include robust domestic demand fueled by continued population growth, rising personal incomes and record corporate profits. Record- or near-record-high commodity prices have revived several business and mining projects and have generated significant mineral exploration activity and other commercial ventures. The relatively low land and energy costs in Manitoba contribute to a higher rate of return on equity from commercial projects built in the province. The recent rise in the Canadian dollar has provided a strong incentive for business to import productivity-enhancing machinery and equipment.

Several major capital projects either have just been completed, are under way or are planned. Examples include:

- **Winpak Ltd.** will spend \$47 million over a three-year period to improve their 10 plastic packaging plants located across North America. Expansion of the 400,000-square-foot Winnipeg location began in 2006.
- **Manitoba Hydro** is taking initial steps to facilitate the construction of the **Conawapa Generating Station**. With a net capacity of 1,250 MW, the \$5 billion Conawapa Station will be Manitoba's largest hydro-electric project. The project will create about 13,000 person years of direct and indirect employment over its eight-year construction period. The Conawapa site is located in northern Manitoba on the Nelson River, about 90 kilometres downstream from Gillam.
- Construction of the **Wuskwatim Generating Project** began in August 2006 with work on an access road to the site of the future generating station. Construction of the \$1.3 billion generating facility is forecast to take approximately six years. Depending upon the season and construction phase, the workforce will range from 140-540 persons at any given time.
- **Winnipeg Airports Authority** – work is under way on a major capital project to upgrade the international airport facilities, representing an investment of more than \$580 million. The completion of a new terminal building and other airport infrastructure is expected in 2009 and the project's parkade is now open.
- **Four Points Sheraton** at the Richardson International Airport will undergo a \$10 million expansion and renovation to accommodate growing demand. The project will add about 72 new rooms to the existing 132-room hotel and will allow for a larger banquet facility and new meeting rooms.

- **The Province of Manitoba** announced additional funding of \$50 million over the next two years for Winnipeg's streets and bicycle routes. **The City of Winnipeg** will be able to incorporate the additional funding into the plans for the upcoming 2007 construction season.
- **Shape Foods Inc.** plans to build a \$30 million facility in Brandon to produce natural flax oil and meal (Omega-3). The facility would be the first of its kind in North America. Natural flax oil and meal are believed to reduce the risk of heart attacks and strokes. Within five years the facility will require about 70,000 acres of flax and generate \$3.8 million in annual payroll.
- Construction on the new **Siemens Institute for Advanced Medicine** will begin in mid 2007. The cost of the new 100,000-square-foot structure is estimated at \$35 million. The Institute will be built adjacent to the Health Sciences Centre in Winnipeg and will become a global centre of excellence in the development of advanced medical technology. When fully operational in 2009, it will employ about 300 people. The Institute will feature four surgical research centres integrated with the hospital's new trauma centre operating rooms, biomedical engineering labs, clinical trial ward and neuroscience research laboratory.
- **Canad Inns** has proposed building a 19-storey hotel adjacent to the Health Sciences Centre at a cost of \$25 million. The hotel provides a unique opportunity by linking accommodation services adjacent to a major health care facility which includes the new Siemens Institute for Advanced Medicine. By facilitating visiting doctors and researchers, the hotel hopes to boost Winnipeg's reputation as a world class biotechnology and life sciences centre. The hotel will also accommodate families of patients from rural and remote areas. Construction is expected to start in the spring of 2007 and finish in 2008.
- Construction is under way on the \$660 million **Red River Floodway Expansion**. The project will more than double the size of the floodway to protect Winnipeg from a one-in-700-year-level flood. Completion of the project is expected in 2010 and will generate approximately 1,000 jobs over the course of the project.
- **Rona Inc.** is planning to increase the number of retail stores in the province. By 2009, Rona hopes to have 25 retail stores in Manitoba, 15 more than the existing stores they currently manage. Most of the additional stores are slated to be built in rural centres. Rona's latest retail store opened last summer.

“The construction sector will be the main growth driver for the goods-producing industries over the next two years, due to strong business and public investment.”

Conference Board of Canada
Winter Provincial Forecast
February 2007

**“Non-residential
construction sites in
Manitoba are experiencing
the fastest growth among
the provinces.”**

Global Insight
Economic Outlook –
Provinces Overview
November 2006

- **BMO Bank of Montreal** is investing \$5.1 million in 2007 and \$5.3 million in 2008 to renovate existing branches and build a new one in south Winnipeg. The bank will also update existing ATMs and increase the number of employees by about 10%.
- **Fairview Corporation Ltd.** announced a \$30 million, 20,000-square-foot expansion to the **Polo Park Shopping Centre**, the largest shopping mall in Winnipeg. Construction began in January and will be completed by fall of 2007.
- **The University of Manitoba** has begun construction on the **Apotex Centre**, a new pharmacy building at the Bannatyne Campus. The new 70,000-square-foot building will cost \$17 million and include a new state-of-the-art laboratory space, lecture theatres and research space. The new facility will double the current building’s teaching and research capacity.
- **The University of Winnipeg** is building a new three-storey science building near its downtown campus. The new complex will house the biology, chemistry and environment studies departments and is expected to open in 2009. The building design incorporates innovative technologies for heating, air conditioning, lighting and renewable construction materials. The project is estimated to cost \$30 million.
- **Sharon Home’s Simkin Centre** has started a \$30 million expansion at the non-profit personal care home. The expansion will increase the number of personal care beds and add a new kitchen facility. Construction is expected to be completed in early 2008.
- **West Kildonan Collegiate** has started construction on a new 100,000-square-foot, \$17.7 million building in Winnipeg. The new school, a few blocks north of the existing school, will feature a number of specialty classrooms for science and computer labs, graphics/drafting and electronics, as well as a 300-seat theatre.
- **Husky Energy** is constructing a new \$145 million ethanol plant at its existing site in Minnedosa. The new facility would utilize 350,000 tonnes of wheat per year to produce about 130 million litres of ethanol annually. The plant will be operational in 2007.
- **Crowflight Minerals Inc.** will spend \$66 million over the next 12 to 18 months to develop a new nickel mine at Bucko Lake near Thompson. The mine should be operational by early 2008 and is expected to produce 12.5 million pounds of nickel annually, while employing between 60 and 100 people.
- **HudBay Minerals Inc.** announced plans to spend a total of \$34.5 million next year on mining exploration. The majority will be spent in the Flin Flon

Greenstone Belt. The company plans to spend \$26 million in Manitoba on early-stage exploration and another \$8.5 million on later-stage activities at its Bur mineral deposit near Snow Lake.

- **CVRD Inco Ltd.** is spending \$135 million in capital projects in 2007. Investments include an environmental project to capture dust in the smelter, smelter modernization, continued mine development and various other projects across its mines and processing plants.
- **The Province of Manitoba** and the **Victoria General Hospital Foundation** are investing more than \$21.5 million in the construction of a new oncology department and redevelopment and expansion of the emergency department at the hospital. The Province is investing \$13 million while the Victoria General Hospital Foundation is committing an additional \$8.5 million.
- **Hecla Oasis Resort, Spa and Golf Course** is currently being redeveloped with a \$15 million investment by the **Paletta Group**. The investment includes construction of 30 additional guest rooms and suites, a health spa, a wellness centre and an indoor waterslide park.

Foreign Markets

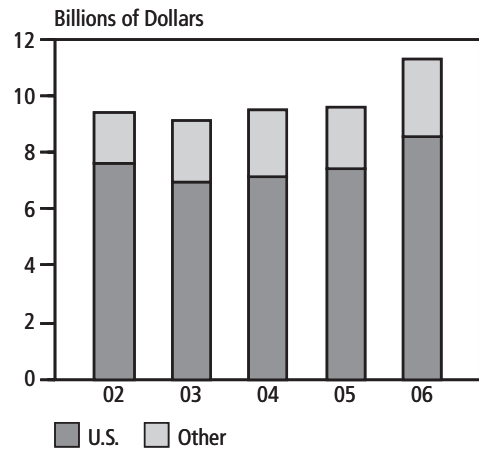
Manitoba's export performance was the best among provinces, exceeding the second-highest province by a large margin. The value of Manitoba's foreign merchandise exports increased 17.2% to \$11.3 billion in 2006 (see Chart 27). Canada's total exports were up slightly at 0.5%. Geographically, strength in Manitoba foreign exports was balanced, with both U.S. and non-U.S. markets growing significantly. Gains were largely concentrated in primary industries.

Manitoba's exports to the U.S., which accounted for about three-fourths of total foreign merchandise exports last year, grew 15.1% in 2006, while Canada's U.S. exports declined 2.1%. More than half of Manitoba's exports to the U.S. were destined for mid-western states. Although the Canadian dollar appreciated against the U.S. dollar last year, a full year of cattle exports and high commodity prices contributed to healthy growth in primary industry exports.

Manitoba's exports to non-U.S. destinations jumped 24.4% last year to \$2.7 billion, with major increases to Taiwan, Hong Kong, China and Mexico (see Chart 28). The largest improvement came from a four-fold increase in exports to India. For Canada overall, exports to non-U.S. markets were up 14.3%.

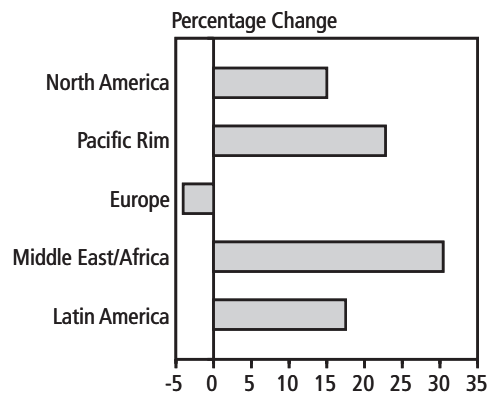
Though primary industries account for a small proportion of Manitoba's economy, their exports accounted for most of the improvement in foreign

Chart 27
Manitoba Foreign Merchandise Exports



Source: Statistics Canada

Chart 28
Manitoba Foreign Exports By Region, 2006



Note: ranked by size in descending order

Source: Statistics Canada

Manitoba Foreign Exports

BY INDUSTRY	2002	2003	2004	2005	2006p	2006 Share
	(Millions of Dollars)					(%)
Manufacturing						
Primary Metals	847.1	870.2	963.0	920.2	1,624.8	14.3
Transportation Equipment	944.9	878.4	932.2	1,007.2	1,070.1	9.4
Food	1,058.6	1,085.7	1,195.6	1,083.5	1,050.0	9.3
Chemical Products	396.3	459.7	457.7	459.9	955.3	8.4
Machinery	679.8	620.8	728.7	777.2	746.2	6.6
Wood	573.3	553.0	638.4	623.0	502.5	4.4
Paper	267.1	298.6	300.5	294.2	268.1	2.4
Plastics	221.4	229.1	233.9	242.3	248.4	2.2
Electrical and Electronic	188.2	187.9	192.4	238.2	220.0	1.9
Printing	195.2	182.7	183.9	189.4	186.7	1.6
Fabricated Metals	119.2	116.2	130.8	163.1	156.9	1.4
Petroleum and Coal	135.4	186.1	166.4	97.9	91.2	0.8
Furniture and Fixtures	166.8	125.2	111.1	94.9	76.2	0.7
Clothing and Textiles	145.2	122.4	99.0	74.8	65.6	0.6
Other Manufacturing	164.5	142.7	166.6	148.5	147.8	1.3
Total Manufacturing	6,103.0	6,058.6	6,500.3	6,414.4	7,409.8	65.3
Agriculture	1,838.9	2,072.1	1,960.0	1,719.4	2,065.6	18.2
Electricity	390.5	263.7	379.7	572.1	648.0	5.7
Other Primary	792.3	520.1	431.1	596.8	817.1	7.2
Other Exports	279.5	279.7	322.7	376.0	402.4	3.5
Total Exports	9,404.3	9,194.2	9,593.9	9,678.7	11,343.0	100.0
BY DESTINATION						
United States	7,604.7	6,986.3	7,155.1	7,470.7	8,596.0	75.8
Japan	475.0	508.0	455.0	476.5	469.2	4.1
China	79.5	157.5	413.9	230.6	348.5	3.1
Mexico	148.0	204.6	255.0	176.2	208.9	1.8
Hong Kong	112.1	130.8	171.7	129.8	204.2	1.8
Taiwan	55.8	54.9	61.8	60.5	96.1	0.8
Belgium	117.9	115.0	74.7	87.4	92.3	0.8
South Korea	43.9	43.3	45.9	90.8	80.4	0.7
India	20.5	26.2	19.6	18.3	79.0	0.7
United Kingdom	72.7	70.8	62.6	83.5	76.9	0.7
Other countries	674.1	896.7	878.7	854.3	1,091.6	9.6
Total Exports	9,404.3	9,194.2	9,593.9	9,678.7	11,343.0	100.0

Note: Totals may not add due to rounding.

Source: Manitoba Bureau of Statistics

exports in 2006. Leading the way were exports of metals and oil, cattle, and grains and oilseeds.

Outside of primary goods and related manufacturing, only chemical and chemical products posted a significant gain, driven by a four-fold surge in pharmaceuticals and medicines.

For the majority of industries within the manufacturing sector, gains and losses were relatively modest. The exception was engineered wood products, where exports declined because of negative developments in the oriented strand board and strawboard manufacturing industry.

The hog industry, including live hog production and related pork processing, also experienced a substantial decline in exports. Lower prices for hogs and pork products through the first half of last year resulted in a substantial 10.5% decline in the value of hog exports. Prior to last year, industry exports had been up 19% on an annual average basis for three years.

The outlook for Manitoba exports in 2007 is for modest growth. In part, a weaker U.S. economic outlook combined with stable or lower prices for primary goods is expected to temper foreign export growth this year. If prices for metals and oil decline, Manitoba could see a drop in its value of exports. Recently, strong prices for grains, oilseeds and cattle have buoyed optimism for these sectors. Continued positive results, in terms of prices and the size of the 2006 crop, could offset risks of weaker metal and oil prices.

Population

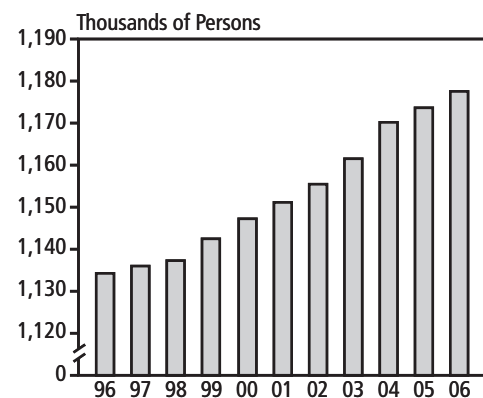
On July 1, 2006, Manitoba's population was estimated at 1,177,765 persons, up 0.3% or 3,617 persons from July 2005 (see Chart 29). While population data is released quarterly, the July 1, 2006 estimate is considered the "official annual" population for the year. Manitoba's 2006 population growth was fifth highest among provinces. Several provinces recorded population declines last year, including Newfoundland and Labrador, Nova Scotia, New Brunswick and Saskatchewan.

The latest quarterly estimate for January 1, 2007, shows continued growth in Manitoba's population to 1,180,004 persons, an increase of 2,239 persons from July 2006. For the year ending on January 1, 2007, population increased by 0.5% or 5,351 persons. From January 2006 to January 2007, Manitoba gained a record 8,663 persons through net international immigration and 3,748 persons through net natural increase (births less deaths). Manitoba also gained 770 persons through movement of non-permanent residents and Canadian citizens traveling abroad.

“Led by a strong performance in agri-food and industrial goods, Manitoba’s export growth is among Canada’s best.”

Export Development Canada
November 2006

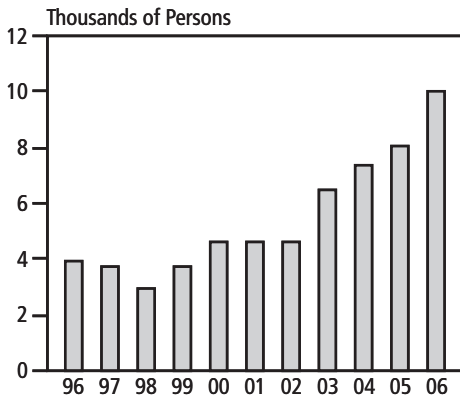
Chart 29
Manitoba Population,
1996 to 2006



Note: July 1 data

Source: Statistics Canada

Chart 30
Manitoba Immigration,
1996 to 2006



Note: January 1 data

Source: Statistics Canada

Manitoba has been successful in attracting international immigrants, setting new records for the number of international migrants entering the province annually.

The loss through net interprovincial migration decreased significantly in 2006 to 7,830 persons from 9,880 persons in 2005. In the last two years, the booming Alberta economy has been the destination of choice for most migrants, not only from Manitoba but from all regions of Canada. Every province lost population to Alberta in 2006. However, the pace of Manitoba's interprovincial migration appears to be slowing, suggesting that individuals may be relatively less likely to move to Alberta in the future.

Manitoba has been successful in attracting international immigrants, setting new records for the number of international migrants entering the province annually. In 2006, Manitoba received 10,040 immigrants. Immigration has averaged 8,521 in the last three years, well above the previous five-year average of 4,817 persons (see Chart 30).

This sharp increase in immigration is largely attributable to the Manitoba Provincial Nominee Program (PNP), which facilitates visa and work-permit applications from skilled foreign workers and families. The PNP has achieved its primary objective, which was to raise Manitoba's share of national immigration to Manitoba's national population share, currently 3.6%. It has exceeded its goal as Manitoba's share of national immigration increased to 4.0% in 2006. The program has helped attract almost 37,000 immigrants over the past five years. A secondary goal for the program, announced in the Manitoba Speech from the Throne, is to increase the immigration target by 1,000 each year over the next ten years. Sustaining this increase will ensure a steady flow of new workers for the labour market and help expand the provincial economy. The success of Manitoba's PNP has made it a leader and a model for other provinces.

Natural increase (births minus deaths) was the second-largest contributor to population growth in 2006. Last year, there were 13,888 births and 10,140 deaths in the province, resulting in a net natural population increase of 3,748 persons. Due to the demographic profile, which includes the ageing "baby boom" generation, the pace of natural rate of population increase has gradually moderated over the 1990s. The rate has now stabilized with the "echo boom" generation entering the more fertile age cohort, higher immigration levels, and the introduction of more family supporting and sustaining programs and tax measures.

Manitoba Finance's survey of demographic forecasters shows that Manitoba's annual population growth is projected to increase over the medium term (2007 to 2012). The average annual growth from 2007 to 2009 is expected to be about 0.5%, increasing to 0.6% annual growth in subsequent years.

■ HIGHER INCOMES

One of the principal benefits of a growing economy is growing incomes. Higher incomes support savings, investment, personal consumption and increased living standards.

Personal income and personal disposable income are two principal measures of overall economic well-being. Personal income includes wages and salaries, investment income and transfers from government (for example, employment insurance benefits and CPP income). Personal disposable income is defined as personal income less personal income taxes and social security program contributions. Broadly, personal disposable income is the income available to individuals after their personal taxes have been paid.

In 2006, Manitoba's income increased at its second-highest rate in 16 years. Personal income per capita grew 4.6% and disposable income rose 5.0% (see Chart 31). Income growth was supported by a sharp rebound in accrued farm income, from \$48 million in 2005 to \$267 million in 2006. Wages and salaries rose by 4.3% in 2006, the fifth consecutive year growth exceeded 4%. The growth in disposable income was buoyed by slower growth in personal income taxes.

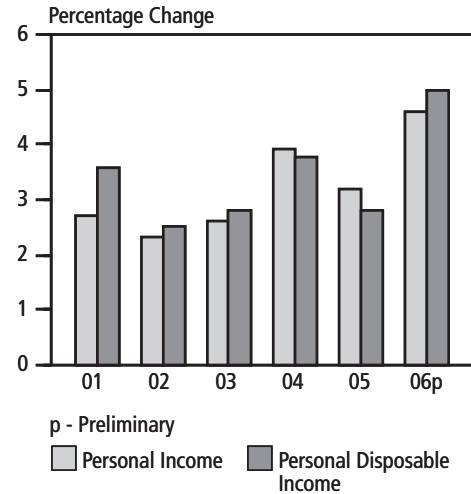
After adjusting for inflation, 'real' personal income in Manitoba continued to increase. On a per capita basis, 2006 estimates by the Manitoba Bureau of Statistics indicate real personal income increased by 2.6% and real personal disposable income rose by 3.0%.

Manitoba's real disposable income per capita has been on a steep upward trajectory since 1997, rising by 15% from \$17,109 (1997\$) to a record \$19,675 in 2006. Since 1981, when records started being kept, real disposable income has never been higher (see Chart 32).

Looking ahead, Manitoba Finance's survey of private forecasters indicates a positive outlook for income in 2007 with Manitoba growth on par with the national forecast. Per capita disposable income is estimated to rise 2.9%, for both Manitoba and Canada. This year, real per capita personal disposable income for Manitobans is projected to rise 1.2%, close to the 1.4% forecast for Canada.

Chart 31

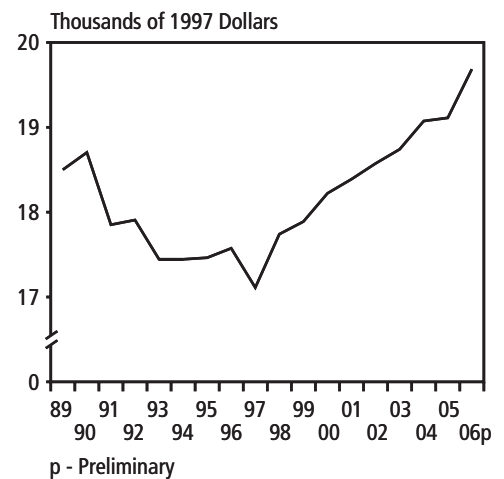
Manitoba's Personal Income Per Capita and Personal Disposable Income Per Capita, 2001 to 2006p



Source: Statistics Canada
Manitoba Bureau of Statistics

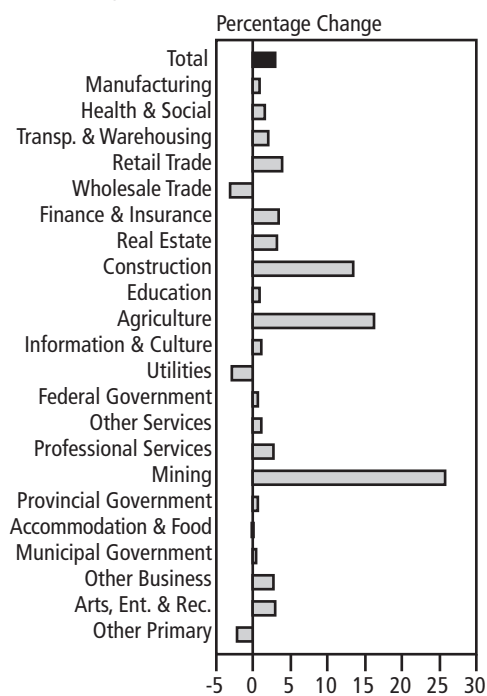
Chart 32

Manitoba Real Personal Disposable Income Per Capita, 1989 to 2006p



Sources: Statistics Canada
Manitoba Bureau of Statistics

Chart 33
Manitoba Real Gross Domestic Product at Basic Prices by Industry, 2006p



p - Preliminary

Note: ranked by size in descending order

Source: Manitoba Bureau of Statistics

MANITOBA OUTLOOK

Manitoba Finance surveys several private economic forecasters regarding their outlook for the Manitoba economy. The survey is used to form a consensus medium-term economic outlook. Since last year's Budget, the forecasters have raised the growth expectations for real GDP in 2006 and 2007. The current forecast calls for acceleration of growth in 2006 to 3.1% (see Chart 33) followed by 2.6% in 2007 and a 2.9% increase in 2008. Economic expansion over all three years on average is well above the 10-year historical average of 2.6%.

The moderation of growth in 2007 reflects the private sector's view about a soft landing for the U.S. economy and corresponding slower growth in eastern Canada precipitated by higher interest rates, a stable and strong Canadian dollar, a significant slowdown in housing activity and completion of several major capital projects related to natural resources.

Manitoba's economic outlook in 2007 is expected to be characterized by continued strong growth in residential and non-residential construction, robust mining and exploration, a rebound in agriculture prices, increased electricity sales and modest growth in consumer spending.

Nominal GDP in Manitoba is projected to increase by 4.1% in 2007 and by 4.7% in 2008. This compares with projected national growth of 4.2% in 2007 and 5.1% in 2008. The factors driving nominal GDP growth in both Canada and Manitoba are strong growth in business profits and rising employment and farm incomes.

Manitoba's labour market is expected to remain healthy. The unemployment rate is expected to remain fairly stable at 4.3% in 2007 and 4.4% in 2008. The tight labour market conditions are expected to persist in the near term, with employment growth moderating to 1.0% in 2007 and 0.9% in 2008. Lower energy prices and improvements in global productivity are expected to slow Manitoba's consumer price inflation to 1.5% in 2007, from 1.9% in 2006.

Manitoba Outlook at a Glance

	2006	2007f	2008f
	(% Change)		
Gross Domestic Product			
Real	3.1	2.6	2.9
Nominal	5.8	4.1	4.7
Employment	1.2	1.0	0.9
Unemployment Rate (%)	4.3	4.3	4.4
CPI	1.9	1.5	1.9

f - Forecast

Sources: 2006: Statistics Canada and Manitoba Bureau of Statistics preliminary

2007-2008: Manitoba Finance, survey of economic forecasters

■ THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY

Economic diversity with a broad industrial base is a key attribute of the Manitoba economy. Credit rating agencies and economic forecasters, including Moody's Investors Services, Standard and Poor's, Dominion Bond Rating Services, Conference Board of Canada and Canadian Imperial Bank of Commerce, have all cited diversity as one of the province's main economic assets.

The large and diverse structural base has provided Manitoba with stability and measured growth over the long term. Fluctuations of economic performance have been moderated as weaker sectors have been offset by stronger sectors.

According to Statistics Canada's real GDP data, Manitoba is the most stable economy in Canada as measured by the least amount of variation in growth over a ten-year period. Manitoba is one of only three provinces that have generated fourteen consecutive years of positive employment growth. Among these, Manitoba's employment growth has been the most stable and consistent.

The province has developed a diverse economy partly because of its strategic location at the geographic centre of Canada. As a result, it has become a distribution centre for northwestern Ontario, western prairies and Nunavut. To the south, the mid-continent trade corridor has opened opportunities to promote economic development and trade with the United States and Mexico. To the north, the Port of Churchill has opened up a gateway linking the economy of central North America to key European, Mediterranean and African destinations.

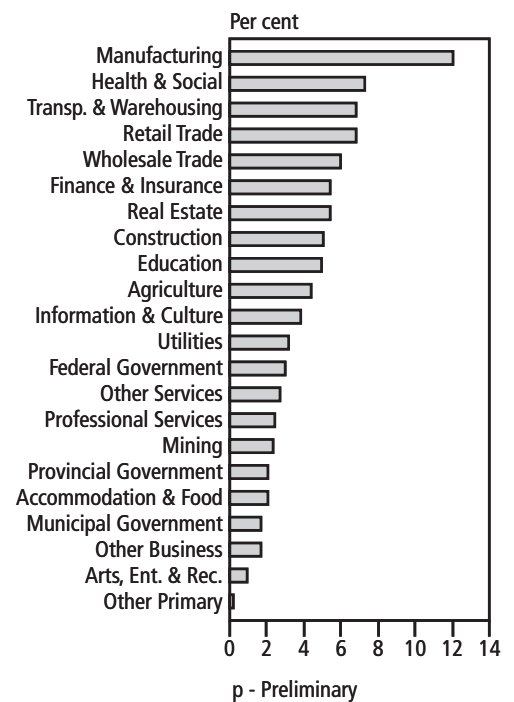
The cost synergy arising from location advantages has helped the province develop a wide range of private, public and non-profit ventures. Likewise, the province's relatively affordable living and business costs have helped develop world-class products and services in traditional and emerging fields, including biotechnology and health science, aerospace, food processing, industrial chemicals, fertilizers, pharmaceuticals, metal smelting, crop and livestock agriculture, finance and insurance, and air, rail and trucking transportation. Manitoba is fortunate to have a variety of important sectors. These sectors are relatively evenly distributed among small, medium and large segments (see Chart 34).

Manufacturing, the largest sector, contributes around 12% of total GDP in the province. This sector itself is relatively diverse with several similar-sized industries and two larger ones. Food processing and transportation equipment are the two largest industries in manufacturing. The food

Manitoba is one of only three provinces that have generated fourteen consecutive years of positive employment growth. Among these, Manitoba's employment growth has been the most stable and consistent.

Chart 34

Shares of Manitoba Gross Domestic Product, 2006p



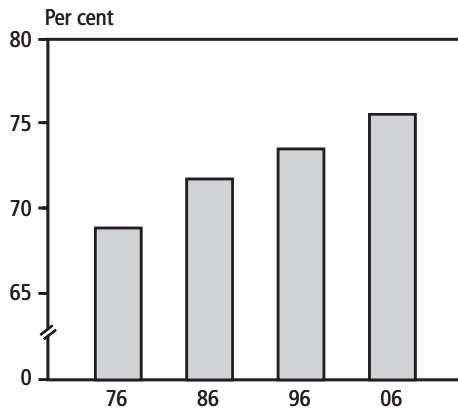
Source: Manitoba Bureau of Statistics

**“Broad-based strength
is lifting provincial
GDP growth.”**

Global Insight
Economic Outlook –
Provinces Overview
November 2006

Chart 35

**Manitoba Service Industries
Share of Total Employment**



Source: Statistics Canada

processing industry comprises 200 food and beverage manufacturers. Most are small- and medium-sized enterprises. The largest firms operate in many countries in the meat, potato product, vegetable oil and baking sectors.

The transportation equipment industry includes two large bus manufacturers (Motor Coach Industries Limited and New Flyer Industries Limited) that produce buses for the North American market. Manitoba is also a major centre for the manufacture of aerospace equipment with Boeing Canada, Bristol Aerospace, Standard Aero and Air Canada Technical Services all located in Winnipeg.

Manitoba's agriculture sector is typically balanced between livestock and crop industries and produces a wide range of products. The construction sector has three similar-sized industries: repair and renovation, residential construction and non-residential construction. The mining sector, although concentrated in metal mining, is rapidly diversifying into oil extraction.

Finance, insurance and real estate sectors are evenly divided between finance and insurance industries and real estate industries. The finance and insurance sector is highlighted by Investors Group, the largest mutual fund distributor in Canada, Great West Life Assurance Company, the largest insurance provider in Canada, and National Leasing Group Incorporated, the largest independent Canadian leasing company. Manitoba's commercial banking sector includes the major Canadian chartered banks and 55 credit unions and seven caisses populaires with over 200 branches around the province.

Research and innovation have been pivotal in promoting the diversification and diffusion of new technologies and processes that have strengthened industry in the province. Manitoba is a centre of excellence in the areas of infectious disease identification and management. A number of major research establishments are located in Manitoba, including University of Manitoba, St. Boniface General Hospital Research Centre, Health Sciences Centre, Manitoba Institute for Cell Biology, Manitoba Institute of Child Health, Manitoba Clinic, Health Canada's National Microbiology Laboratory, the Canadian Food Inspection Agency's National Centre for Foreign Animal Disease, the National Research Council's Institute for Biodiagnostics, the Canadian Centre for Agri-food Research in Health and Medicine, Richardson Centre for Functional Foods and Nutraceuticals, Food Development Centre, and Agriculture and Agri-Food Canada's Cereal Research Centre and Cereal Grains Institute. The province is home to the only biopharmaceutical manufacturing activity in Western Canada – centred around Cangene Corporation, Apotex Fermentation, Biovail and Vita Health.

Manitoba's central location has helped broaden the transportation and warehousing sector by spawning an extensive intermodal transportation

network. The province is a hub for several railway lines linking eastern and western Canada and linking the Port of Churchill to the U.S. and Mexico. The province has two class-one railways (CN and CP) that have intermodal terminals where both trailers and containers are transferred between the rail and road modes. Manitoba has about 5% of the national trucking business and is home to five of Canada's 25 largest employers in the trucking industry. The large volume of traffic at the Emerson border has made Manitoba the second-busiest international border crossing point in Western Canada. Winnipeg James Armstrong Richardson International Airport offers a variety of air passenger and cargo services, including international carriers, commuter airlines, jet freight carriers, fixed base operators and various charter operations.

Manitoba's service sector encompasses a wide range of private and public sector activity. Service industries accounted for approximately 73% of Manitoba's economy in 2006, higher than the Canada average. The service sector accounts for about 76% of jobs in the province (see Chart 35).

Diversification has provided Manitoba business with a stable environment to flourish. Businesses can respond to research and development opportunities to achieve economies of scale, launch new products and expand into new markets. The gradual expansion of value-added production in the province can be best illustrated by the change in the shares of exports among major industries. In particular, manufacturing, which accounted for about 57% of Manitoba's foreign merchandise exports in 1996, has now increased to over 65%. New products, such as processed vegetables, prepared meats, pharmaceuticals and industrial chemicals have increased dramatically. This continual broadening and renewal of Manitoba's economic base offers the prospect for even greater stability and certainty for Manitobans in the future.

Manitoba's pattern of external trade also lends itself toward economic stability. Manitoba is the most export-oriented province in Canada. As indicated on Chart 36, exports account for 63.4% of the Manitoba economy, ahead of the national average of 60.3%. Moreover, the exports are evenly split between interprovincial and international destinations, with almost a 1:1 ratio, the most balanced among provinces (see Chart 37). Manitoba's balance between interprovincial and international exports provides a measure of stability during currency or financial market shocks and regional disparities in growth. It reduces Manitoba's exposure to sharp changes to external sales.

The merits of a diversified economic structure are clear: it provides a stabilizing mechanism during challenging economic conditions and an opportunity to expand into development of new goods and services in new domestic and global markets.

Chart 36
Ratio of Exports to Gross Domestic Product, Canada and Manitoba, 2005

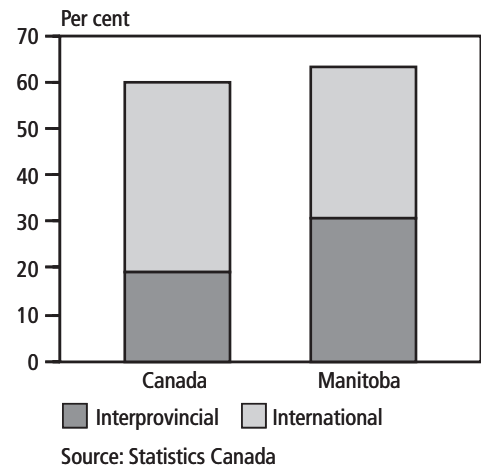
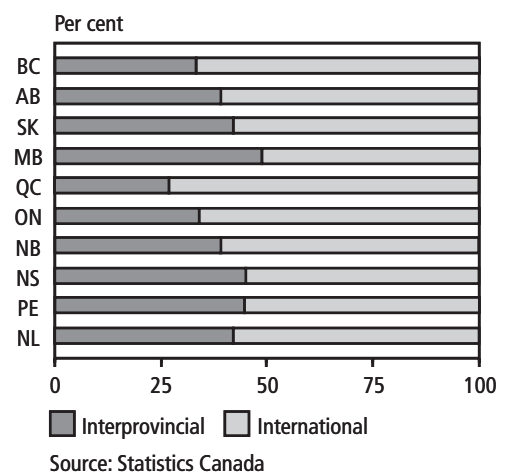


Chart 37
Ratio of Interprovincial to International Exports, By Province, 2005



MANITOBA ECONOMIC STATISTICS, 2002 TO 2006

	2002	2003	2004	2005	2006
	(Millions of Dollars)				
SECTORS					
Farm Cash Receipts	3,848	3,606	3,853	3,799	3,706
Livestock	1,716	1,598	1,639	1,820	1,791
Crops	1,913	1,700	1,784	1,280	1,308
Direct Payments	219	308	430	699	608
Manufacturing Shipments	11,820	12,696	13,517	13,491	14,195
Mining	1,005	1,050	1,406	1,576	2,606
Electric Power Sales	1,361	1,282	1,435	1,797	1,697
Export Sales	472	380	488	818	702
Housing Starts (no. of units)	3,617	4,206	4,440	4,731	5,028
Retail Trade	10,570	10,953	11,692	12,441	13,177
FOREIGN EXPORTS					
Total Exports	9,404	9,194	9,594	9,679	11,343
U.S.	7,605	6,986	7,155	7,471	8,596
GROSS DOMESTIC PRODUCT					
Nominal	36,514	37,408	39,770	41,650	44,085
Real	33,617	34,079	34,934	35,898	37,010
BASE RATE WAGE SETTLEMENTS (%)					
Public	4.6	3.0	3.2	3.0	2.6
Private	1.3	0.6	1.6	2.5	2.9
Total	4.0	2.7	2.6	2.9	2.6
INVESTMENT					
Total	6,013	6,163	6,699	6,836	7,807
Private	4,649	4,721	5,082	5,091	5,653
Public	1,363	1,442	1,617	1,745	2,154
Non-residential	4,876	4,906	5,181	5,201	6,000
Housing	1,137	1,257	1,518	1,635	1,807
POPULATION					
July 1 (000's)	1,156	1,162	1,171	1,174	1,178
LABOUR MARKET					
Labour Force (000's)	597.8	600.3	608.9	609.4	613.5
Employment (000's)	567.2	570.3	576.6	580.3	587.0
Participation Rate (%)	69.0	68.7	69.1	68.6	68.8
Unemployment Rate (%)	5.1	5.0	5.3	4.8	4.3
CONSUMER PRICE INDEX					
(Index, 1992=100)	123.1	125.3	127.8	131.2	133.7
BANKRUPTCIES					
Business	249	243	178	149	160
Farm	41	28	27	26	36
Personal	2,437	2,609	2,339	2,507	2,254

Sources: Statistics Canada, Industry Canada and Manitoba Bureau of Statistics

2002	2003	2004	2005	2006
(Annual Percentage Change)				
4.0	-6.3	6.8	-1.4	-2.4
-4.6	-6.9	2.6	11.0	-1.6
25.9	-11.1	4.9	-28.2	2.1
-42.7	40.7	39.7	62.4	-13.0
4.2	7.4	6.5	-0.2	5.2
-1.5	4.5	34.0	12.1	65.3
-5.1	-5.8	11.9	25.2	-5.5
-17.5	-19.4	28.3	67.5	-14.1
22.1	16.3	5.6	6.6	6.3
7.0	3.6	6.7	6.4	6.0
-1.8	-2.2	4.3	0.9	17.2
1.2	-8.1	2.4	4.4	15.1
3.9	2.4	6.3	4.7	5.8
1.7	1.4	2.5	2.8	3.1
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3.6	2.5	8.7	2.0	14.2
4.7	1.5	7.7	0.2	11.0
0.2	5.8	12.1	7.9	23.4
1.9	0.6	5.6	0.4	15.4
11.6	10.5	20.8	7.8	10.5
0.4	0.5	0.7	0.3	0.3
2.4	0.4	1.4	0.1	0.7
2.3	0.5	1.1	0.6	1.2
-	-	-	-	-
-	-	-	-	-
1.6	1.8	2.0	2.7	1.9
-17.0	-2.4	-26.7	-16.3	7.4
115.8	-31.7	-3.6	-3.7	38.5
-2.2	7.1	-10.3	7.2	-10.1

SECTORS

Farm Cash Receipts
Livestock
Crops
Direct Payments
Manufacturing Shipments
Mining
Electric Power Sales
Export Sales
Housing Starts (no. of units)
Retail Trade

FOREIGN EXPORTS

Total Exports
U.S.

GROSS DOMESTIC PRODUCT

Nominal
Real

BASE RATE WAGE SETTLEMENTS (%)

Public
Private
Total

INVESTMENT

Total
Private
Public
Non-residential
Housing

POPULATION

July 1 (000's)

LABOUR MARKET

Labour Force (000's)
Employment (000's)
Participation Rate (%)
Unemployment Rate (%)

CONSUMER PRICE INDEX

(Index, 1992=100)

BANKRUPTCIES

Business
Farm
Personal

■ APPENDIX: RESEARCH AND INNOVATION

Research and development (R&D) helps form the ideas and create the expertise that ultimately lead to innovation. Those in the forefront of innovation will be best positioned to develop higher value-added sectors and better-paid, knowledge-based jobs. In the absence of innovation, economies may lose competitive position and societies will not realize the full benefits that innovation can bring: higher productivity, rising incomes, a cleaner environment and sustainable development, improvements to personal health and wellness, and so forth.

In Manitoba, fostering R&D and innovation occurs through a partnership of industry, higher education, the non-profit sector and governments. With this partnership, investments in research, innovation and developing a skilled workforce for knowledge-based industries will continue to grow.

Manitoba's Research Environment

Statistics Canada estimates that total gross R&D expenditure in Manitoba in 2004 was \$519 million, up 14% from the 2003 level (see Chart 38). The 2004 gross expenditure on R&D in Manitoba was the highest level ever recorded. On a per capita basis, spending on R&D in Manitoba was \$445, up 16% from \$383 per person spent the previous year.

One principal measure of R&D effort is the ratio of R&D expenditure relative to GDP. In Manitoba, the level of gross expenditure on research and development is estimated to be equal to 1.3% of GDP in 2004, up slightly from 1.2% in 2003.

R&D activity is a major source of employment in the province. In 2004, Statistics Canada estimates that 3,860 Manitobans were involved in R&D work, up by 4% from the previous year. Higher education and non-profit organizations accounted for almost half this total, while the business sector accounted for 40% of R&D workers.

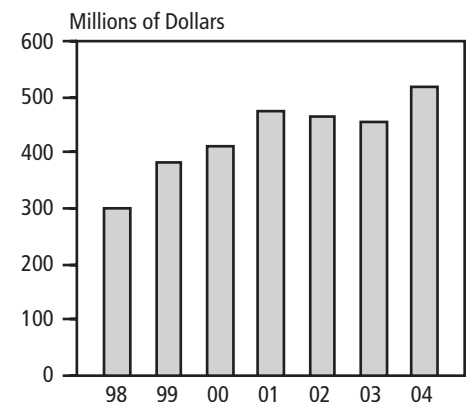
Industry is an important contributor to the overall research environment in Manitoba. Over 200 Manitoba businesses are involved in R&D programs in the province. Firms invested \$167 million in Manitoba R&D activities in 2004, about one-third of the total spending on R&D in the province. Virtually all of the R&D work funded by business was performed by business. About 1,500 employees in the business sector were involved in R&D work.

While R&D in the province is conducted across a variety of industries, manufacturing, Manitoba's largest industry, accounted for approximately 60% of R&D activity in 2004. Sectors involved in research and innovation in Manitoba include pharmaceuticals, aerospace products and other transportation equipment, utilities and agriculture. The list of firms undertaking research in the province includes Medicare Inc., Cangene Corporation, Monsanto Canada, Brett-Young Seeds, New Flyer Industries and Bristol Aerospace.

One of Manitoba's widely recognized research strengths is in the fast-growing life sciences sector. The province is home to about 40 life sciences companies employing about 4,000 people.

According to Statistics Canada, Manitoba's biotechnology R&D expenditures increased to \$84 million in 2005, a 50% increase from 2003. Recent expansions by two companies active in biotechnology, Cangene Corporation and Biovail, have

Chart 38
Total R&D Spending in Manitoba, 1998 to 2004



Source: Statistics Canada

helped enhance Manitoba's reputation for success in life sciences activity. In 2006 alone, Cangene Corporation received orders of over \$500 million from the U.S. government for biodefense-related treatments.

Manitoba is also home to a number of major public R&D facilities. These include the University of Manitoba, the St. Boniface General Hospital Research Centre, the Manitoba Institute of Cell Biology, the Richardson Centre for Functional Foods and Nutraceuticals, the Canadian Science Centre for Human and Animal Health, the National Research Council's Institute for Biodiagnostics, the Composites Innovation Centre, the Industrial Technology Centre, TRILabs, the Food Development Centre, the Manitoba Institute of Child Health, Agriculture and Agri-Food Canada's Cereal Research Centre, Canadian International Grains Institute and the Prairie Agricultural Machinery Institute.

Construction on the new Siemens Institute for Advanced Medicine will begin in mid 2007. The cost of the new 100,000-square-foot structure is estimated at \$35 million. The Institute will be built adjacent to the Health Sciences Centre in Winnipeg and will become a global centre of excellence in the development of advanced medical technology. When fully operational in 2009, the centre will employ about 300 people. Features of the centre include four surgical research centres integrated with the hospital's new trauma centre operating rooms, biomedical engineering labs, a clinical trial ward and a laboratory to support neurosciences research.

The federal government continues to have a major presence in science and technology funding in Canada. In Manitoba, federal funding for R&D was estimated at \$148 million for 2004, about 3.2% of the national total. This is below Manitoba's share of population. The Province has encouraged the federal government to increase funding to Manitoba to correct this deficiency.

The federal government supports science activities performed by federal departments and agencies, universities, businesses and other organizations. Federal departments and agencies conducting research in Manitoba include Agriculture and Agri-Food Canada, Environment Canada, Fisheries and Oceans, Health Canada and the National Research Council. Half of the federal expenditures on R&D in Manitoba are for work carried out by these departments and agencies – \$73 million in 2004 – while a roughly equal amount of the federally funded R&D is conducted by universities and business.

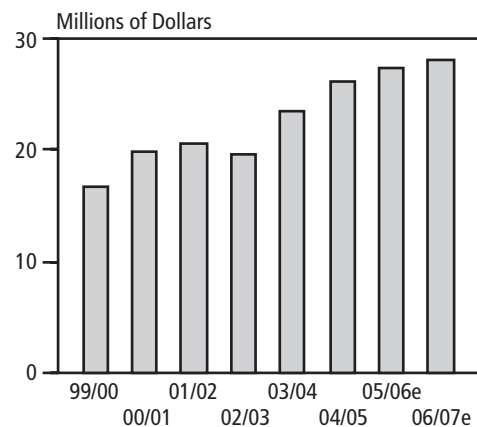
Provincial Support for Research and Innovation

The Province supports research and innovation both through direct spending programs and through the Manitoba Research and Development Tax Credit. In 2006/07, direct expenditure on R&D by the provincial government is estimated at \$28.1 million, up 2.6% from 2005/06 (see Chart 39). Most of the provincial government's direct expenditure commitment to R&D is provided to universities, hospitals and other health organizations, including the Manitoba Health Research Council. The balance of provincial R&D expenditure supports the work of government departments, private companies and others.

“Manitoba features one of the fastest growing biotechnology sectors in Canada.”

Provincial Trends
Scotiabank Group
March 2007

Chart 39
Provincial Government
Expenditure on R&D
1999/2000 - 2006/2007e



e - Preliminary Estimate

Sources: Manitoba Science, Technology,
Energy and Mines
Statistics Canada

Manitoba's Research and Development Tax Credit encourages private sector R&D activity in Manitoba. The Tax Credit Program was established in 1992 and provides firms undertaking R&D in the province with substantial support for investment through a non-refundable credit for qualifying R&D expenditures. Budget 2006 boosted the credit rate to 20% of eligible expenditures from 15% (see "Manitoba Research and Development Tax Credit," page 39).

Manitoba partners with federal government research funding programs through the Manitoba Research and Innovation Fund (MRIF). The MRIF was established to assist in increasing the capabilities of Manitoba universities, colleges, hospitals and the not-for-profit sector to conduct scientific research and product development. The Fund also enhances the ability of Manitoba research institutions to attract and retain world-class researchers and technicians, and increases Manitoba's capacity to innovate through such means as supporting science awareness and technology commercialization.

This program, in part, leverages funds from outside sources, such as the Canada Foundation for Innovation, the Canadian Institutes of Health Research, the Regional Partnerships Program and the Networks of Centres of Excellence Program. In 2006/07, MRIF leveraged an estimated \$18.1 million from these and other public and private sources.

In 2006/07, numerous projects were funded through the MRIF, including several funded in partnership with the Canada Foundation for Innovation, which provides support for research infrastructure. The MRIF supported various research projects in several areas including infectious diseases, microelectronics and genomics. The table "Manitoba Research and Innovation Fund Project List, 2006/07" on page 35 lists of some of the projects funded last year.

As well as providing health research support through the various MRIF sub-component programs, Manitoba has implemented the Health Research Initiative. The objectives of the Initiative are to assist Manitoba's health research centres to increase R&D activities in Manitoba and facilitate sustained economic growth and the creation of high-quality jobs. The program is an incentive-based initiative with the distribution of funds tied to the amount of research revenue each Manitoba health research centre attracts from private industry and from non-governmental granting agencies outside the province. In 2006/07, the Health Research Initiative provided \$2 million to support operating costs for five health research centres in Manitoba.

In 2006/07, the Province provided support grants of almost \$2 million each to the Manitoba Health Research Council (MHRC) and the Manitoba Centre for Health Policy (MCHP). The Council promotes and assists health sciences in Manitoba and advises the Ministers of Health and Science, Technology, Energy and Mines on health matters referred to the MHRC. The Council operates a number of funding programs including awards to post-doctoral and graduate students, PhD dissertation awards, and operating and establishment grants. MCHP is a research unit in the University of Manitoba's Faculty of Medicine. A team of about 50 staff provide population-based health services research and policy analysis to support health care decision makers and providers in offering the most effective and efficient services to maintain and improve the health of Manitobans.

The Government of Manitoba is also a partner with the federal government in the Networks of Centres of Excellence program. This program was established several years ago to support research at universities and hospitals in partnership with the private sector. Manitoba's objectives in developing the Manitoba Centres of Excellence Fund (MCEF) are to attract and maintain world-class R&D activity to Manitoba and to generate related spinoff benefits for local companies and non-profit institutions.

In 2006/07, 10 Networks of Centres of Excellence research programs at the University of Manitoba received support totaling \$656,000 through the MCEF. Grants were provided to research programs such as the Advanced Foods and Materials Network, Arctic Net, Intelligent Sensing for Innovative Structures Canada, the Canadian Arthritis Network, Mathematics of Information Technology and Complex Systems Network, and the Sustainable Forest Management Network.

Manitoba continues to support a number of major research initiatives in the province related to agriculture. Sponsored by the provincial and federal governments, the Agri-Food Research and Development Initiative funds research and development

Manitoba Research and Innovation Fund Project List, 2006/07

Description	2006/07 TOTAL
CANADA FOUNDATION FOR INNOVATION	
Life and Environmental Sciences Research Laboratories	\$396,316
Integrated Tissue Imaging Lab	320,000
Aquatic & Riparian Ecosystem Toxicological Monitoring & Plant Process Monitoring Lab	109,165
Lab for Mechanistic Studies of Organometallic Reactions.....	100,000
Neuropsychology of Vision Perception and Action Lab.....	100,000
Advanced Blood-Brain Barrier Research Lab	100,000
Specialized Computing Cluster for Electronic Design Automation.....	100,000
Molecular Biology Lab for Research into Insect Reproduction and Development	100,000
Endocrine Control of Ion and Osmotic Balance in Primitive Fish.....	100,000
Laboratory for Agriculture and Forest Micrometeorology.....	99,690
Subatomic Physics Detector Lab	89,031
CANADA RESEARCH CHAIRS	
Infrastructure Support of the Proposed CRC Program in Applied Soil Ecology	125,000
Research Facility for the Interdisciplinary Study of Environment and Health Risk Communication	125,000
Equipment for Lab Testing, Fibre Optic Sensing and Structural Health Monitoring	124,997
Airway Cell and Molecular Biology	124,842
Engineering Research Lab for Advanced Structural Engineering with Smart Materials & Structures	124,707
CANADIAN INSTITUTES FOR HEALTH RESEARCH	
CIHR Strategic Training Program grant	100,000
Host immune response to Chlamydia infection: molecular and cellular basis	55,766
Molecular analysis of leukocyte adhesion and migration	50,000
Impact of High Sucrose Diets	50,000
Structure-Function Relationships of Sodium-Calcium Exchangers	50,000
Modulation of Vascular Smooth Muscle Cell	50,000
Other Projects	371,858
GENOME CANADA	
Conditional Mouse Mutagenesis Project	240,000
Designing Oilseeds	150,000
OTHER	
Richardson Centre for Functional Foods and Nutraceuticals	2,375,000
Canadian Agri-Food Research in Medicine - Clinical Research Infrastructure	1,250,000
Clinical Skills Training and Surgical Simulation Centre	1,000,000
Manitoba Centre for Health Policy Endowed Child Health Chair	400,000
Manitoba Centre for Health Policy	250,000
Pursuit of Research Considering Computational Methods for Protein Sequencing	6,750

aimed at enhancing diversification, improving techniques, creating value-added opportunities and expanding export capabilities in the province's large agrifood sector.

The Province supports a special operating agency, the Food Development Centre, to undertake R&D and related services to bring new Manitoba food products to market. Located in Portage la Prairie, the Centre provides support to clients in product development, food processing and packaging, and shelf life testing. The Centre completed a significant renovation and expansion in 2005, further supporting the diversification of the agrifood sector and moving more new products from the province into the national and international marketplaces.

Portage la Prairie is also home to the Prairie Agricultural Machinery Institute (PAMI) design, testing and development station. Established over 25 years ago, PAMI is jointly sponsored by the governments of Manitoba and Saskatchewan. PAMI undertakes approximately 100 projects annually for a wide range of clients, including equipment manufacturers, farm producers, commodity organizations and governments. The provincial governments provide financial support to the Institute, although PAMI has been a largely self-supporting research organization through fee-for-service arrangements.

Another special operating agency of the Manitoba government is the Industrial Technology Centre (ITC). ITC, located at the University of Manitoba's SMARTpark, facilitates technological improvements and innovation by providing advanced technical research and testing for a variety of manufacturers, inventors and other clients in a diverse range of products including aerospace, transportation, health, architecture and energy. Facilities and services include a calibration laboratory, noise and vibration analysis, mechanical testing, lottery ticket testing, advanced document examination and administrative support for product development and related activities. ITC operates a Virtual Reality Centre, which uses virtual modeling to allow businesses to realistically simulate new products before they are built. The ITC is the only such facility in Canada geared to addressing industry needs on a fee-for-service basis.

TRLabs, Canada's largest information and communications technology consortium, operates a research laboratory at SMARTpark. Established in 1994, the Winnipeg TRLabs specializes in data networking and health, as well as programs of research in technology for the home and wireless networking. TRLabs is supported by private industry and the provincial and federal governments.

Manitoba's information technology sector will be enhanced by the opening of the new Manitoba Media Centre. Announced in December 2006, the new \$20 million centre is a public-private partnership involving Linux Media Arts, local companies and the Manitoba government. The Centre's goals will include releasing own-source media distribution for the Linux operating system, developing and refining open source media management applications, and conducting R&D of open source media management and archiving tools. The Centre will also examine training opportunities for higher education students including tools for Aboriginal students to help them pursue business opportunities in the media industry.

Manitoba Hydro commits approximately \$5 million per annum to an R&D program to assist in providing higher system reliability, lower electricity rates, increased safety of the system infrastructure and improved customer quality of service. Some of this research is undertaken in-house. Other company-sponsored research is undertaken at universities and other external research facilities. Last year, Manitoba Hydro supported more than 100 individual research projects.

Manitoba Hydro also supports two research chairs: Natural Sciences and Engineering Research Council of Canada and the Industrial Research Chairs in the Faculty of Engineering at the University of Manitoba. Starting in 2005, the corporation is contributing approximately \$730,000 over five years to the Power System Simulation Research Chair and \$500,000 over five years to the Alternative Energy Research Chair. Manitoba Hydro also supports climate change research in the province including funding for a Climate Change Research Professor at the University of Winnipeg.

Manitoba Hydro operates the HVDC Research Centre. The Centre, established in 1981, conducts innovative research and development in HVDC and power electronic technologies, instrumentation, and simulation. The Centre has become a world leader in the technology of electric power system simulation, applied power systems analysis and related technologies.

University of Manitoba

Universities and other post-secondary institutions play a critical role in R&D activities. These institutions provide the knowledge and the skilled labour necessary for innovation and serve as incubators for new ideas in basic and applied research.

In Canada, higher education institutions account for about one-third of the R&D work performed. In Manitoba, the role of higher education is even more important as higher education (including related institutes, clinics and research stations) accounts for more than half of the R&D activity.

Statistics Canada estimates that R&D expenditure by Manitoba's higher education sector in 2004/05 was a record-high \$260.6 million, up from \$238.7 million in 2003/2004 (see Chart 40). Between 1998/99 and 2004/05, R&D expenditure in higher education in Manitoba doubled.

Natural sciences and engineering accounted for approximately 42% of 2004/05 R&D spending in higher education, health sciences for 35%, while social sciences accounted for the remaining 23%.

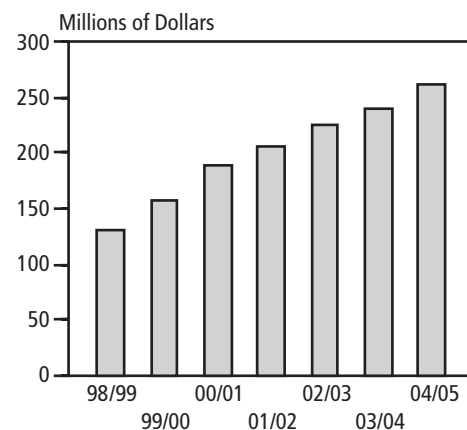
The University of Manitoba is one of Canada's major research universities. The University has enrolment of 28,000 students, with more than 5,000 academic and support staff. The University's reputation for outstanding research has earned it national and international recognition, and helped it to earn over \$145 million last year in external research funding. Many of the research projects conducted at the University involve collaboration and partnership with other higher education and research institutions, private firms, community organizations and governments. The University is home to more than 20 research centres and affiliated institutes ranging in scope from defense and security studies to cardiovascular sciences.

The University is an active participant in the national Networks of Centres of Excellence program. Currently, the University's researchers participate in 14 of 23 networks created under this program, which include the University as the network leader of Intelligent Sensing for Innovative Structures Canada, the national network focusing on "smart" civil infrastructure.

The University of Manitoba is currently home to 47 Canada Research Chairs, which are occupied by some of Canada's top scientists and scholars. The research programs of these chairs focus on such important fields as pharmaceutical sciences, neurosciences, endocrinology, environmental sustainability, material sciences and civil infrastructure. The University's life sciences research activities are further strengthened through active partnerships with several local health organizations, including CancerCare Manitoba, the Health Sciences Centre, St. Boniface General Hospital, the Manitoba Institute of Child Health, the Canadian Science Centre for Human and Animal Health, and the Institute of Biodynamics.

SMARTpark is a research park adjacent to the University of Manitoba. Established in 1999, SMARTpark brings together industry and the University of Manitoba to promote R&D and the development of knowledge-based industry. One of the key

Chart 40
R&D Expenditure in Manitoba
Higher Education,
1998/99-2004/05



Source: Statistics Canada

■ UNIVERSITY OF MANITOBA**National Centres Of Excellence Participation:**

- Intelligent Sensing for Innovative Structures (Leader)
- Advanced foods and materials
- Allergy research
- Arctic research
- Arthritis research
- Automobile design and engineering
- Design research
- Mathematics of information technology
- Obesity research
- Prion (BSE) research
- Stroke research
- Sustainable forest management
- Vaccines and immunotherapeutics
- Water research

features of the park is its proximity and access to the extensive resources of the University. Currently, SMARTpark is home to 17 companies and almost 800 employees.

SMARTpark continues to grow. For example, in April 2006, Cangene Corporation completed a 40,000-square-foot expansion of its plasma fractionation facilities. In May, Richardson Centre for Functional Foods and Nutraceuticals officially opened its \$31 million facility. This Centre focuses on the research, development and testing of beneficial food supplements extracted from plants grown in the prairie region.

Manitoba Research and Development (R&D) Tax Credit

Manitoba's R&D tax credit provides support to firms conducting R&D activity in the province. Eligibility for the Manitoba credit is tied to the eligibility for the federal investment tax credit on qualifying R&D expenses and supplements the federal credit.

The federal and provincial R&D credits are activity based, and apply to all sectors and industries. Both current expenditures, which include researchers' salaries and the cost of materials, and prescribed capital expenditures, including machinery and equipment, are eligible expenses for purposes of Manitoba R&D tax credit amounts.

From its introduction in 1992 through to the 2005 taxation year (latest year for which taxation data is available), firms conducting R&D in Manitoba claimed \$128.1 million in provincial R&D tax credits.

Further details in respect of the Manitoba and federal Research and Development Tax Credit programs are available at <http://www.cra-arc.gc.ca/taxcredit/sred/menu-e.html>.

Over the years, studies by various agencies have repeatedly confirmed that Canada's income tax treatment of research is among the most generous in the world, especially when coupled with provincial incentives. The following table shows the after-tax cost associated with R&D current expenses for a large corporation and a small privately owned corporation, based on 2007 income tax rates.

After-Tax Cost of \$100 R&D Expenditure, 2007

	<u>Large Corporation</u>	<u>Small Private Corporation</u>
Eligible R&D expenditure	\$100.00	\$100.00
(less) Manitoba tax credit	20.00	20.00
(less) Federal tax credit	<u>16.00</u>	<u>28.00</u>
Deductible Amount	64.00	52.00
Tax Savings:		
Manitoba	8.96	1.56
Federal	<u>14.16</u>	<u>6.82</u>
Net after-tax cost	40.88	43.62

Budget Paper B

**SUPPLEMENTARY
FINANCIAL INFORMATION**

SUPPLEMENTARY FINANCIAL INFORMATION

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■ INTRODUCTION

This Budget Paper provides supplementary information on Manitoba's Special Purpose Funds – the Fiscal Stabilization Fund, Debt Retirement Fund and the Pension Assets Fund – and on Capital Investment, Loan Requirements, and Borrowing Requirements.

■ SPECIAL FUNDS BALANCES

Fiscal Stabilization Fund

The Fiscal Stabilization Fund is projected to have a total balance of \$477 million as at March 31, 2007, after a draw of \$26 million for general requirements and \$49 million for wait-times reduction and other health-related programming. For 2006/07, the health programs component balance is projected to be \$159 million, and \$318 million for the general programs.

The budgeted draw in 2007/08 is \$37 million for wait-times reduction and other health-related programming, with no draw required for general requirements. The health programs component balance as at March 31, 2008 is projected at \$127 million, the general programs at \$333 million for a total of \$460 million.

Fiscal Stabilization Fund

Projection as at March 31, 2008 and March 31, 2007

	<u>2007/08</u> <u>Budget</u>	<u>2006/07</u> <u>Forecast</u>
	(Millions of Dollars)	
Total Fund Balance, Beginning of Year	<u>477</u>	<u>532</u>
Health Programs		
Fund Balance, Beginning of Year	159	202
Interest Earnings	5	6
Wait-Times Reduction and Other Health Related Programming	<u>(37)</u>	<u>(49)</u>
Fund Balance, End of Year	<u>127</u>	<u>159</u>
General Programs		
Fund Balance, Beginning of Year	318	330
Interest Earnings	13	11
Year-end Core Government Balance	2	3
General Requirements	<u>-</u>	<u>(26)</u>
Fund Balance, End of Year	<u>333</u>	<u>318</u>
Total Fund Balance, End of Year	<u><u>460</u></u>	<u><u>477</u></u>

Debt Retirement Fund

In accordance with *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, a \$110 million deposit to the Debt Retirement Fund is required in 2007/08. Interest earnings for 2007/08 are expected to be \$2 million. In 2007/08 it is assumed that the allocation will be \$85 million to pension liability.

Debt Retirement Fund

Projection as at March 31, 2008 and March 31, 2007

	<u>2007/08 Budget</u>	(Millions of Dollars)	<u>2006/07 Forecast</u>
Fund Balance, Beginning of Year	51		25
Contribution	110		110
Interest	2		1
Transfer to Pension Assets Fund	(85)		(85)
Fund Balance, End of Year	<u>78</u>		<u>51</u>

Pension Assets Fund

It is anticipated that \$85 million will be allocated to the Pension Assets Fund for 2007/08. In addition, \$1,502 million will be contributed to fund 75% of the liability for the Teachers' Retirement Allowances Fund (TRAF). The Fund will have net investment earnings of \$69 million in 2006/07. The Budget projects a return of \$107 million in 2007/08.

The Fund is expected to have a balance of \$2,339 million by the end of the 2007/08 fiscal year.

Pension Assets Fund

Projection as at March 31, 2008 and March 31, 2007

	<u>2007/08 Budget</u>	(Millions of Dollars)	<u>2006/07 Forecast</u>
Fund Balance, Beginning of Year	701		537
Contributions			
TRAF Funding	1,502		0
Debt Retirement Fund	85		85
Net Investment Earnings	107		69
Current Service Contributions	78		10
Transfers			
TRAF Pension Payments	(134)		0
Fund Balance, End of Year	<u>2,339</u>		<u>701</u>

SUMMARY OF FUNDING ACTIVITY

	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02
	<u>Budget</u>	<u>Forecast</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
	(Millions of Dollars)						
Fiscal Stabilization Fund							
Year-End Core Government Balance	2	3	31	405	13	4	63
Transfers to Core Government	(37)	(75)	0	0	(171)	(22)	(150)
Investment Revenue	18	17	15	2	1	7	14
Transfer re: Manitoba Telephone System							
Redemption of Repap Preferred Shares							
Fund Balance, End of Year	460	477	532	486	79	236	247
Debt Retirement Fund							
Contribution	110	110	110	99	96	96	96
Transfer to Pension Assets Fund	(85)	(85)	(85)	(79)	(75)	(48)	(75)
Transfer for General Purpose Debt Reduction				(202)			
Investment Earnings	2	1	0	2	7	3	5
Fund Balance, End of Year	78	51	25	0	180	152	101
Pension Assets Fund							
Transfers from Debt Retirement Fund	85	85	85	79	75	48	75
TRAF Funding	1,502						
Net Investment Earnings	107	69	61	31	38	(6)	2
Net Current Service Contributions	(56)	10	8	6	3	2	9
Fund Balance, End of Year	2,339	701	537	383	267	151	107

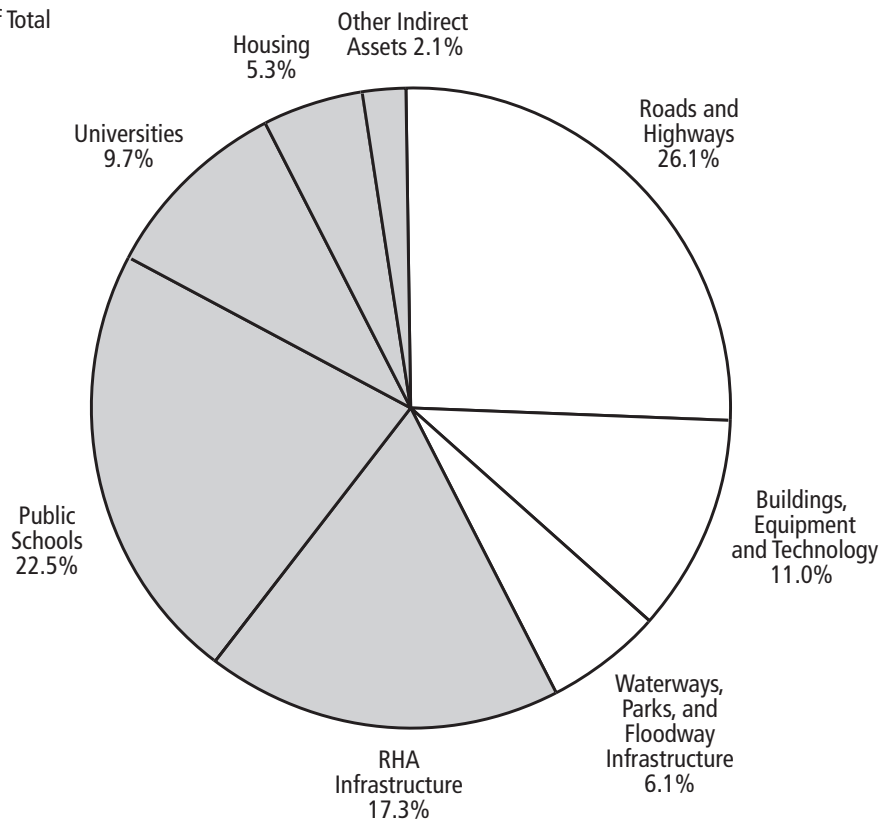
<u>2000/01</u> <u>Actual</u>	<u>1999/00</u> <u>Actual</u>	<u>1998/99</u> <u>Actual</u>	<u>1997/98</u> <u>Actual</u>	<u>1996/97</u> <u>Actual</u>	<u>1995/96</u> <u>Actual</u>	
(Millions of Dollars)						
						Fiscal Stabilization Fund
40	11	31	76	91	157	Year-End Core Government Balance
0	(185)	(186)	(100)	0	0	Transfers to Core Government
15	12	17	11	11	3	Investment Revenue
				265		Transfer re: Manitoba Telephone System
					20	Redemption of Repap Preferred Shares
320	265	427	565	577	210	Fund Balance, End of Year
						Debt Retirement Fund
96	75	150	75	0	0	Contribution
(21)	0	0	0			Transfer to Pension Assets Fund
	(305)					Transfer for General Purpose Debt Reduction
0	0	4	1			Investment Earnings
75	0	230	76			Fund Balance, End of Year
						Pension Assets Fund
21						Transfers from Debt Retirement Fund
						TRAF Funding
0						Net Investment Earnings
0						Net Current Service Contributions
21						Fund Balance, End of Year

■ CAPITAL INVESTMENT – REPLACEMENT VALUE OF PUBLIC ASSETS

Over the years, Manitoba’s communities and the economy have benefited from many investments in general assets such as schools, health facilities and public service buildings as well as infrastructure assets such as roads, water control structures and parks. These assets have contributed to vital public services, including learning, health, physical access and electronic access to other government programs as well as providing the infrastructure for economic and community development. The public good provided by these investments is immeasurable; however, it is estimated that the insured or replacement value of these investments exceeds \$30 billion.

Replacement Value of Public Assets¹

Per cent of Total



Total Value: \$30.3 billion

Note 1: excludes municipal assets and government enterprises such as Manitoba Hydro

■ Indirect Assets: 56.8%

□ Direct Assets: 43.2%

Totals may not add due to rounding.

■ CAPITAL INVESTMENT – CORE GOVERNMENT

Provincially owned capital assets such as highways, waterways, buildings, machinery and computer systems are amortized over their useful life based on established guidelines for amortization (see Appendix B of the 2007/08 Estimates of Expenditure). The amortization and interest costs are borne by departments that are responsible for each asset and are reflected as annual costs related to capital assets. Capital grants are also provided to third parties such as municipalities, schools and universities as contributions toward capital projects. In total, costs related to capital assets are estimated at \$488 million in 2007/08, an increase of \$39 million from 2006/07.

Authority for the annual cost to acquire provincially owned assets is reflected as Part B – Capital Investment which totals \$595 million in 2007/08, an increase of \$160 million from 2006/07, largely due to \$110 million for increased investment in provincial roads and highways and \$48 million for investment in provincially owned buildings and equipment.

Capital Grants and Costs Related to Capital Assets, Core Government, 2007/08

(Thousands of Dollars)

	<u>2007/08</u>	<u>2006/07</u>
	<u>Budget</u>	<u>Budget*</u>
Capital Grants	262,935	247,367
Infrastructure Assets	156,096	139,607
General Assets	69,316	62,004
	<u>488,347</u>	<u>448,978</u>

* The 2006/07 Budget has been restated to be consistent with the 2007/08 Estimates structure.

Capital Investment, Core Government, 2007/08

(Thousands of Dollars)

	<u>2007/08</u> <u>Budget</u>	<u>2006/07</u> <u>Budget*</u>
General Assets		
Government Services Capital Projects.....	73,098	23,443
Transportation Equipment and Other Capital.....	14,463	21,026
Information Technology Projects		
Corporate Information Technology Projects	12,676	14,462
Justice	3,608	1,364
Family Services and Housing	2,708	2,481
Competitiveness, Training and Trade	2,421	1,845
Infrastructure and Transportation.....	905	2,895
Finance.....	571	3,279
Other Projects	787	3,011
Other Equipment and Buildings	10,733	2,974
	<u>121,969</u>	<u>76,779</u>
Infrastructure Assets		
Provincial Roads, Highways and Airport Infrastructure.....	239,655	129,693
Manitoba Floodway Expansion	213,792	207,435
Water Control Infrastructure	10,183	10,425
Parks, Cottage and Camping Projects.....	9,711	10,790
	<u>473,340</u>	<u>358,343</u>
Total Capital Investment	<u>595,309</u>	<u>435,122</u>

* The 2006/07 Budget has been restated to be consistent with the 2007/08 Estimates structure.

■ LOAN REQUIREMENTS

Incremental Loan Act Authority for Non-Budgetary Capital Programs, 2007/08

(Thousands of Dollars)

The Loan Act, 2007

Manitoba Hydro	\$458,000
Manitoba Agricultural Services Corporation	73,614
Health Capital Program	61,379
Manitoba Housing and Renewal Corporation	41,314
Manitoba Water Services Board	36,626
Manitoba Lotteries Corporation	32,700
Diagnostic Services Manitoba	22,270
Manitoba Industrial Opportunities Program	22,052
University of Winnipeg	19,000
Special Operating Agencies Financing Authority - Fleet Vehicles Agency	8,000
Manitoba Student Aid Program	7,508
Communities Economic Development Fund	4,600
Special Operating Agencies Financing Authority - Companies Office	2,050
Rural Economic Development Initiatives	1,873
Special Operating Agencies Financing Authority - The Property Registry	1,000
	791,987

Non-Budgetary Capital Program, 2007/08

(Thousands of Dollars)

Manitoba Hydro	\$817,000
Health Capital Program	200,501
Manitoba Agricultural Services Corporation	107,950
Manitoba Housing and Renewal Corporation	79,639
Manitoba Lotteries Corporation	69,500
Manitoba Student Aid Program	38,419
Manitoba Industrial Opportunities Program	35,145
Manitoba Water Services Board	31,952
Manitoba Opportunities Fund	30,000
University of Winnipeg	19,000
Special Operating Agencies Financing Authority - Fleet Vehicles Agency	12,941
Diagnostic Services Manitoba	10,725
Communities Economic Development Fund	10,000
Miscellaneous Corporations, Agencies and Other Programs	14,203
	1,476,973

■ BORROWING REQUIREMENTS

Manitoba's long-term borrowing requirements in respect of both general and self-sustaining borrowings is estimated to total \$2.94 billion in 2007/08, of which \$1.03 billion is required for refinancing purposes. New cash requirements are required for capital investments including the Manitoba Floodway Expansion, self-sustaining programs including Manitoba Hydro and the University of Winnipeg and for funding the Province's pension liability for the Teachers' Retirement Allowances Fund. Incremental capital authority requirements totalling \$792 million are provided by *The Loan Act, 2007*.

Borrowing Requirements

(Thousands of Dollars)

	Refunding 2007/08	New Cash Requirements 2007/08	Estimated Repayments 2007/08	Borrowing Requirements 2007/08
General Purpose Borrowings	393,750	-	-	393,750
Capital Investment General Assets	-	83,500	-	83,500
Capital Investment Infrastructure Assets	-	292,800	-	292,800
Teachers' Retirement Allowances Fund	-	1,002,000	-	1,002,000
Manitoba Hydro	520,573	458,000	-	978,573
Health Facilities	121,000	98,000	58,355	160,645
Diagnostic Services Manitoba	-	22,270	-	22,270
University of Winnipeg	-	12,700	-	12,700
	<u>1,035,323</u>	<u>1,969,270</u>	<u>58,355</u>	<u>2,946,238</u>

STATEMENT OF PROVINCIAL BORROWINGS, GUARANTEES AND OBLIGATIONS

(Thousands of Dollars) *Unaudited*

December 31, 2006 (with comparative figures for March 31, 2006)

	Canadian Dollar Valuation (Note 1) December 31, 2006	Canadian Dollar Valuation (Note 1) March 31, 2006	Increase (Decrease) December 31, 2006 over March 31, 2006
Provincial Borrowings Payable in:			
Canadian Dollars	13,684,320	13,710,863	(26,543)
Issues Hedged to Canadian Dollars	2,519,100	2,834,264	(315,164)
U.S. Dollars	2,217,624	2,221,050	(3,426)
Issues Hedged to U.S. Dollars	616,388	617,340	(952)
Subtotal Provincial Borrowings	19,037,432	19,383,517	(346,085)
Guarantees and Obligations Payable in:			
Canadian Dollars	1,346,751	1,229,575	117,176
U.S. Dollars	0	0	0
Subtotal Guarantees and Obligations (Note 2)	1,346,751	1,229,575	117,176
Subtotal Provincial Borrowings, Guarantees and Obligations (Note 3)	20,384,183	20,613,092	(228,909)
Less: Sinking Fund Investments	(4,294,207)	(4,475,996)	(181,789)
Less: Debt Retirement Fund	(25,002)	(25,000)	2
Total Provincial Borrowings, Guarantees and and Obligations Outstanding (Note 4)	16,064,974	16,112,096	(47,122)

NOTE TO READER: Outstanding provincial borrowings will fluctuate during the fiscal year as a result of the timing of borrowing activities of the Province. While current accounting standards identify Net Debt as the best presentation of a government's financial position, certain valuations used in the calculation of Net Debt are only payable at year end (see Manitoba Summary Financial Statistics).

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at December 31, 2006 and at March 31, 2006. As at December 31, 2006, the U.S. dollar exchange rate was \$1.1653 (\$1.1671 at March 31, 2006).

Note 2: Includes borrowings of Manitoba Hydro which has been guaranteed by the Province, Government Enterprises and Other payables and third party debt of health care facilities.

Note 3: Provincial Borrowings and Guarantees are payable in Canadian and U.S. dollars. As at December 31, 2006, total provincial borrowings and guarantees were payable 86% in Canadian dollars and 14% in U.S. dollars. Of this total, General Government Program borrowing and Other Crown organizations borrowings was 100% payable in Canadian dollars. Manitoba Hydro borrowings was payable 61% in Canadian dollars (60% at March 31, 2006) and 39% in U.S. dollars (40% at March 31, 2006).

Note 4: The above borrowings, guarantees and obligations were outstanding for the following purposes:

	December 31, 2006		March 31, 2006	
	(\$ Thousands)	(\$ Per Capita) (Note 5)	(\$ Thousands)	(\$ Per Capita) (Note 5)
General Government Programs	6,355,330	5,393	6,582,745	5,598
Manitoba Hydro	6,630,254	5,626	6,524,289	5,548
Capital Investments	532,609	452	463,766	394
Health Facilities	734,834	624	766,834	652
Government Enterprises and Other (Note 6)	502,336	426	502,336	427
Other Crown Organizations	1,309,611	1,111	1,272,126	1,082
	<u>16,064,974</u> (Note 7)	<u>13,633</u>	<u>16,112,096</u>	<u>13,701</u>

Note 5: Per capita data is based upon population figures at October 1, 2006 and April 1, 2006 as reported by Statistics Canada.

Note 6: In 2003/04, the Province, in accordance with PSAB GAAP, changed its accounting treatment for certain amounts owed to Canada and for debentures issued by certain school boards and hospitals, the debt service of which is paid with future grants from the Government. Amounts owed to the federal government over time, which were previously treated as accounts payable are now accounted for as loans payable. Debentures issued by school boards and hospitals, were previously recognized as an expense over the life of the debentures as grants for debt service were made and held by the Provincial Sinking Fund and Manitoba Public Insurance (MPI), (a Crown corporation). Now the obligation to fund debt principal payments is expensed in full at the time the debenture is issued. Any of these debentures held by MPI are recorded as "Loans Payable to Government Enterprises." The Government also recognized a loan payable in respect of the pension liability of the Manitoba Liquor Control Commission.

Note 7: Provincial borrowings, guarantees and obligations decreased by \$47.1 million. This decrease was primarily due to matured General Government Program and Health Facilities borrowings which have not yet been refinanced offset by new part B Capital requirements and funding of Manitoba Hydro's capital program. Manitoba Hydro's U.S. dollar revenues are sufficient to pay the interest and principal on all outstanding U.S. dollar borrowings.

Provincial Borrowings, Guarantees and Obligations

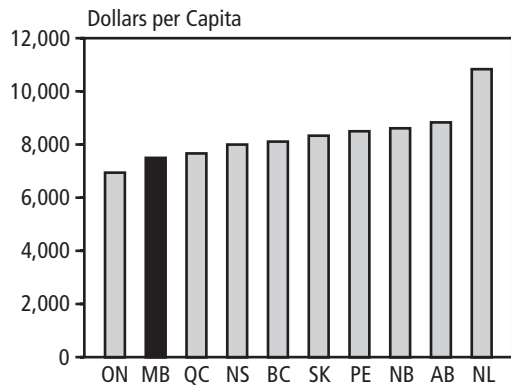
Net Maturities - December 31, 2006 to March 31, 2044

	Canadian Valuation Payable In		Net Maturities
	Canadian Dollars	U.S. Dollars	
		(Millions of Dollars)	
2006/07	70	-	70
2007/08	1,035	-	1,035
2008/09	1,858	-	1,858
2009/10	689	108	797
2010/11	880	291	1,171
2011/12	570	-	570
2012/13	216	-	216
2013/14	790	394	1,184
2015 - 19	3,149	1,049	4,198
2020 - 24	341	350	691
2025 - 29	593	-	593
2030 - 44	3,277	-	3,277
Treasury Bills and Promissory Notes	405	-	405
	<u>13,873</u>	<u>2,192</u>	<u>16,065</u>

The above table is based on foreign exchange rates at December 31, 2006.

INTERPROVINCIAL COMPARISONS

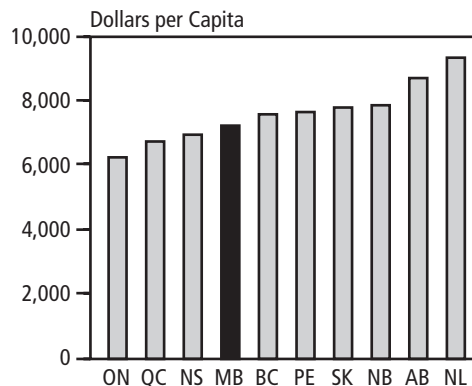
Total Expenditure by Province, 2006/07(p)



p - Preliminary

Sources: Provincial government financial reports and Statistics Canada

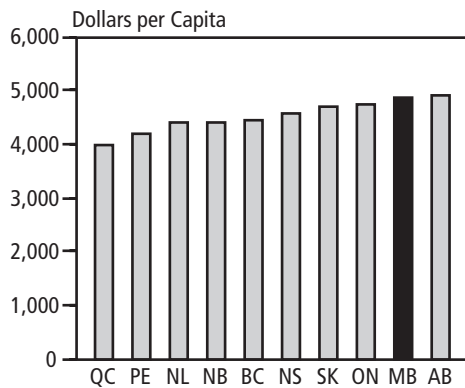
Program Expenditure by Province, 2006/07(p)



p - Preliminary

Sources: Provincial government financial reports and Statistics Canada

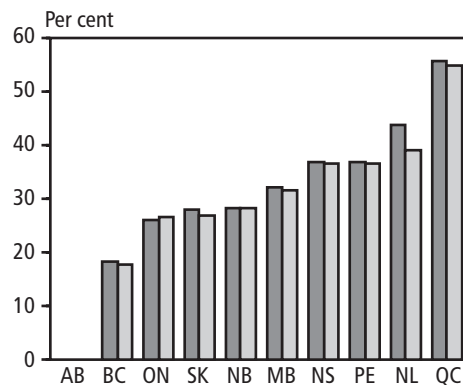
Health Expenditure by Province, 2006(p)



p - Preliminary

Source: Canadian Institute for Health Information

Debt to GDP Ratio by Province, 2005/06 and 2006/07(b)



b - Budget

Legend: 2005/06 (dark grey), 2006/07b (light grey)

Source: Dominion Bond Rating Service

Budget Paper C

**TAXATION
ADJUSTMENTS**

TAXATION ADJUSTMENTS

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■ SUMMARY OF 2007 TAX MEASURES

All amounts are revenue reductions or expenditure increases

	2007/08	Full Year ¹
	(Millions of Dollars)	
Ongoing Tax Reductions²		
Personal Tax Reductions	35.3	35.3
Business Tax Reductions	24.9	24.9
	60.2	60.2
Personal Tax Measures		
Manitoba Tuition Fee Income Tax Rebate introduced	11.5	94.0
Education Property Tax Credit Base Amount increased ³	40.0	40.0
Middle Rate decreased, Threshold moved upward	4.5	17.9
Basic Personal Amount increased	3.1	12.5
Pension Income Splitting introduced ⁴	11.0	11.0
Spousal and Eligible Dependent Amounts increased	1.9	7.7
Family Tax Benefit replaces Family Tax Reduction	0.4	1.5
Lifetime Capital Gains Exemption increased ⁴	0.9	1.2
Manitoba Mineral Exploration Tax Credit	0.2	0.6
	73.5	186.4
Farm and Green Measures		
Farmland School Tax Rebate increased ³	2.2	8.9
Green Energy Manufacturing Tax Credit introduced	0.0	5.0
RST Exemption for Slurry Tanks and Lagoon Liners extended	0.2	0.3
	2.4	14.2
Business Tax Measures		
General Corporation Income Tax Rate reduced	0.0	27.4
Film and Video Production Tax Credit extended	0.0	17.6
Corporation Capital Tax Rates reduced	0.0	16.0
Small Business Rate reduced	2.6	10.5
Capital Cost Allowance Rates for Manufacturers increased ⁴	3.8	7.5
Health and Post-Secondary Education Tax Levy exemption increased	1.8	7.0
Community Enterprise Development Tax Credit expanded	0.5	5.0
Manufacturing Investment Tax Credit refundability enhanced	0.5	2.1
	9.2	93.1
Other Changes⁴	2.4	3.3
Change, 2007 Budget	87.5	297.0
Change, 2007/08 and Subsequent Years	147.7	357.2

¹ Does not include changes that are announced subject to budget balancing requirements.

² Ongoing tax reductions are those that were announced in previous budgets to take effect in 2007. These are: (a) the decrease in the middle-bracket PIT rate from 13.5% to 13.0% and the increase in the Basic Personal Amount by \$100; (b) the decrease in the general CIT rate from 14.5% to 14.0%; (c) the decrease in the small business CIT rate from 4.5% to 3.0%; and (d) the MB Children's Fitness Tax Credit.

³ Expenditure increase

⁴ Parallels federal budget changes, pursuant to the Tax Collection Agreement

■ ONGOING TAX REDUCTIONS

Manitoba Children's Fitness Tax Credit

(2007/08 revenue impact: \$-3.0 million)

Effective January 1, 2007, the Manitoba Children's Fitness Tax Credit parallels the new federal Children's Fitness Tax Credit. Parents may claim payments totalling up to \$500 made to register a child under the age of 16 in a program of physical activity. The claimable amount increases to \$1,000 for children under age 18 with disabilities. The maximum combined federal and Manitoba credit is \$132 per eligible child (\$264 for a child with a disability). The rules for the federal tax credit will determine which fitness programs are eligible for the Manitoba tax credit. Manitoba's intention to parallel the federal program was announced in Budget 2006, before details of the federal program were known.

For more information, contact Location B, page C10.

■ EDUCATION PROPERTY TAX CREDIT BASE AMOUNT

(2007/08 expenditure impact: \$40 million)

The base amount of this credit is increased from \$400 to \$525. The majority of homeowners will have this amount subtracted from their 2007 property tax bills, with the Province reimbursing school divisions and municipalities accordingly. Renters will receive the increased amount when they file their 2007 income taxes.

For more information, contact Location B, page C10.

■ PERSONAL INCOME TAX

Manitoba Tuition Fee Income Tax Rebate

(2007/08 revenue impact: \$-11.5 million)

If you graduate on or after January 1, 2007 from a post-secondary institution recognized by the Canada Revenue Agency, and you now work and pay income tax in Manitoba, you can claim 60% of eligible tuition fees paid on or after January 1, 2004. The maximum lifetime rebate is \$25,000 (equivalent to a 60% rebate on tuition fees of \$41,667). The rebate does not affect bursaries and scholarships or existing tax credits for education and tuition fees. Recognized institutions may be located anywhere in the world, and include private colleges.

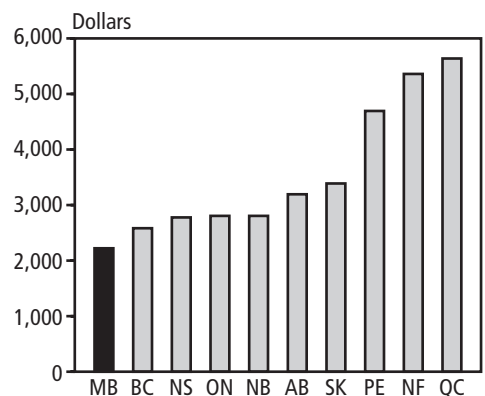
The maximum claim *per year* is the least of all of the following:

- Manitoba income tax payable in the tax year;
- 10% of eligible tuition fees (10% of eligible tuition fees per year for six years totals 60% of fees);
- \$2,500.

Unused claims can be carried forward for up to 20 years.

For more information, contact Location B, page C10.

Provincial Income Tax after Graduate Credits and Tuition Rebates Single person at \$50,000¹



Income tax includes the Saskatchewan Post-Secondary Graduate Tax Credit (\$1,100), the New Brunswick Tuition Tax Cash Back (\$2,000), the Nova Scotia Post-Secondary Graduate Tax Credit (\$2,000) and the Manitoba Tuition Fee Income Tax Rebate (\$2,500).

¹Includes credits for CPP, EI and the basic personal amount.

Source: Manitoba Finance

Basic Personal Amount

(2007/08 revenue impact: \$-3.1 million)

The Basic Personal Amount (BPA) is increased by \$200 to \$8,034, effective January 1, 2008. This change saves taxpayers \$12.5 million annually and eliminates provincial income tax for about 4,000 taxfilers.

The BPA was increased in 2000, 2001, 2002, 2006 and 2007. The credit rate applied to the BPA, to determine the actual credit, was increased in 2001.

	Basic Personal Amount	Credit Rate	Value of Basic Personal Tax Credit
1999	\$6,794	8.25%	\$560.51
2008	\$8,034	10.90%	\$875.71
Increase			\$315.20, or 56.2%

This table shows that when the increases in both the BPA and the credit rate are taken into account, the actual credit Manitobans receive has risen 56%, well in excess of the 20% inflation over the period.

For more information, contact Location B, page C10.

Pension Income Splitting

(2007/08 revenue impact: \$-11.0 million)

The Province will parallel the new federal pension income-splitting measure effective January 1, 2007. This means the higher-income spouse can transfer to the lower-income spouse up to 50% of eligible pension income by joint election. For those under 65, eligible pension income includes lifetime annuity payments under a Registered Pension Plan (RPP) and certain other payments received as a result of the death of the spouse. For those 65 and over, eligible pension income includes lifetime annuity payments under a RPP, Registered Retirement Savings Plan (RRSP) or a deferred profit-sharing plan, and payments received from a registered retirement income fund (RRIF). A senior couple with income of \$60,000 received mostly by one spouse could typically save about \$811 or 18% of their current Manitoba tax liability, from the income-splitting change alone.

For more information, contact Location B, page C10.

Spousal Amount and Eligible Dependent Amount

(2007/08 revenue impact: \$-1.9 million)

A taxpayer can claim a non-refundable tax credit for a dependent spouse (the spouse or common-law partner amount) or, if the taxpayer is a single parent, for one dependent child under 18 (the amount for an eligible dependent). The maximum value of these amounts, \$6,482, is reduced by any income earned by the dependent. Effective January 1, 2008, the maximum spouse or common-law partner amount is raised from \$6,482 to \$8,034, to equal the Basic Personal Amount. This 24% increase will better recognize the situation of households where two or more people rely on a single income. It will remove 2,000 Manitobans from the tax rolls and will reduce taxes by \$7.7 million annually.

For more information, contact Location B, page C10.

Bracket and Rate Changes

(2007/08 revenue impact: \$-4.5 million)

Effective January 1, 2008, the middle bracket tax rate falls from 13.0% to 12.75% and the threshold between the middle and top brackets rises from \$65,000 to \$66,000. As a result, taxable income between \$30,544 and \$66,000 is taxed at 12.75%, down from 13.0% for income up to \$65,000, and down from 17.4% for income between \$65,000 and \$66,000. This change benefits all taxpayers with taxable income in excess of \$30,544; in total they save \$17.9 million on a full-year basis.

This is the beginning of a plan, subject to budget balancing requirements, to reduce the first bracket rate to 10.5% and the middle bracket rate to 12.75% by 2011. At the same time, the entire middle tax bracket will be moved upwards to the range between \$35,000 and \$70,000. These further changes, when complete, are projected to save Manitoba income tax payers an additional \$77 million annually; all taxpayers will benefit. As budgetary circumstances permit, additional rate and threshold changes will be introduced to give middle-income earners an over-all saving of 10% compared to 2007.

Tax Year	First Bracket Rate	Middle Bracket Threshold	Middle Bracket Rate	Top Bracket Threshold
2007	10.90%	\$30,544	13.00%	\$65,000
2008	10.90%	\$30,544	12.75%	\$66,000
2009	10.80%	\$31,000	12.75%	\$67,000
2010	10.70%	\$32,000	12.75%	\$68,000
2011	10.50%	\$35,000	12.75%	\$70,000

Note: all changes planned after 2008 are subject to balanced budget requirements.

For more information, contact Location B, page C10.

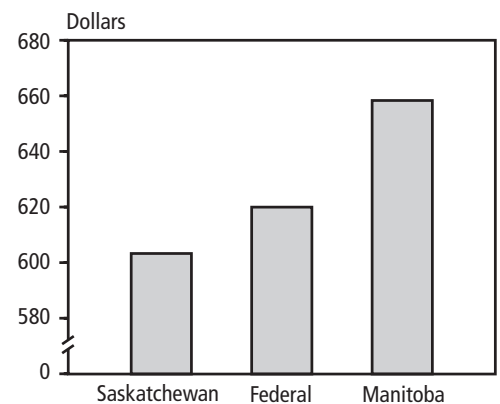
Manitoba Family Tax Benefit

(2007/08 revenue impact: \$ -0.4 million)

The calculation of Manitoba tax currently involves four steps once taxable income has been determined: a) Manitoba tax on taxable income is calculated; from which b) non-refundable tax credits are subtracted; c) the Family Tax Reduction (FTR) is subtracted; and d) other credits are subtracted. Effective January 1, 2008, the FTR is folded into a renamed Manitoba Family Tax Benefit under the non-refundable tax credit block. One calculation step is removed, and the process is streamlined. This change does not affect eligibility, or reduce benefits for any taxpayers. The measure saves taxpayers \$1.5 million annually on a full-year basis. Benefits are available for the taxpayer, and for an inclusive list of dependants including: a spouse or equivalent; children under 18; and other disabled relatives over 18 who are dependant upon the taxpayer. There is an additional amount for any of the above who are disabled or 65 and over.

For more information, contact Location B, page C10.

Tax Savings due to Non-Refundable Family and Child Credits, 2008



Note - One-earner family of four earning \$40,000. Comparison of tax savings:
 • Saskatchewan amount for dependent children
 • federal Child Tax Benefit
 • Manitoba Family Tax Benefit
 Source: Manitoba Finance

Lifetime Capital Gains Exemption

(2007/08 revenue impact: \$-0.9 million)

In parallel with federal changes already announced, the lifetime capital gains exemption limit on the disposition of qualified farm and fishing property or qualified small business corporations shares is increased from \$500,000 to \$750,000, on dispositions after March 18, 2007. The full-year revenue impact of this measure is \$-1.2 million.

For more information, contact Location B, page C10.

Manitoba Mineral Exploration Tax Credit

(2007/08 revenue impact: \$-0.2 million)

Originally introduced in Budget 2002, the Manitoba Mineral Exploration Tax Credit is a 10 per cent non-refundable personal income tax credit. The credit is earned when Manitobans purchase flow-through shares in exploration companies to finance Manitoba exploration projects. Combined with the renewed 15 per cent federal exploration tax credit announced recently, this gives an additional incentive to invest in the province's mineral exploration. This credit is extended for one year, to March 31, 2008. Funds raised can be spent on eligible exploration up to the end of 2009. This change will save taxpayers about \$0.6 million on a full-year basis.

For more information, contact Location H, page C10.

■ FARM AND GREEN MEASURES

Farmland School Tax Rebate

(2007/08 expenditure impact: \$2.2 million)

In 2004, the Farmland School Tax Rebate was introduced as a 33% Provincial rebate of school division taxes on farmland. In 2005, the rate was increased to 50%, and in 2006 to 60%. This year, the rate is increased to 65%, bringing tax savings for Manitoba's farm community to \$28.8 million annually. Further, the rebate rates for 2008, 2009, and 2010 are increased to 70%, 75%, and 80%, respectively. At 80%, the rebate will provide annual tax savings of \$35.2 million. The rebate does not reduce the amount of revenue collected by school divisions.

For more information, contact Location E, page C10.

Green Energy Manufacturing Tax Credit

(2007/08 revenue impact: \$0)

In order to promote the production and purchase for use in Manitoba of new machinery and equipment used to generate renewable energy, the Green Energy Manufacturing Tax Credit is introduced. The refundable income tax credit will be equal to 10% of the value of qualifying property produced in Manitoba and sold for residential or commercial use in Manitoba before 2019. Qualifying property will initially include equipment for wind power, solar energy, geothermal energy, and hydrogen fuel cells. Transmission and distribution systems and storage equipment will not qualify for the credit. The 2007/08 revenue impact is expected to be negligible. The anticipated full-year revenue impact of the tax credit is \$-5.0 million.

For more information, contact Location A, page C10.

Retail Sales Tax Exemption for Slurry Tanks and Lagoon Liners

(2007/08 revenue impact: \$-0.2 million)

To promote environmentally safe handling of animal waste on farms, the Retail Sales Tax exemption on manure slurry tanks and lagoon liners for use in farm livestock operations is extended for a further two years, to June 30, 2009. The full-year revenue impact is \$-0.3 million. This measure builds on existing sales tax exemptions for manure treatment – biodigesters, composters, and separation systems – and manure and fertilizer application equipment, including specialized equipment for precision or variable-rate application.

For more information, contact Location C, page C10.

■ CORPORATION INCOME TAX

General Rate

(no revenue impact until 2008/09)

The general corporation income tax rate is reduced from 14.0% to 13.0% effective July 1, 2008, reducing taxes by \$27.4 million on a full-year basis. This reduction was announced in Budget 2006 subject to budget balancing requirements, and is now confirmed. The rate will be further reduced to 12.0%, subject to budget balancing requirements, effective July 1, 2009.

For more information, contact Location A, page C10.

Small Business Rate

(2007/08 revenue impact: \$-2.6 million)

The rate is reduced from 3% to 2% effective January 1, 2008, reducing taxes by \$10.5 million on a full-year basis. It will be further reduced to 1% effective January 1, 2009, subject to budget balancing requirements. The rate was reduced from 4.5% to 3.0% for 2007. The small business dividend tax credit rate will be reduced correspondingly to maintain integration of personal and corporation income tax.

For more information, contact Location A, page C10.

Reduction of Corporation Income Tax Rates since 1999

Taxable Income	1999	2007	2008	2009
Up to \$200,000	8.0% ¹	3.0%	2.0%	1.0% ²
\$200,000 to \$400,000	17.0%	3.0%	2.0%	1.0% ²
Over \$400,000	17.0%	14.0%	13.0% ³	12.0% ^{2,3}

¹ Rate reduced from 9.0% July 1, 1999

² Subject to budget balancing requirements

³ Effective July 1

Film and Video Production Tax Credit

(no additional revenue impact until 2008/09)

This credit, which is scheduled to expire in March 2008, is extended for a further three years, to March 1, 2011. The full-year impact on revenue is projected to be \$-17.6 million.

For more information, contact Location F, page C10.

Capital Cost Allowance Rates for Manufacturers

(2007/08 revenue impact: \$-3.8 million)

In parallel with federal changes already announced, the capital cost allowance rate for manufacturing or processing machinery and equipment is improved from a 30% declining-balance write-off to a 50% straight-line write-off, on acquisitions after March 18, 2007 and before 2009.

Additionally, the capital cost allowance rate on buildings used in manufacturing or processing is increased from 4% to 10%, on acquisitions after March 18, 2007.

The full-year revenue impact of these measures is \$-7.5 million.

For more information, contact Location A, page C10.

Community Enterprise Development Tax Credit

(2007/08 revenue impact: \$-0.5 million)

Budget 2003 introduced the 30% Community Enterprise Development Tax Credit to encourage Manitobans to invest in their communities and provide community-based enterprise development projects with the means to raise necessary equity capital. The credit is a non-refundable personal income tax credit for resident investors who acquire qualifying securities in eligible community enterprise development projects.

The program is broadened to include a new 30% provincial non-refundable income tax credit for individuals and corporations in Manitoba who invest directly in emerging enterprises that require larger amounts of investment capital than community ownership could provide. The credit will apply to eligible securities acquired on or after January 1, 2008. The minimum investment amount by an investor will be \$20,000, and the maximum annual tax credit claimable by an investor will be \$45,000. The lifetime limit on the amount that an investor can contribute to a qualifying investee corporation will be \$450,000. Securities will not qualify as registered savings plan investments. The full-year revenue impact is projected to be \$-5.0 million.

For more information, contact Location G, page C10.

Manufacturing Investment Tax Credit

(2007/08 revenue impact: \$ -0.5 million)

The refundable portion of this credit is raised from 35% to 50% for qualified property acquired on or after January 1, 2008. This allows firms without taxable income to take immediate advantage of the MITC. This change will have a revenue impact of \$-2.1 million on a full-year basis. This credit was made refundable at the 20% level by the 2005 Budget, and at the 35% level by the 2006 Budget.

For more information, contact Location A, page C10.

■ CORPORATION CAPITAL TAX

(no revenue impact until 2008/09)

The first stage of the announced phaseout of the general Corporation Capital Tax (CCT) was scheduled to take effect for corporations with fiscal years commencing after July 1, 2008, subject to budget balancing requirements. The reduction is now confirmed and is moved forward to apply to corporations with fiscal years commencing after January 1, 2008. The general CCT rate for corporations with total paid-up capital over \$21 million will be reduced from 0.5% to 0.4% and the rate for corporations with total paid-up capital between \$10 million and \$20 million will be reduced from 0.3% to 0.2%. (There is a notch provision for total paid-up capital between \$20 million and \$21 million.) The full-year revenue impact of these changes is \$-16.0 million.

This Budget commits Manitoba to eliminate the general CCT, except for Crown corporations, as of December 31, 2010, subject to budget balancing requirements.

For more information, contact Location C, page C10.

■ HEALTH & POST-SECONDARY EDUCATION TAX LEVY

(2007/08 revenue impact: \$-1.8 million)

Effective January 1, 2008, the payroll exemption under this levy is raised from \$1.0 million to \$1.25 million of annual payroll. In addition, the threshold below which employers pay a reduced rate is raised from \$2.0 million to \$2.5 million. The full-year revenue impact of this measure is \$-7.0 million. Less than 5% of all Manitoba employers currently pay this tax. The new higher threshold benefits one-third of those paying: 200 employers will be fully exempted and an additional 600 will pay less tax.

For more information, contact Location C, page C10.

■ OTHER CHANGES PURSUANT TO THE TAX COLLECTION AGREEMENT

These measures parallel federal income tax changes announced in the 2007 federal budget. The full-year revenue impact of these measures is expected to be \$-3.3 million.

Personal Tax Measures

(2007/08 revenue impact: \$-1.2 million)

- The tax benefit of donating securities to public charities is now extended to gifts to private foundations. (See page C21 for an example.)
- The meal expense deduction for long-haul truckers is increased from 50% to 80% over the next five years.
- The age limit for maturing Registered Pension Plans and Registered Retirement Savings Plans is increased from 69 to 71.

Business Tax Measures

(2007/08 revenue impact: \$-1.2 million)

- The Capital Cost Allowance rates for non-residential buildings, computer equipment and certain assets related to the natural gas industry are increased to more accurately reflect their useful lives.
- Class 43.2 energy conservation and energy efficient property is broadened to include a wider range of applications and is extended to expire in 2020 instead of 2012.
- An increased tax deduction for donations by corporations of inventoried medicines destined for developing countries is introduced.
- Several measures regarding international taxation are introduced.

■ TECHNICAL AND ADMINISTRATIVE MEASURES

(no revenue impact in 2007/08)

- *The Insurance Corporations Tax Act* will be amended to allow for the discretionary waiver of interest and penalties. *For more information, contact Location D, page C10.*
- A regulation will be introduced allowing a new intake of applications for the Riparian Tax Credit. *For more information, contact Location B, page C10.*
- To reduce paperwork and tax administration costs for businesses, the following measures will be implemented:
 - Elimination of the requirement for crafters, hobbyists and other small home-based businesses to register and collect Retail Sales Tax.
 - Elimination of the quarterly installment requirement for corporations that remit Corporation Capital Tax of \$5,000 or less per year.
 - Amalgamation of the application of sales tax on electricity and natural gas under *The Retail Sales Tax Act*.

For more information, contact Location D, page C10.

■ CONTACTS FOR FURTHER INFORMATION

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Manitoba Finance

Telephone: 204-945-3757
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B: *Manitoba Tax Assistance Office*

Manitoba Finance

Telephone: 204-948-2115 in Winnipeg
Toll-free: 1-800-782-0771
Fax: 204-948-2263
e-mail: tao@gov.mb.ca

C: *Taxation Division*

Manitoba Finance

Telephone in Winnipeg: 204-945-5603
in Brandon: 204-726-6153
Toll-free: 1-800-782-0318 (to Winnipeg office)
Fax: 204-945-0896
e-mail: mbtax@gov.mb.ca

D: *Financial Institutions Regulation Branch*

Consumer and Corporate Affairs Division

Manitoba Finance

Telephone 204-945-2542
Fax: 204-948-2268
e-mail: insurance@gov.mb.ca

E: *Manitoba Agricultural Services Corporation (MASC)*

Telephone 204-726-7068
Fax: 204-726-6849
e-mail: fstr@masc.mb.ca

F: *Manitoba Film & Sound*

Recording Development Corporation

Telephone 204-947-2040
Fax: 204-956-5261
e-mail: explore@mbfilmsound.mb.ca

G: *Financial Services, Business Services Division*

Manitoba Competitiveness, Training and Trade

Telephone 204-945-0141
Fax: 204-945-1193

H: *Minerals Policy and Business Development Unit*

Mineral Resources Division

Manitoba Science, Technology, Energy and Mines

Telephone 204-945-6564
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e-mail: minesinfo@gov.mb.ca

■ PERSONAL TAX SAVINGS SINCE 1999

Personal Income Taxes, Education Property Tax Credits, Residential Education Support Levy and Farmland School Tax Rebate

	Implemented in Tax Year:											Cumulative Annual Totals
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
	(Millions of Dollars)											(Millions of Dollars)
Income Tax Reductions¹												
2000 Budget	9	68	34									111
2001 Budget		29	7	18								54
2002 Budget			15									15
2003 Budget					39							39
2005 Budget							30					30
2006 Budget							8	34				42
2007 Budget								25	51	28	16	119
Total												410
Property Tax Reductions²												
2000 Budget	26											26
2001 Budget		27										27
2002 Budget			10									10
2003 Budget				19								19
2004 Budget					23							23
2005 Budget						37						37
2006 Budget							39					39
2007 Budget								42	2	2	2	49
Total												230
Annual Totals	35	124	67	37	62	37	77	101	53	30	18	
Cumulative Annual Totals	35	159	226	262	324	361	438	539	592	622	640	640

Totals may not add due to rounding.

¹ Measures that are subject to budget balancing requirements are not included.

² Property tax reductions result from increases to the Education Property Tax Credit; implementation of, and subsequent increases in the Farmland School Tax Rebate; and reductions in the Residential Education Support Levy, which was phased out completely in 2006.

■ MANITOBA INCOME TAX SAVINGS FOR TYPICAL TAXPAYERS

Income*	Tax in 1999	Tax Savings		Cumulative Savings over 8 Years	2008 Savings over 1999
		in 2007	in 2008		
	(Dollars)			(Dollars)	(Percentage)
SINGLE PERSON					
10,000	178	124	146	894	82.0
20,000	1,369	200	222	1,540	16.2
40,000	4,012	583	629	3,759	15.7
70,000	9,153	1,624	1,778	9,667	19.4
100,000	14,572	1,823	1,977	11,392	13.6
SENIOR COUPLE¹					
30,000	571	539	571	4,060	100.0
40,000	1,632	519	562	3,949	34.4
60,000	4,542	803	860	5,726	18.9
80,000	7,844	1,201	1,292	7,697	16.5
FAMILY OF FOUR – ONE EARNER²					
25,000	591	391	511	3,183	86.5
40,000	2,891	820	964	5,741	33.3
60,000	6,625	1,778	1,972	11,409	29.8
75,000	9,435	2,051	2,304	13,151	24.4
100,000	13,951	1,972	2,225	12,599	15.9
FAMILY OF FOUR – TWO EARNERS²					
30,000	691	321	365	2,672	52.8
40,000	1,453	373	416	3,283	28.6
60,000	4,107	739	796	5,754	19.4
80,000	7,169	1,315	1,402	9,088	19.6
100,000	10,188	1,762	1,889	11,403	18.5

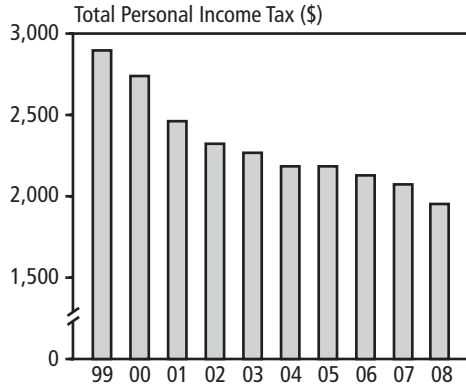
¹ For the senior couple example, it is assumed that both spouses receive private pension income and the Old Age Security Pension, with the principal taxfiler receiving 60% of the total private pension amount and the other taxfiler receiving 40%.

² It is assumed that taxfilers in the single and family examples have earned income and pay Canada Pension Plan and Employment Insurance premiums. In the two-earner family, it is assumed one taxfiler earns 60% of the income and the other earns 40% and pays child care fees. The Children's Fitness Tax Credit is also claimed for one child in both family examples.

* Income does not reflect UCCB entitlements but entitlements have been used to determine year-over-year savings.

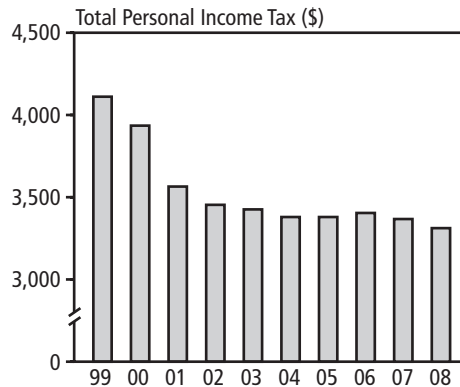
MANITOBA INCOME TAXES SINCE 1999

One-Earner Family of Four at \$40,000



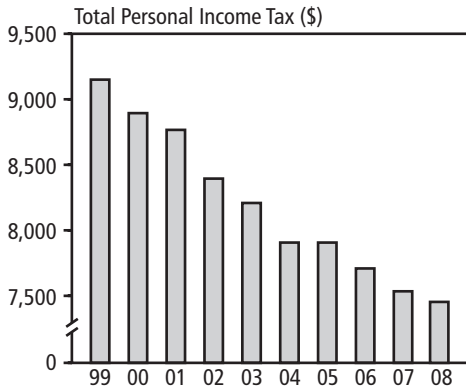
Source: Manitoba Finance

Two-Earner Family of Four at \$60,000



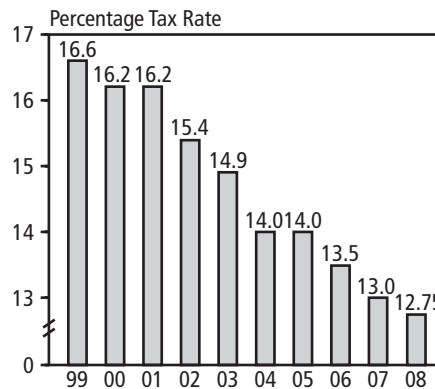
Source: Manitoba Finance

Single Individual at \$70,000



Source: Manitoba Finance

History of Middle Bracket Rate Reductions



Source: Manitoba Finance

■ 2007 INTERPROVINCIAL COMPARISON OF TAX RATES

Shows rate applicable on December 31, 2007.

	BC	AB	SK	MB	ON
Personal Income Tax					
Top Marginal Rate (%) ¹	14.70	10.00	15.00	17.40	17.41
Health Care Premiums (\$) ²	1,296	1,056	----	----	0 to 900
Corporation Income Tax (%)					
Small	4.50	3.00	4.50	3.00	5.50
Large	12.00	10.00	13.00	14.00	14.00
Manufacturing	12.00	10.00	10.00	14.00	12.00
Small business threshold (\$000)	400	430	450	400	400
Capital Tax (%) ³	----	----	0.15	0.3	0.285
Banks	3.00	----	3.25	3.00	0.90
Employer Payroll Tax (%) ⁴	----	----	----	2.15	1.95
Sales Tax (%) ⁵	7.00	----	5.00	7.00	8.00
Diesel Fuel Tax (¢/l) ⁶	15.00	9.00	15.00	11.50	14.30
Gasoline Tax (¢/l) ⁷	14.50	9.00	15.00	11.50	14.70
Tobacco Tax (¢/cigarette) ⁸	17.90	16.00	18.30	17.50	12.35
Corporate Income Tax Credits					
Manufacturing (%) ⁹	-	-	5.00	10.00	-
Research & Development (%) ¹⁰	10.00	-	15.00	20.00	10.00

¹ Top marginal provincial rates include surtaxes paid by taxpayers in the highest bracket. For more detailed interprovincial comparisons of personal income taxes, see The Manitoba Advantage.

² The premiums for the QC Prescription Drug Plan are based on income and are a maximum of \$521 for a single person and \$1,042 for a family. The premiums for BC and AB are family rates; lower rates apply for individuals. ON calculates premiums based upon taxable income: for incomes of \$20,000 or less the premium is zero and the maximum premium of \$900 is reached at an income of \$200,600.

³ MB has a \$10 million deduction and a 0.5% rate on paid-up capital in excess of \$21 million. SK exempts capital tax on new capital. On existing capital, SK has a \$10 million deduction, a \$10 million supplemental deduction based on a company's wage allocation to SK, and a surcharge of up to 3.6% for resource companies. ON has a \$12.5 million deduction. NB and NS have a \$5 million deduction. QC has a \$1 million exemption and graduated rate reductions for the range between \$1 million and \$4 million.

⁴ NL exempts firms with payrolls of less than \$600,000. ON exempts firms with payrolls of less than \$400,000. MB exempts firms with payrolls of less than \$1 million. QC has graduated rates for firms with payrolls of under \$5 million.

■ FEDERAL AND MANITOBA INCOME TAX RATES, 2007

Personal Income Tax Rates

Federal		Manitoba	
Rate	Taxable Income Range	Rate	Taxable Income Range
15.5%	\$0 - \$37,177	10.9%	\$0 - \$30,544
22%	\$37,178 - \$74,357	13.0%	\$30,545 - \$65,000
26%	\$74,358 - \$120,887	17.4%	over \$65,000
29%	over \$120,887		

QC	NB	NS	PE	NL	
19.22	17.95	19.25	18.37	19.64	Personal Income Tax
0 to 1042	----	----	----	----	Top Marginal Rate (%) ¹
8.00	5.00	5.00	4.30	5.00	Health Care Premiums (\$)²
9.90	13.00	16.00	16.00	14.00	Corporation Income Tax (%)
9.90	13.00	16.00	16.00	5.00	Small
400	400	400	400	400	Large
0.49	0.20	0.225	----	----	Manufacturing
0.98	3.00	4.00	5.00	4.00	Small business threshold (\$000)
4.26	----	----	----	2.00	Capital Tax (%)³
7.50	8.00	8.00	10.00	8.00	Banks
16.20	16.90	15.40	11.50	16.50	Employer Payroll Tax (%)⁴
15.20	10.70	15.50	11.50	16.50	Sales Tax (%)⁵
10.30	11.75	16.52	17.45	18.00	Diesel Fuel Tax (¢/l)⁶
-	-	-	10.00	-	Gasoline Tax (¢/l)⁷
	15.00	15.00	-	15.00	Tobacco Tax (¢/cigarette)⁸
					Corporate Income Tax Credits
					Manufacturing (%)⁹
					Research & Development (%)¹⁰

⁵ Retail Sales Tax refers to general rate only. QC and PE apply the sales tax on top of QST- and GST-inclusive prices. Sales taxes in NB, NS and NL are harmonized with the federal Goods and Services Tax.

⁶ Vancouver and Victoria levy an additional 6 cents and 2.5 cents per litre respectively. QC applies QST and NB, NS and NL apply HST. PE applies provincial sales tax on wholesale price.

⁷ Vancouver, Victoria and Montreal levy an additional 6 cents, 2.5 cents and 1.5 cents per litre respectively. QC applies QST and NB, NS and NL apply HST. PE applies provincial sales tax on wholesale price.

⁸ SK, MB, NB, NS and NL apply sales tax to all tobacco products.

⁹ SK's credit is fully refundable. 50% of MB's credit is refundable. PE's credit is non-refundable.

¹⁰ ON, NB, NS, and NL's credit is refundable. SK and MB is non-refundable. BC's is refundable for expenditures by CCPCs of up to \$2 million.

Corporation Income Tax Rates

	Federal	Manitoba
Basic Rate*	21.00%	14.00%
Surtax	1.12%	
Total	22.12%	

* After provincial abatement and general rate reduction

Small Business Income Tax Rates

	Federal	Manitoba
Basic Rate	12.00%	3.0%
Surtax	1.12%	
Total	13.12%	
Threshold	\$400,000	\$400,000

■ APPENDIX: MANITOBA TAX EXPENDITURES 2006/07

Introduction

Governments use the tax system to pursue social, cultural and economic objectives in two ways: by direct spending of the revenue raised, and by providing targeted tax preferences to promote specific types of activity or behaviour. The targeted tax preferences can be thought of as tax expenditures since they have much the same effect as direct government spending. For example, direct grants for small businesses, and tax credits for people who invest in small businesses, could have quite similar costs and results.

A tax expenditure is measured as a deviation from a benchmark tax base. The expenditure can be in the form of a deduction, credit, preferential rate, deferral, or exemption. Tax expenditures may target taxpayers (ex: individuals, corporations); activities (ex: farming, film production, manufacturing); property (ex: machinery, equipment); sources of income (ex: pensions); transactions (ex: RRSP contributions); or events (ex: involuntary dispositions).

Accounting for Tax Expenditures

Tax expenditure accounts promote accountability and transparency in government programming. Direct expenditure programs are subject to review and approval by the Legislature and are published annually in the Public Accounts. Tax expenditures, on the other hand, are not recorded as individual line items but are absorbed into revenue estimates. Tax expenditures reduce government revenues that would otherwise have been available for various direct expenditures. Therefore, tax expenditure accounts not only help to enhance the visibility of programs, but promote public accountability as well.

Departments routinely estimate and evaluate the cost of various tax incentives as part of the annual budget process. It is generally understood that tax expenditure accounting in no way evaluates tax policy, nor does it address the desirability of the tax provisions, or their usefulness in achieving tax policy objectives. Tax expenditure accounts should not be associated with identifying tax loopholes or areas where reform is needed.

Limitations of Tax Expenditure Accounting

Tax expenditure accounting has important limitations that must be kept in mind when interpreting results.

1. There are no formal accounting guidelines for tax expenditures.
2. The value of each tax expenditure is estimated individually. Interactions between provisions are not taken into account. This has two effects. First, estimates for two or more tax expenditures cannot be added together to arrive at a combined value. Second, changing any one tax expenditure might affect the value of other tax expenditures.
3. The values in the account are estimates.

Point 2 can best be illustrated by example. Changing something that is a deduction from income (ex: RRSP contributions) would change reported net income. This in turn would change the value of tax credits, such as Manitoba's Personal Tax Credit, that depend on net income. The combined value of the tax expenditures listed in the account is substantially less than the sum of the individual items.

Reporting Tax Expenditures

Manitoba's tax expenditure accounts are separated into six sections: personal income tax, corporation income tax, payroll tax, retail sales tax, fuel taxes, and corporation capital tax. The estimates are calculated from tax collection and departmental data. The estimates provided are for the 2006/07 fiscal year. They do not include measures announced in the 2007 Budget, or measures announced in previous budgets for implementation after 2007.

Certain Manitoba personal income tax credits have the characteristics of tax expenditures but are, in fact, accounted for in Manitoba's Estimates of Expenditure. These credits are not included in the tax expenditure table. For the sake of comparison, these credits are listed below.

CREDITS ACCOUNTED FOR AS EXPENDITURE ITEMS

	<u>2006/07</u>
	(millions of dollars)
Education Property Tax Credit (including the Homeowner's Advance)	184.3
Personal Tax Credit.....	48.2
Farmland School Tax Rebate	24.6
School Tax Credit for Homeowners	2.6
Political Contribution Tax Credit (for individuals only)	0.9
Community Enterprise Development Tax Credit	0.6
Riparian Tax Credit.....	0.1

MANITOBA TAX EXPENDITURES, 2006/07

(Millions of Dollars)

PERSONAL INCOME TAX

(a) Adjustments to Income (in accordance with tax collection agreements)

Contributions to RRSPs	129.0
Contributions to RPPs	65.9
Capital gains inclusion rate.....	65.1
Lifetime capital gains exemption	25.3
Social assistance, WCB, and OAS/GIS (non-taxable income).....	18.5
Union dues and professional fees	14.6
Child-care expenses	10.9
Northern residents deduction.....	5.8
Pension Income Splitting.....	2.8
Moving expenses	1.6
Scholarship and bursary income exemption.....	1.3
Tradespeople's tool expense	0.4

(b) Non-refundable tax credits (basic credits provided federally and by all provinces)

Basic personal	563.4
CPP/EI	98.9
Charitable donations.....	61.1
Age	29.4
Tuition fees and education amount (\$400/month)	24.5
Medical expenses	22.6
Spousal	21.3
Eligible dependent	13.4
Private pension	11
Disability	9.8
Foreign tax credit.....	2.3
Caregiver	1.5
Student loan interest.....	0.9
Children's Fitness Tax Credit.....	0.8
Infirm dependents	0.1
Adoption Expenses Tax Credit.....	0.1

(c) Other Manitoba Tax Measures

Tuition Rebate Tax Credit	2.2
Labour-sponsored Venture Capital Corporations Tax Credit	1.5
Mineral Exploration Tax Credit.....	0.8
Overseas Employment Tax Credit	0.4

(Millions of Dollars)

CORPORATION INCOME TAX

Low rate for small business.....	112.7
Manufacturing investment tax credit.....	31.9
Research and development tax credit.....	15.0
Film and video production tax credit.....	17.6
Odour control tax credit.....	0.5
Co-operative education tax credit.....	0.6

PAYROLL TAX

\$1 million exemption.....	113.3
Exemption for interjurisdictional common carriers.....	12.1

RETAIL SALES TAX**Exemptions and Refund Programs**

Groceries.....	187.5
Farm machinery and repairs.....	42.3
Farm and organic fertilizer.....	21.6
Prescription drugs and medicine.....	18.3
Farm pesticides and herbicides.....	16.4
Books, free magazines and newspapers and school yearbooks.....	15.8
Medical supplies, appliances and equipment.....	12.0
Electricity used for manufacturing or mining.....	11.3
Natural gas for residential heating.....	11.2
Water supplied by a municipality.....	10.3
Children's clothing and footwear.....	9.5
Custom software and computer programming.....	6.2
Vehicle trade-ins.....	5.3
Toll-free calls.....	4.9
Electricity for residential heating.....	4.6
Vehicle private buy/sell refunds.....	2.9
Direct agents - manufacturing and service industries; drill bits and explosives used in mining industry.....	2.3
Municipal exemptions (including the purchase of ambulances, fire trucks and related equipment, and gravel or sand purchased by a municipality for its own use).....	1.4
Qualifying geophysical survey and explorations equipment, drill rigs and well servicing equipment used in oil and gas exploration and development.....	1.3
Feminine hygiene products.....	1.0
Mobile, ready-to-move and modular homes (point of sale reduction).....	0.8
Films for public broadcast.....	0.4
Farm manure slurry tanks and lagoon liners.....	0.3
Qualifying geophysical survey and exploration equipment and prototype mining equipment.....	0.1
Biodiesel.....	0.1

(Millions of Dollars)

FUEL TAXES

Marked gasoline and diesel	42.7
Gasohol taxed at lower rate	1.9

CORPORATION CAPITAL TAX

Capital deduction.....	31.5
Credit unions and caisses populaires exemption.....	14.6
Co-operatives exemption	0.7

All estimates are based on the most complete information available at the time of publication.

In some cases new information may significantly revise earlier estimates.

Source: Manitoba Finance Estimates, February 27, 2007

■ DONATIONS OF PUBLICLY LISTED SECURITIES TO REGISTERED CHARITIES AND FOUNDATIONS

The federal government and Manitoba provide tax credits for donations by individuals to charities and foundations (both public and private). These credits can cover almost half the value of the donation.

In addition, both levels of government no longer tax capital gains on appreciated securities when they are donated to a charity or foundation. Together, the tax credits and the capital gains exemption offer a significant incentive to donors. They provide an additional layer of support for the needs of charities, such as hospitals and universities, which receive much of their funding directly from the Province. In effect, charitable institutions and the foundations that support them can autonomously access what amounts to cost-sharing support from the federal and provincial governments through the tax system, without submitting a single grant application to governments.

In 2006, the federal government announced new tax incentives for individuals who make donations of publicly listed securities to a qualified donee, including registered charities and public foundations. In 2007, this was extended to include private foundations. Manitoba parallels the income tax treatment of this type of donation.

Where a share is disposed of for an amount greater than its cost, the appreciation is a capital gain. Generally, 50 per cent of such gains are included in taxable income. Donations of publicly listed securities to a qualified donee are eligible for preferential tax treatment. (Donated shares cannot be in a RSP and the amount claimable in any year cannot exceed 75 per cent of the donor's net income for that year.) The 2006 federal budget reduced the previous preferential capital gain inclusion rate for such donations from 25 per cent to zero, and Manitoba paralleled this change.

Example – 2007 Tax Rates

Assume the donation is made up of eligible appreciated securities with a fair market value of \$100,000, and that its original cost was \$40,000. The full capital gain inclusion would be \$30,000, or 50 per cent of the appreciation of \$60,000. In 2007, the capital gain inclusion for eligible contributions of this type is reduced to zero. Assume the donor has sufficient income for this level of donation, and is in the top income tax bracket: 29 per cent federal and 17.4 per cent provincial. Assume the donation is not part of the first \$200 claimed. Total savings would be as follows:

Donation (market value after appreciation)	\$100,000.00		
Original Securities book value	\$40,000.00		
Appreciation	\$60,000.00		
CALCULATIONS	Federal	MB	TOTAL
Tax credit on donation	\$29,000.00	\$17,400.00	\$46,400.00
Tax credit as per cent of donation	29.0%	17.4%	46.4%
Add: Capital gain tax reduction (2007)	\$8,700.00	\$5,220.00	\$13,920.00
Capital gain tax reduction as per cent of donation	8.7%	5.2%	13.9%
COMBINED Tax Saving	\$37,700.00	\$22,620.00	\$60,320.00
Combined Saving as per cent of Donation	37.7%	22.6%	60.3%
Net Cost of Donation			\$39,680.00

Budget Paper D

**THE
MANITOBA
ADVANTAGE**

THE MANITOBA ADVANTAGE

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■ THE MANITOBA ADVANTAGE

For many Manitobans, the heart of their province is “The Forks” of the Red and Assiniboine rivers. For thousands of years, people have come to The Forks to meet, trade and gather provisions. As early as 1,000 BC, Aboriginal peoples were camping there for extended periods, taking advantage of this key crossroad in the continental trade and transportation network.

With the arrival of Europeans, The Forks became an important location for both the Hudson’s Bay Company and the North West Company to store and ship supplies to trappers and furs to traders. Eventually, Fort Douglas and Fort Gibraltar (later renamed Fort Garry) were built near there.

Over the decades, the area was transformed from an outpost to a metropolis.

Manitoba, created in 1870, became the Gateway to the West and the heart of trade, commerce and production on the Prairies. Winnipeg, the new province’s capital, sprang up around The Forks and became the first home for tens of thousands of migrants coming west seeking opportunity. By 1891, Winnipeg’s population had rocketed to 150,000 from just 25,000 in 1871 as Manitoba became one of the fastest growing places in North America.

In 2007, Manitoba remains a critical component of the international economy. The province retains an integral role in a far-reaching trade and transportation corridor. The variety of goods and services produced has grown immensely. The community of Winnipeg, which developed from the temporary provisioning site at The Forks, is now one of North America’s major cosmopolitan centres, competing successfully in the global marketplace. Products and services are shipped from Manitoba to the rest of the world, produced by leading firms like Boeing Canada, Bristol Aerospace Limited, Standard Aero, Palliser Furniture Ltd., CanWest Global Communications Corp., Great-West Lifeco Inc., Investors Group, Agricore United, the North West Company, Motor Coach Industries, New Flyer, CVRD Inco Limited, Cangene, Biovail Corporation, Apotex Inc., Winpak Ltd., Pollard Banknote Limited and Bühler Industries.

Manitoba remains a focal point for both immigration and economic opportunity, a meeting place for people of many cultures and languages. Manitoba’s diverse cultural mix has now been enriched by decades of immigration from Europe, Africa, Asia and the Americas.

“Manitoba has a relatively stable economy, supported by one of Canada’s most diversified business mixes, declining dependence on primary sectors, below-average dependence on foreign trade, and one of the lowest unemployment rates in the country.”

DBRS, “Credit Rating Report”,
April 24, 2006



Along with English, French and First Nations languages like Cree and Ojibway, you will hear Manitobans speaking languages like Tagalog, Chinese, Vietnamese, Japanese, German, Icelandic, Ukrainian, Polish, Italian, Portuguese, Spanish, Hindi and Punjabi. With more than 10,000 new immigrants making Manitoba their home each year, the province's cultural fabric will continue to strengthen.

Manitoba's Top Exports are a Diverse Mix of Consumer and Industrial Goods including:

- Buses
- Aerospace
- Pharmaceuticals
- Industrial Chemicals
- Machinery
- Primary Metals
- Hydro-electricity
- Grains and Oilseeds
- Processed Foods
- Cattle and Hogs

Manitoba Top Export Destinations:

1. United States
2. Japan
3. China
4. Mexico
5. Hong Kong
6. Taiwan
7. Belgium
8. South Korea
9. India
10. United Kingdom

A vibrant business sector, economic opportunity, a rich cultural history and high levels of immigration – these are all part of Manitoba's personal and business advantage. A unique set of assets that we call "The Manitoba Advantage" includes:

- a productive, well-educated and multilingual labour force
- an extremely favourable business cost environment, including competitive office and land costs, low construction costs and affordable taxes
- one of North America's lowest electricity costs with highly reliable, renewable and environmentally responsible hydro-electricity
- modern and extensive communications infrastructure
- an extensive network of research and development facilities, supporting innovation and technology diffusion
- a convenient mid-continent location in the North American central time zone
- cost-effective transportation links and intermodal facilities providing shipping by road, rail, air and sea
- an extremely favourable cost of living, including among the lowest auto insurance rates and gasoline taxes in Canada
- reliable and accessible public services, including quality universal public health care and education
- safe communities, a dynamic cultural and artistic community, and an attractive natural environment within easy reach – all of which contribute to an unsurpassed quality of life.

This budget paper provides details on The Manitoba Advantage, including business and personal costs and taxes, facts on Manitoba's quality of life and Manitoba's Arts and Culture Advantage.

What is The Manitoba Advantage?

Manitoba has the most stable provincial economy in Canada. Over the last ten years, real GDP growth has been most consistent among provinces. To a large degree, this stability stems from the diverse economy. No single industry dominates the economic landscape. Rather, the province is home to several important industries producing a wide range of industrial and consumer goods: aerospace, bus manufacturing, food processing, health products and research, financial services, cultural industries, electricity, chemicals, agriculture and transportation. This economic certainty contributes to a more stable workforce and a predictable local business climate.

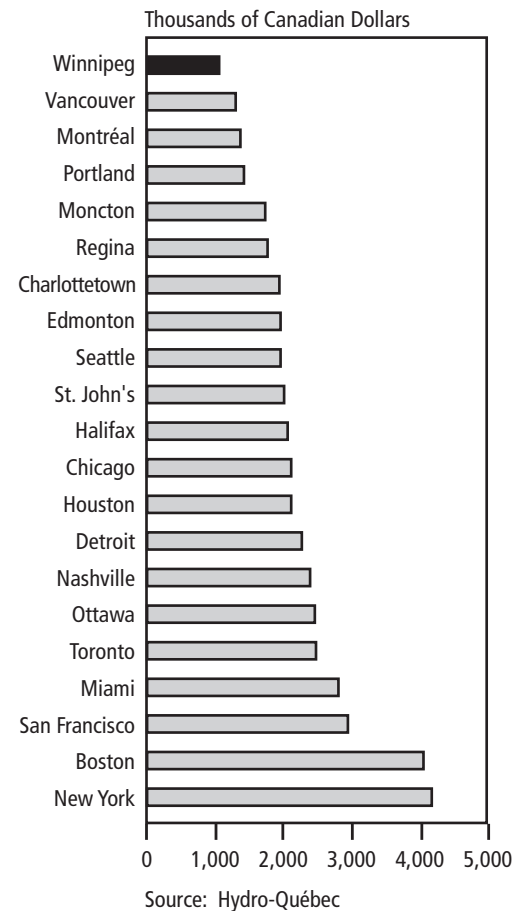
Manitoba's published hydro-electricity rates are among the lowest in the world. Manitoba Hydro, one of North America's major electricity companies, has generating capacity of over 5,000 megawatts (MW) and tremendous potential for future growth. Over 98% of the province's electricity is generated by clean, reliable and environmentally desirable water-powered facilities. In 2006, Manitoba became home to a new 99 MW wind farm, adding even more clean energy supply to Manitoba's electricity portfolio.

Manitoba is located at the heart the mid-continental trade corridor. Winnipeg is the largest distribution centre between the Pacific coast and Toronto, and the only major city between Vancouver and Thunder Bay with direct U.S. rail connections. These factors position Manitoba to further expand trade and transportation links. Winnipeg's extensive and modern rail car marshalling facilities can handle over 5,000 rail cars per day. Several of Canada's top for-hire trucking carriers are headquartered in Winnipeg. Over 500 for-hire motor carrier firms operate in Manitoba, and 90% of these operate interprovincially or internationally. Together, Manitoba's inter-modal transportation facilities offer substantial flexibility and cost savings to business, with ready access to the world's largest market.

A flexible and convenient air transportation system is vital to business success.

Winnipeg James Armstrong Richardson International Airport is one of the few major North American airports that operate 24 hours a day. The airport is also one of the most reliable in the world, averaging less than two hours down time per year. It offers a broad range of services, including international carriers, commuter airlines, jet freight and extensive cargo and courier facilities. In 2006, it served a record-high 3.4 million passengers, an increase of five per cent from 2005, and moved over 155 million kilograms of air cargo. Currently, the Winnipeg Airports Authority is undertaking an extensive, multi-year capital improvement program with total investment of \$585 million, including the construction of a new air terminal building. The project will be completed by the end of 2009.

**Monthly Electricity Cost
Commercial/Industrial Customer
50 MW and 30,600 MWh, 2006**



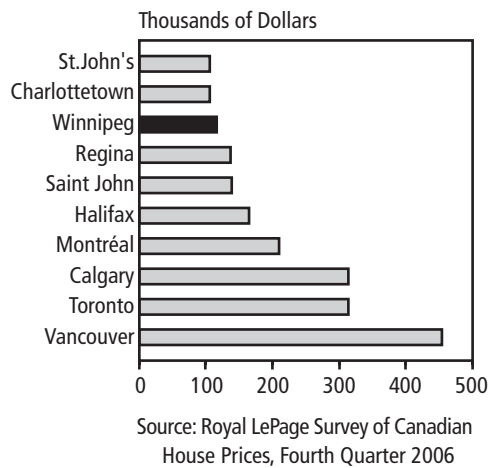
Churchill is the only deep-water port in the prairie region. Located on Hudson Bay, the port brings Atlantic Ocean trade to Western Canada. The Port of Churchill, owned by OmniTRAX Inc., offers shippers major cost advantages for ocean shipping to and from Europe, Africa and Latin America. The Port has four deep-sea berths to allow loading and unloading of cargo and grain from vessels with up to 60,000-tonne capacity. Last year, Churchill saw 488,000 tonnes of goods go through the Port.

Manitoba has an abundance of natural resources. The mining industry extracts and processes a diverse mix of minerals including nickel, copper, zinc, cesium, tantalum and oil. Together, these products were worth \$2.5 billion in 2006. Manitoba has a large and long-established forestry industry that produces paper, newsprint and lumber. The inland commercial fishing industry is one of Canada's largest, accounting for one-quarter of Canada's commercial freshwater catch. A temperate climate, rich soil, fresh water and a large land base have made Manitoba a key agriculture producer. Careful management of Manitoba's natural endowments ensures the sustainable development of these resources now and in the future.

Manitobans enjoy advanced connectivity through a comprehensive telecommunications infrastructure. Broadband services are widely available and the extensive cellular network covers virtually all of the province's population.

Research and innovation continue to play an important role in Manitoba's economic growth and diversification. The province has a strong and growing knowledge cluster in a number of fields, although the research and development (R&D) presence is most notable in life sciences. Private industry, government and post-secondary institutions all contribute to the province's growing R&D infrastructure.

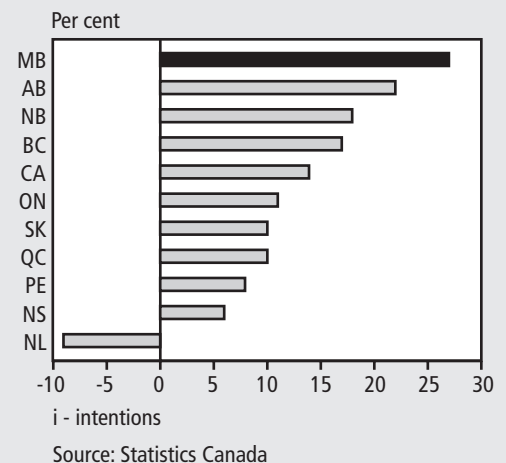
Average House Price Standard Townhouse



Manitoba's Investment Boom

Manitoba is in the middle of a capital investment boom. Total capital investment since 2005 is up 27%, double the national increase. Both private and public investment have increased significantly, with private investment up 18% – the strongest in Canada along with Alberta – while public investment is growing 34%, third strongest among provinces. Private capital spending in Manitoba has increased for 16 consecutive years, the longest private capital investment growth streak in Canada. The Conference Board of Canada forecasts that total investment spending will remain strong in 2008 with projected growth of 9.7%, second highest among provinces.

Capital Investment Growth, 2005-2007i



Manitoba remains committed to providing quality public services such as health care. There are no premiums or personal charges for medical services in Manitoba for either employers or individual Manitobans. This is a major advantage over U.S. locations for both businesses and residents. In the U.S., employers offering benefits paid an average of almost US\$11,500 per employee for family health care insurance in 2006.

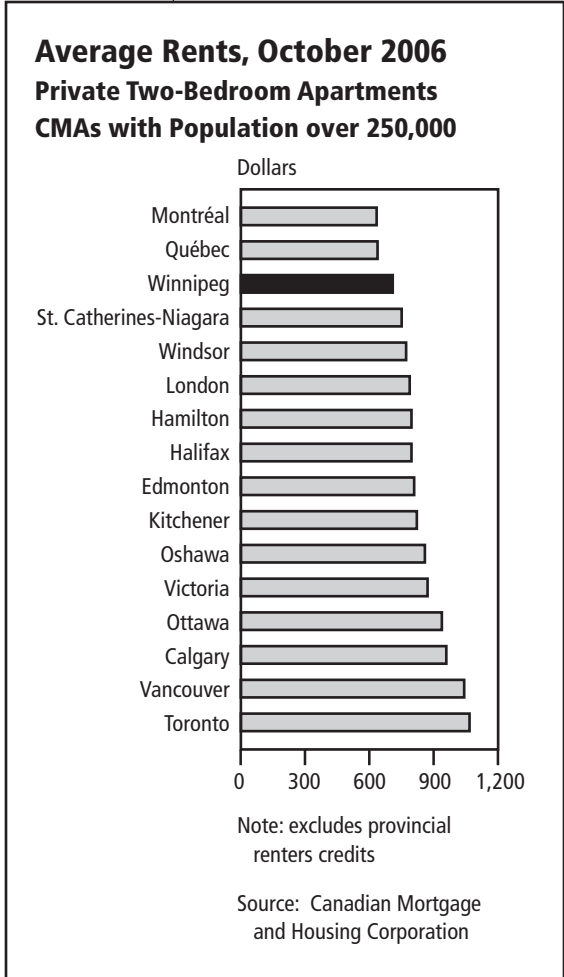
Having the skills and knowledge to take on the challenges of the 21st century is a prerequisite for a prosperous and growing economy. Manitobans enjoy a quality public education system, including affordable, high-quality post-secondary education opportunities in several universities and colleges. Higher education continues to be affordable in Manitoba, with undergraduate tuition among the least expensive in Canada. Over 21,000 students attend the University of Manitoba, the largest of Manitoba's five universities, on a full-time basis with another 5,600 attending part-time studies. The University offers a wide range of post-secondary programs, including graduate programs, sciences and arts, medicine, law, architecture, fine arts, engineering and agriculture. Another 13,500 students are enrolled in full- or part-time study at Manitoba's other four universities. As well as university study, almost 15,000 students are enrolled in full- or part-time study at Manitoba's three community colleges.

Competitive operating costs and taxes have made Manitoba one of the least expensive provinces in Canada to do business. More details on Manitoba's business cost advantage can be found in Appendix 2, Manitoba's Competitive Environment for Manufacturing (see page E23).

Manitoba's Quality of Life Advantage

Manitoba's capital, Winnipeg, is a growing cosmopolitan centre of 700,000, and workers enjoy the benefits of convenient and community-minded living. The average commuting distance to work in Winnipeg is about seven kilometres, the lowest of any Canadian city with population over 500,000.

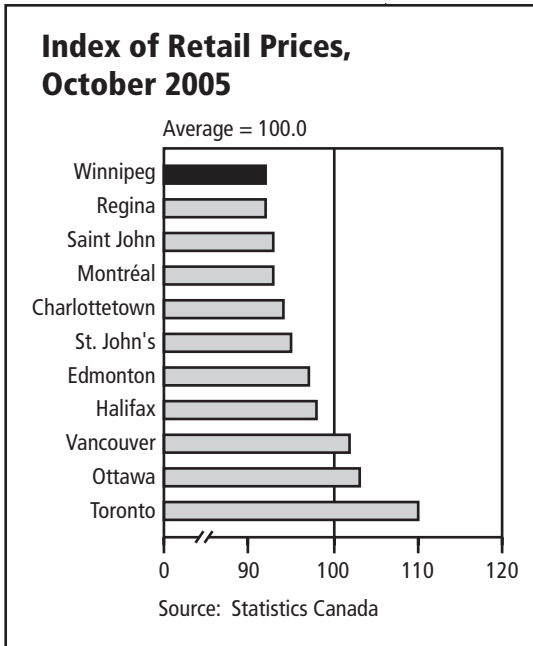
With half of the province's population reporting voluntary service, it is clear that Manitobans care. Manitobans are among the country's leaders in terms of volunteer activity with community, social and charitable groups. Similarly, more Manitobans donate to charity on a per capita basis than residents of any other province or territory in Canada. This reflects Manitobans' community spirit and long tradition of helping others. The Government of Manitoba also provides indirect contributions to culture through tax credits on charitable donations. In 2004, over \$639 million was donated to all registered charities in the province, including \$333 million from individual taxpayers. Through charitable donations tax deductions, Manitoba contributed \$100 million in 2004, including \$53 million in tax credits to individual taxpayers.



Manitoba Credit Ratings, March 2007

	Credit Rating
Moody's Investors Service	Aa1
Standard & Poor's	AA-
DBRS	A(high)

Source: Manitoba Finance



“Winnipeg’s air quality in 2004 was the best among the compared [Western] cities...”

The Institute of Chartered Accountants of Manitoba, MB Check-Up 2006

Winnipeg has an active and vibrant artistic and cultural scene, including the Winnipeg Art Gallery, the Manitoba Museum, the Royal Winnipeg Ballet, the Winnipeg Symphony Orchestra, the Manitoba Theatre Centre and many other live theatre groups. Manitoba also boasts many contemporary cultural attractions.

Manitoba’s diverse population has created a rich and rewarding mosaic of cultural and artistic accomplishments. For more details, see The Manitoba Arts and Culture Advantage, page E7.

In November 2004, the new \$135 million, 15,000-seat multi-use sports and entertainment facility, the MTS Centre, opened in Winnipeg. With superb acoustics and excellent sightlines, the world-class MTS Centre venue is drawing numerous entertainment events to Manitoba. In 2006, an entertainment industry survey showed that the Centre had become the third-busiest venue in Canada and was among the top 30 venues in the world. The location of this state-of-the-art facility in downtown Winnipeg has also acted as a catalyst for further development of Winnipeg’s downtown district.

Manitoba has a long sporting tradition. There are professional sports teams in the Canadian Football League, American Hockey League and the Northern Baseball League. The sport of golf came to the province in the early 1800s and now, with more than 120 golf courses, Manitoba has one of the highest ratios of golf courses to golfers in Canada. Manitoba also has the second-highest golfing participation rates in Canada with almost 30% of Manitobans teeing off in the province last year. In 2006, Manitoba played host to the Grey Cup. In April 2007, Manitoba is hosting the International Ice Hockey Federation World Women’s Championships.

Manitobans respect and enjoy their natural environment. Beaches, lakes, rivers and parks are integral parts of Manitoba’s quality of life. Manitoba is a province of 100,000 lakes – you’re never far from sports like fishing, canoeing, kayaking, sailing or swimming, or to just relax at one of Manitoba’s world-class beaches. Proximity to lakes and affordable vacation homes has given Manitobans one of the highest rates of vacation home ownership in the country. Winnipeg is green – the city is home to the largest urban forest park in Canada, and Winnipeg is also home to the largest mature elm tree urban forest in North America. Winters offer extensive family recreation opportunities for skiing, curling, snowmobiling and (of course) hockey! Whether you are an observer or a participant, the choices for recreation are almost endless.

Conclusion

Budget 2007 builds on Manitoba’s considerable advantages. To show Manitoba’s cost competitiveness in more detail, two appendices are attached. The first, Interprovincial Comparison of Annual Personal Costs and Taxes (see page E10), compares provinces’ living costs and tax levels for a variety of family types. The second, Manitoba’s Competitive Environment for Manufacturing, provides a detailed comparison of the taxes and costs faced by representative manufacturers in various Canadian and U.S. cities (see page E23).

■ THE MANITOBA ARTS AND CULTURE ADVANTAGE

Culture and the arts are an integral part of the Manitoba way of life and the economy. Our strong cultural scene enriches our lives, and is built on our diverse ethnic fabric, world-class attractions, and the imagination and creativity of our citizens. As an economic sector, culture stimulates creativity and growth. It is for all of these reasons that the Manitoba Government actively supports and promotes the cultural scene in the province.



The Manitoba Arts and Culture Scene

Manitoba has one of the most diverse cultural environments in Canada. This diversity, combined with our love of the arts and culture, provides the nurturing environment for artistic and cultural expression.

Manitoba's Aboriginal communities are among the largest and most creative in Canada and new initiatives by the Government of Manitoba continue to enrich our communities. The Aboriginal Cultural Initiatives Program, the Aboriginal Arts Education Program and the Aboriginal Music Program help to bring the creative genius of the Aboriginal community together to the benefit of all Manitobans. In November 2006, Manitoba hosted the Aboriginal Peoples Choice Music Awards in conjunction with the new Manito Ahbee Festival, which showcased Aboriginal music, arts, culture and heritage. The Festival attracted 3,000 visitors from across Canada and the United States. The second four-day Festival is scheduled for November 2007 and will again feature the Aboriginal Peoples Choice Music Awards.

Manitoba's cultural industries continue to enjoy a high profile, success and recognition on national and international stages. Author David Bergen was a guest at a Writer's Festival of the Americas in Paris this winter, following the success of his book, *The Time in Between*, which received the 2005 Giller Prize, Canada's top literary award. Manitoba's 14 book publishers generated over \$3 million in sales in 2006. Manitoba publishers continued to produce books in all genres, including the beautiful art book celebrating Étienne Gaboury's contribution to architecture published by Les Éditions du Blé in St. Boniface. Scirocco Drama is Canada's second-

largest publisher of plays, many of which have won literary awards. Scirocco winners of the Governor General's Award for Drama include Manitoba playwright Ian Ross for *fareWel*.

Manitoba's sound recording industry continues to be one of the province's most dynamic cultural industries. In December 2005, the Manitoba Audio Recording Industry Association released its *Music is Working Economic Impact Study* that concluded the industry produced economic results on a level similar to Manitoba's film industry. In 2004, total music industry expenditures reached \$108 million and the net positive impact on Manitoba's GDP was \$87 million. In 2006, Manitoba artists received over 100 nominations for national and international music awards. This list includes everything from the Grammy Awards to the Juno Awards. Eight Manitobans received 2006 Juno Award nominations and Manitoba artists brought home three Juno Awards. For 2007, four Manitoba artists and two Manitoba-based record labels have received Juno nominations. Following successful hosting ventures such as the April 2005 Juno Awards, in November 2006 it was announced that Winnipeg will host the Canadian Country Music Awards in September 2008.

The television and film production industry is continuing to perform at a high rate. Although slightly below last year's record-high level of \$125 million, production volumes for 2006/07 exceeded \$114 million on 55 projects. This marks the fourth year in a row the industry has exceeded the \$100 million benchmark. Through the Manitoba Film and Video Production Tax Credit, direct equity financing and other programs, the Manitoba Government provided an estimated \$18 million in support for this industry in 2006/07.

Manitoba is home to Canada's second-largest Francophone community outside of Quebec. The French Quarter of St. Boniface hosts the Centre culturel franco-manitobain with many resident Francophone organizations such as Le 100 Nons as well as Le Cercle Molière, Canada's oldest continuously operating professional theatre company. Other Francophone communities throughout the province are home to numerous annual cultural events and organizations that make Manitoba a great place to live, in both official languages.

Manitoba supports a rich number of diverse cultural organizations and activities throughout the year that enrich the lives of Manitobans and attract many visitors to a province that embraces diversity. Manitoba is home to the largest Icelandic settlement in the world outside Iceland, one of the largest Filipino communities in Canada and many vibrant Ukrainian and Mennonite communities throughout the province.

Many of Canada's premier cultural attractions are found in Manitoba. The world famous Royal Winnipeg Ballet was the first dance company to be established in Canada and brings Winnipeg to the world through touring performances. The Manitoba Museum is a highlight for visitors to the province, and is only one of three Canadian attractions to achieve the Michelin Guide three-star rating. The Winnipeg Art Gallery has the world's largest collection of contemporary Inuit art, including

over 10,000 sculptures, prints, paintings and textiles. The Manitoba Theatre Centre, The Winnipeg Symphony Orchestra, the Manitoba Opera, the Costume Museum of Canada, and sites like Lower Fort Garry and The Forks, are only a small sample of the hundreds of attractions found throughout the province.

Manitoba also boasts many contemporary cultural attractions such as the Plug-In Institute for Contemporary Art, the Winnipeg Film Group, the Manitoba Printmakers Association and Urban Shaman, an Aboriginal artist-operated centre that presents contemporary visual art exhibitions.

There are also exceptional entertainment venues across the province, ranging from the newly-expanded Keystone Centre and the Western Centennial Auditorium in Brandon, to Prairie Theatre Exchange,

Rainbow Stage and the Manitoba Theatre for Young People. In 2004, Manitobans saw the opening of the MTS Centre, the new 15,000-seat, \$135 million entertainment centre and arena. According to industry surveys, the MTS Centre is the third-busiest ticket venue in Canada and among the top-thirty-busiest facilities in the world.





Manitoba boasts many world-class festivals throughout the year. In winter, the Festival du Voyageur, the largest winter festival in Western Canada, attracts thousands of visitors to Winnipeg's French Quarter. Further north, the Northern Manitoba Trappers' Festival in The Pas brings the frontier spirit of the north to life. In Brandon, the Royal Manitoba Winter Fair attracts people from across Canada.

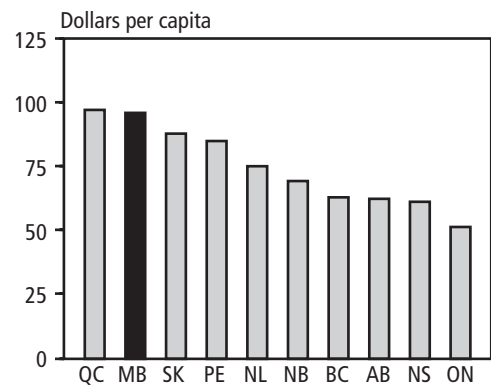
People from around the world are also drawn to Winnipeg's summer festivals, such as Folklorama, the world's largest cultural festival. Folklorama attracts over 400,000 visits to over 40 pavilions during its two-week run and was voted the best festival in Canada. The Winnipeg Fringe Festival, the second-largest festival of its kind in North America, is extremely popular and boasted a total paid attendance of over 69,000 in the summer of 2006. The Winnipeg Folk Festival has been providing folk music lovers with great entertainment since 1974 and, in 2006, attracted over 45,000 people. The Festival also contributes more than \$16 million to the provincial economy. Other important festivals include the Jazz Winnipeg Festival, Canada's National Ukrainian Festival in Dauphin and the Islendingadagurinn Festival in Gimli. Vibrant community fairs and exhibitions can be found in every corner of the province. Several festivals are also geared for young people, including Freeze Frame, a film festival for children and young people and the Winnipeg International Children's Festival, which builds on first-rate children's attractions such as the Manitoba Theatre for Young People and the Manitoba Children's Museum.

Provincial Support for Arts and Culture

Arts and culture play a key role in enhancing our economy. Manitoba has one of the highest per capita revenue and attendance levels for arts and culture in Canada and the sector employs over 14,000 people. A recent study by the Canada West Foundation, *Culture and Economic Competitiveness*, highlights the social benefits that cultural industries can provide. These include improving health and well-being, enhancing community identity and social cohesion, and facilitating community revitalization.

Culture and the arts are actively supported by the Manitoba Government. The Manitoba Government directly spent over \$112 million on culture during the 2003/04 fiscal year, the latest period for which Statistics Canada's data on culture is available. At \$96 per person, Manitoba had the second-highest provincial per capita spending on culture. Manitoba also had the second-highest per capita provincial funding of the performing arts among provinces. The Province also provides substantial support to cultural organizations in Manitoba through tax credits on charitable contributions to these organizations.

Provincial Government Per Capita Expenditures on Culture, 2003/04



Source: Statistics Canada

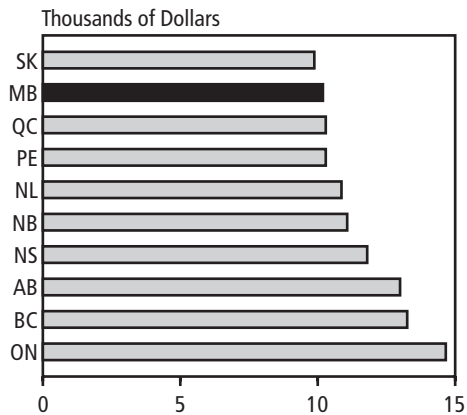
■ Appendix 1: 2007 INTERPROVINCIAL COMPARISON OF PERSONAL COSTS AND TAXES

Since 1999, Manitoba’s overall provincial rankings for personal costs and taxes have been among the best in Canada. For 2007, Manitoba ranks first, second or third best in total costs among the six representative families.

- The following charts show that Manitoba remains one of the most affordable provinces in which to live, with among the lowest costs for child care, gasoline tax, automobile insurance, electricity and housing costs.
- Manitobans enjoy a high standard of living with a combination of modest taxation levels and low living costs.¹ Manitoba is a more competitive and attractive location for both new and expanding businesses.
- A superior quality of living with lower personal costs and taxes – that is The Manitoba Advantage.

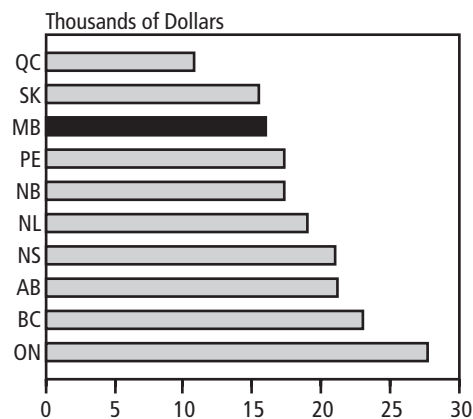
Single Person Earning \$30,000

- second-lowest personal costs and taxes in the country
- fifth-lowest provincial levies, PIT and premiums



Single Parent Earning \$30,000

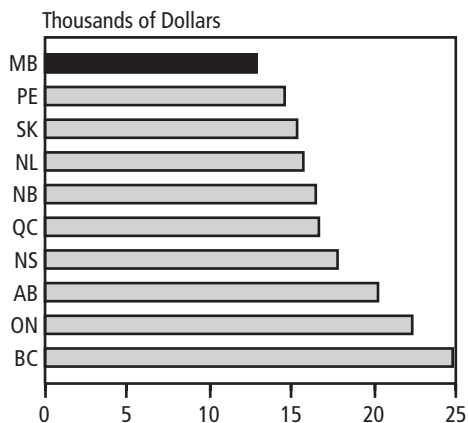
- third-lowest personal costs and taxes in the country
- fourth-lowest provincial levies, PIT and premiums



¹ includes rent or mortgage costs, property taxes, public transit costs or auto insurance, child care, telephone service, electricity and heating costs

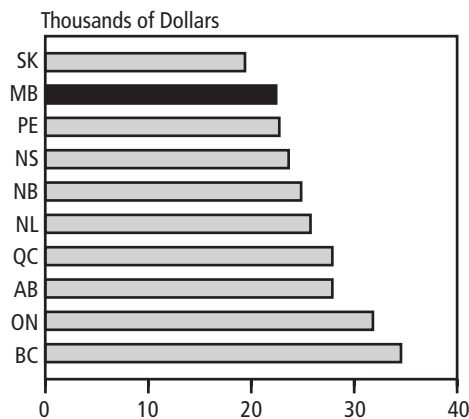
One-Earner Family of Four Earning \$40,000

- lowest personal costs and taxes in the country
- third-lowest provincial levies, PIT and premiums



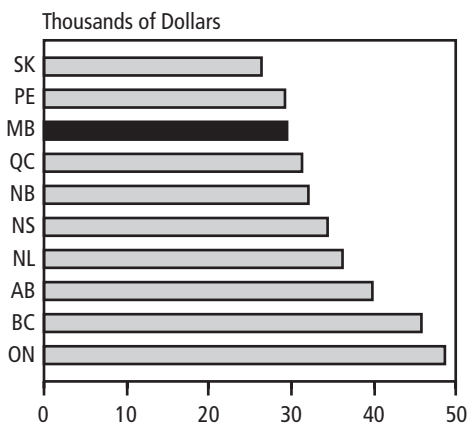
One-Earner Family of Four Earning \$60,000

- second-lowest personal costs and taxes in the country
- fifth-lowest provincial levies, PIT and premiums



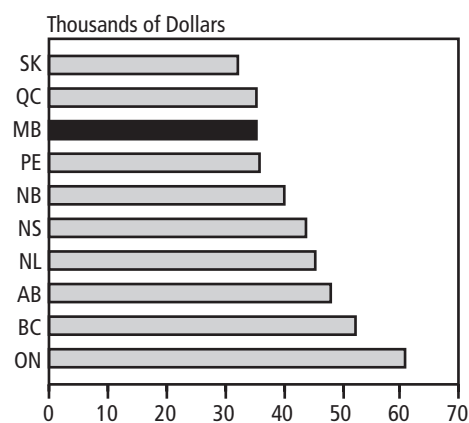
Two-Earner Family of Four Earning \$60,000

- third-lowest personal costs and taxes in the country
- fifth-lowest provincial levies, PIT and premiums



Two-Earner Family of Five Earning \$75,000

- third-lowest personal costs and taxes in the country
- fifth-lowest provincial levies, PIT and premiums



2007 Comparison of Personal Costs and Taxes

Single Person: \$30,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,015	1,271	2,027	1,814	1,140
Health Premiums	648	528	0	0	300
<u>Subtotal PIT and Premiums</u>	<u>1,663</u>	<u>1,799</u>	<u>2,027</u>	<u>1,814</u>	<u>1,440</u>
Retail Sales Tax	416	0	243	334	487
<u>Total Provincial Levies, PIT and Premiums</u>	<u>2,079</u>	<u>1,799</u>	<u>2,269</u>	<u>2,149</u>	<u>1,928</u>
Rent	9,792	9,360	6,180	6,684	10,752
Electricity	321	747	606	332	632
Public Transit	762	834	618	789	1,131
Telephone	312	279	264	286	263
<u>Total Living Costs</u>	<u>11,186</u>	<u>11,219</u>	<u>7,668</u>	<u>8,091</u>	<u>12,779</u>
Total Personal Costs and Taxes	<u>13,265</u>	<u>13,019</u>	<u>9,937</u>	<u>10,240</u>	<u>14,706</u>
Single Parent One Child: \$30,000	BC	AB	SK	MB	ON
Provincial Income Tax	162	0	761	402	(226)
Health Premiums	691	0	0	0	252
<u>Subtotal PIT and Premiums</u>	<u>853</u>	<u>0</u>	<u>761</u>	<u>402</u>	<u>26</u>
Family/Employment Tax Credits	0	(580)	0	0	0
Child Benefits	0	0	0	(107)	(974)
Retail Sales Tax	541	0	316	435	633
Gasoline Tax	410	180	300	230	294
<u>Total Provincial Levies, PIT and Premiums</u>	<u>1,804</u>	<u>(400)</u>	<u>1,377</u>	<u>959</u>	<u>(21)</u>
Rent	12,540	11,520	7,428	8,508	12,804
Child Care	6,614	7,435	4,768	4,849	10,585
Electricity	413	933	747	417	795
Auto Insurance	1,307	1,394	869	943	3,276
Telephone	312	279	264	286	263
<u>Total Living Costs</u>	<u>21,186</u>	<u>21,561</u>	<u>14,076</u>	<u>15,003</u>	<u>27,724</u>
Total Personal Costs and Taxes	<u>22,990</u>	<u>21,161</u>	<u>15,453</u>	<u>15,962</u>	<u>27,703</u>

Sums may not add due to rounding.

QC	NB	NS	PE	NL	
					Single Person: \$30,000
1,269	2,015	1,842	2,032	2,215	Provincial Income Tax
530	0	0	0	0	Health Premiums
<u>1,799</u>	<u>2,015</u>	<u>1,842</u>	<u>2,032</u>	<u>2,215</u>	<u>Subtotal PIT and Premiums</u>
275	637	676	448	642	Retail Sales Tax
<u>2,074</u>	<u>2,652</u>	<u>2,518</u>	<u>2,480</u>	<u>2,857</u>	<u>Total Provincial Levies, PIT and Premiums</u>
6,888	6,864	7,776	6,060	6,504	Rent
383	637	586	748	589	Electricity
714	714	654	750	690	Public Transit
263	264	300	293	263	Telephone
<u>8,248</u>	<u>8,478</u>	<u>9,316</u>	<u>7,851</u>	<u>8,046</u>	<u>Total Living Costs</u>
<u>10,322</u>	<u>11,130</u>	<u>11,833</u>	<u>10,331</u>	<u>10,903</u>	Total Personal Costs and Taxes
					Single Parent One Child: \$30,000
1,428	502	608	1,011	982	Provincial Income Tax
530	0	0	0	0	Health Premiums
<u>1,958</u>	<u>502</u>	<u>608</u>	<u>1,011</u>	<u>982</u>	<u>Subtotal PIT and Premiums</u>
(268)	0	0	0	0	Family/Employment Tax Credits
(2,766)	(109)	0	0	0	Child Benefits
459	828	878	582	834	Retail Sales Tax
334	214	310	414	330	Gasoline Tax
<u>(283)</u>	<u>1,435</u>	<u>1,797</u>	<u>2,007</u>	<u>2,146</u>	<u>Total Provincial Levies, PIT and Premiums</u>
7,632	8,316	9,588	7,656	7,620	Rent
1,820	5,573	7,259	5,330	6,595	Child Care
462	772	738	908	723	Electricity
911	944	1,282	1,002	1,529	Auto Insurance
263	264	300	293	263	Telephone
<u>11,088</u>	<u>15,869</u>	<u>19,167</u>	<u>15,189</u>	<u>16,731</u>	<u>Total Living Costs</u>
<u>10,805</u>	<u>17,304</u>	<u>20,964</u>	<u>17,196</u>	<u>18,877</u>	Total Personal Costs and Taxes

2007 Comparison of Personal Costs and Taxes

One Earner Family of 4: \$40,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,221	780	1,655	2,053	1,063
Health Premiums	1,296	1,056	0	0	450
Subtotal PIT and Premiums	2,517	1,836	1,655	2,053	1,513
Family/Employment Tax Credits	0	(1,109)	0	0	0
Child Benefits	0	0	0	0	0
Property Tax Credits	(570)	0	0	(525)	(72)
Retail Sales Tax	988	0	665	777	1,324
Gasoline Tax	410	180	300	230	294
Total Provincial Levies, PIT and Premiums	3,344	908	2,619	2,535	3,060
Mortgage Costs	15,401	12,288	5,623	4,766	11,059
Property Taxes	2,490	3,196	3,874	2,820	2,677
Home Heating	1,072	878	906	1,054	1,163
Electricity	598	1,306	1,028	587	1,120
Auto Insurance	1,509	1,431	1,041	909	2,848
Telephone	312	279	264	286	263
Total Living Costs	21,381	19,378	12,736	10,421	19,131
Total Personal Costs and Taxes	24,725	20,286	15,356	12,956	22,190
One Earner Family of 4: \$60,000	BC	AB	SK	MB	ON
Provincial Income Tax	2,940	2,762	4,235	4,847	3,298
Health Premiums	1,296	1,056	0	0	600
Subtotal PIT and Premiums	4,236	3,818	4,235	4,847	3,898
Family/Employment Tax Credits	0	(825)	0	0	0
Child Benefits	0	0	0	0	0
Property Tax Credits	(570)	0	0	(525)	0
Retail Sales Tax	1,499	0	917	1,422	1,726
Gasoline Tax	410	180	300	230	294
Total Provincial Levies, PIT and Premiums	5,575	3,173	5,452	5,974	5,917
Mortgage Costs	21,790	16,199	6,001	8,292	16,384
Property Taxes	3,000	3,732	3,915	4,798	3,323
Home Heating	1,541	1,386	1,297	1,389	1,677
Electricity	782	1,680	1,309	756	1,445
Auto Insurance	1,509	1,431	1,041	909	2,848
Telephone	312	279	264	286	263
Total Living Costs	28,934	24,707	13,826	16,430	25,941
Total Personal Costs and Taxes	34,509	27,880	19,278	22,404	31,858

Sums may not add due to rounding.

**One Earner
Family of 4: \$40,000**

QC	NB	NS	PE	NL	
2,383	2,613	2,769	2,755	3,182	Provincial Income Tax
1,059	0	0	0	0	Health Premiums
<u>3,442</u>	<u>2,613</u>	<u>2,769</u>	<u>2,755</u>	<u>3,182</u>	<u>Subtotal PIT and Premiums</u>
(409)	0	0	0	0	Family/Employment Tax Credits
(3,073)	0	0	0	0	Child Benefits
(193)	0	0	0	0	Property Tax Credits
1,363	1,627	1,797	1,177	1,732	Retail Sales Tax
334	214	310	414	330	Gasoline Tax
<u>1,464</u>	<u>4,453</u>	<u>4,876</u>	<u>4,346</u>	<u>5,245</u>	<u>Total Provincial Levies, PIT and Premiums</u>
8,520	5,734	6,799	4,342	4,301	Mortgage Costs
3,430	2,432	1,957	1,791	1,614	Property Taxes
1,296	1,653	1,461	1,457	1,648	Home Heating
618	1,044	1,042	1,228	991	Electricity
1,111	940	1,286	1,036	1,600	Auto Insurance
263	264	300	293	263	Telephone
<u>15,238</u>	<u>12,067</u>	<u>12,844</u>	<u>10,148</u>	<u>10,417</u>	<u>Total Living Costs</u>
<u>16,702</u>	<u>16,520</u>	<u>17,720</u>	<u>14,495</u>	<u>15,662</u>	<u>Total Personal Costs and Taxes</u>

**One Earner
Family of 4: \$60,000**

QC	NB	NS	PE	NL	
5,682	5,690	5,757	5,527	6,410	Provincial Income Tax
1,059	0	0	0	0	Health Premiums
<u>6,741</u>	<u>5,690</u>	<u>5,757</u>	<u>5,527</u>	<u>6,410</u>	<u>Subtotal PIT and Premiums</u>
0	0	0	0	0	Family/Employment Tax Credits
(2,417)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,964	2,119	2,242	1,744	2,449	Retail Sales Tax
334	214	310	414	330	Gasoline Tax
<u>6,622</u>	<u>8,023</u>	<u>8,309</u>	<u>7,685</u>	<u>9,189</u>	<u>Total Provincial Levies, PIT and Premiums</u>
11,673	8,601	7,659	7,168	8,055	Mortgage Costs
5,397	3,119	2,651	2,923	2,799	Property Taxes
1,944	2,479	2,191	2,186	2,473	Home Heating
775	1,315	1,346	1,549	1,259	Electricity
1,111	940	1,286	1,036	1,600	Auto Insurance
263	264	300	293	263	Telephone
<u>21,164</u>	<u>16,718</u>	<u>15,433</u>	<u>15,154</u>	<u>16,450</u>	<u>Total Living Costs</u>
<u>27,786</u>	<u>24,741</u>	<u>23,742</u>	<u>22,839</u>	<u>25,639</u>	<u>Total Personal Costs and Taxes</u>

2007 Comparison of Personal Costs and Taxes

Two Earner Family of 4: \$60,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,306	1,831	2,996	3,276	1,187
Health Premiums	1,296	1,056	0	0	300
<u>Subtotal PIT and Premiums</u>	<u>2,602</u>	<u>2,887</u>	<u>2,996</u>	<u>3,276</u>	<u>1,487</u>
Family/Employment Tax Credits	0	(1,109)	0	0	0
Child Benefits	0	0	0	0	0
Property Tax Credits	(570)	0	0	(525)	(92)
Retail Sales Tax	1,499	0	917	1,422	1,726
Gasoline Tax	615	270	450	345	441
<u>Total Provincial Levies, PIT and Premiums</u>	<u>4,146</u>	<u>2,048</u>	<u>4,364</u>	<u>4,518</u>	<u>3,562</u>
Mortgage Costs	21,790	16,199	6,001	8,292	16,384
Property Taxes	3,000	3,732	3,915	4,798	3,323
Child Care	11,414	11,614	7,215	7,522	15,946
Home Heating	1,541	1,386	1,297	1,389	1,677
Electricity	782	1,680	1,309	756	1,445
Auto Insurance	2,816	2,825	1,910	1,852	6,124
Telephone	312	279	264	286	263
<u>Total Living Costs</u>	<u>41,655</u>	<u>37,715</u>	<u>21,910</u>	<u>24,895</u>	<u>45,163</u>
Total Personal Costs and Taxes	<u>45,801</u>	<u>39,763</u>	<u>26,274</u>	<u>29,413</u>	<u>48,725</u>
Two Earner Family of 5: \$75,000	BC	AB	SK	MB	ON
Provincial Income Tax	2,059	2,686	3,979	4,420	2,034
Health Premiums	1,296	1,056	0	0	450
<u>Subtotal PIT and Premiums</u>	<u>3,355</u>	<u>3,742</u>	<u>3,979</u>	<u>4,420</u>	<u>2,484</u>
Family/Employment Tax Credits	0	(1,306)	0	0	0
Child Benefits	0	0	0	0	0
Property Tax Credits	(570)	0	0	(525)	(139)
Retail Sales Tax	1,869	0	1,253	1,700	2,127
Gasoline Tax	615	270	450	345	441
<u>Total Provincial Levies, PIT and Premiums</u>	<u>5,269</u>	<u>2,706</u>	<u>5,683</u>	<u>5,940</u>	<u>4,913</u>
Mortgage Costs	21,790	16,199	6,001	8,292	16,384
Property Taxes	3,000	3,732	3,915	4,798	3,323
Child Care	17,063	19,326	12,078	12,371	26,531
Home Heating	1,541	1,386	1,297	1,389	1,677
Electricity	782	1,680	1,309	756	1,445
Auto Insurance	2,816	2,825	1,910	1,852	6,124
Telephone	312	279	264	286	263
<u>Total Living Costs</u>	<u>47,304</u>	<u>45,427</u>	<u>26,774</u>	<u>29,744</u>	<u>55,748</u>
Total Personal Costs and Taxes	<u>52,572</u>	<u>48,133</u>	<u>32,456</u>	<u>35,685</u>	<u>60,661</u>

Sums may not add due to rounding.

QC	NB	NS	PE	NL	Two Earner Family of 4: \$60,000
4,556	3,377	3,167	3,713	4,065	Provincial Income Tax
1,059	0	0	0	0	Health Premiums
<u>5,615</u>	<u>3,377</u>	<u>3,167</u>	<u>3,713</u>	<u>4,065</u>	<u>Subtotal PIT and Premiums</u>
0	0	0	0	0	Family/Employment Tax Credits
(2,437)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,964	2,119	2,242	1,744	2,449	Retail Sales Tax
501	321	465	621	495	Gasoline Tax
<u>5,643</u>	<u>5,817</u>	<u>5,874</u>	<u>6,079</u>	<u>7,009</u>	<u>Total Provincial Levies, PIT and Premiums</u>
11,673	8,601	7,659	7,168	8,055	Mortgage Costs
5,397	3,119	2,651	2,923	2,799	Property Taxes
3,507	8,608	11,936	6,921	11,183	Child Care
1,944	2,479	2,191	2,186	2,473	Home Heating
775	1,315	1,346	1,549	1,259	Electricity
2,022	1,884	2,568	2,038	3,129	Auto Insurance
263	264	300	293	263	Telephone
<u>25,582</u>	<u>26,270</u>	<u>28,652</u>	<u>23,077</u>	<u>29,162</u>	<u>Total Living Costs</u>
<u>31,225</u>	<u>32,087</u>	<u>34,525</u>	<u>29,156</u>	<u>36,171</u>	<u>Total Personal Costs and Taxes</u>

QC	NB	NS	PE	NL	Two Earner Family of 5: \$75,000
6,839	4,846	4,454	5,055	5,615	Provincial Income Tax
1,059	0	0	0	0	Health Premiums
<u>7,898</u>	<u>4,846</u>	<u>4,454</u>	<u>5,055</u>	<u>5,615</u>	<u>Subtotal PIT and Premiums</u>
0	0	0	0	0	Family/Employment Tax Credits
(2,861)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
2,583	3,438	3,044	2,053	3,334	Retail Sales Tax
501	321	465	621	495	Gasoline Tax
<u>8,121</u>	<u>8,606</u>	<u>7,964</u>	<u>7,729</u>	<u>9,444</u>	<u>Total Provincial Levies, PIT and Premiums</u>
11,673	8,601	7,659	7,168	8,055	Mortgage Costs
5,397	3,119	2,651	2,923	2,799	Property Taxes
5,327	14,198	19,196	12,251	18,198	Child Care
1,944	2,479	2,191	2,186	2,473	Home Heating
775	1,315	1,346	1,549	1,259	Electricity
2,022	1,884	2,568	2,038	3,129	Auto Insurance
263	264	300	293	263	Telephone
<u>27,402</u>	<u>31,860</u>	<u>35,911</u>	<u>28,407</u>	<u>36,177</u>	<u>Total Living Costs</u>
<u>35,523</u>	<u>40,466</u>	<u>43,875</u>	<u>36,136</u>	<u>45,621</u>	<u>Total Personal Costs and Taxes</u>

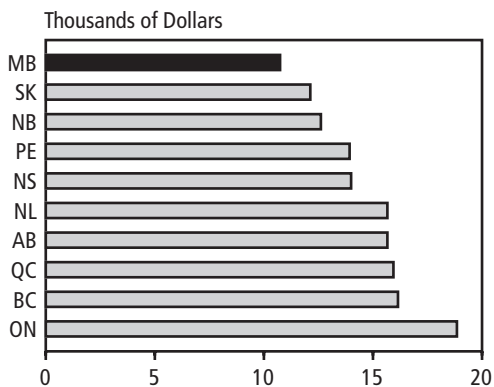
Interprovincial Comparison of Taxes Net of Graduate Credits and Tuition Rebates and of Personal Costs and Taxes

Single Person: \$50,000	BC	AB	SK	MB	ON
Provincial Income Tax	2,566	3,186	4,468	4,309	2,793
Graduate Credits and Tuition Rebates	0	0	(1,100)	(2,500)	0
<u>Subtotal</u>	<u>2,566</u>	<u>3,186</u>	<u>3,368</u>	<u>1,809</u>	<u>2,793</u>
Health Premiums	648	528	0	0	600
<u>Total PIT and Premiums</u>	<u>3,214</u>	<u>3,714</u>	<u>3,368</u>	<u>1,809</u>	<u>3,393</u>
Retail Sales Tax	622	0	395	550	762
Gasoline Tax	410	180	300	230	294
<u>Total Provincial Levies, PIT and Premiums</u>	<u>4,246</u>	<u>3,894</u>	<u>4,064</u>	<u>2,589</u>	<u>4,450</u>
Rent	9,792	9,360	6,180	6,684	10,752
Electricity	321	747	606	332	632
Auto Insurance	1,509	1,431	1,041	909	2,848
Telephone	312	279	264	286	263
<u>Total Living Costs</u>	<u>11,934</u>	<u>11,816</u>	<u>8,091</u>	<u>8,211</u>	<u>14,496</u>
<u>Total Personal Costs and Taxes</u>	<u>16,180</u>	<u>15,710</u>	<u>12,155</u>	<u>10,801</u>	<u>18,946</u>

Sums may not add due to rounding.

Single Person Earning \$50,000

- lowest personal costs and taxes in the country
- lowest provincial levies, PIT and premiums



Source: Manitoba Finance

QC	NB	NS	PE	NL	Single Person: \$50,000
5,625	4,800	4,756	4,678	5,356	Provincial Income Tax
0	(2,000)	(2,000)	0	0	Graduate Credits and Tuition Rebates
<u>5,625</u>	<u>2,800</u>	<u>2,756</u>	<u>4,678</u>	<u>5,356</u>	<u>Subtotal</u>
530	0	0	0	0	Health Premiums
<u>6,155</u>	<u>2,800</u>	<u>2,756</u>	<u>4,678</u>	<u>5,356</u>	<u>Total PIT and Premiums</u>
832	936	1,010	730	1,045	Retail Sales Tax
334	214	310	414	330	Gasoline Tax
<u>7,321</u>	<u>3,950</u>	<u>4,076</u>	<u>5,822</u>	<u>6,732</u>	<u>Total Provincial Levies, PIT and Premiums</u>
6,888	6,864	7,776	6,060	6,504	Rent
383	637	586	748	589	Electricity
1,111	940	1,286	1,036	1,600	Auto Insurance
263	264	300	293	263	Telephone
<u>8,646</u>	<u>8,705</u>	<u>9,948</u>	<u>8,137</u>	<u>8,957</u>	<u>Total Living Costs</u>
<u>15,966</u>	<u>12,655</u>	<u>14,024</u>	<u>13,959</u>	<u>15,688</u>	Total Personal Costs and Taxes

NOTES

Taxes¹, charges and living costs are based on information available on February 1, 2007, for the following major urban centres in each province: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal, Fredericton, Halifax, Charlottetown and St. John's.

Auto Insurance coverage includes \$2 million Third Party Liability, a \$500 All Perils Deductible, accident benefit and \$2 million Standard Policy Form #44 family protection coverage for those jurisdictions without no-fault injury coverage, and SAAQ (La Société de l'assurance automobile du Québec) injury protection in Montréal. The driver is married, age 35, has been accident- and conviction-free for 15 or more years; the auto is driven to work (a distance of 15 km one way was used when required by insurers). Rates were provided by The Insurance Corporation of British Columbia (BC), SGI Canada (SK), and Manitoba Public Insurance (MB) for those provinces. Rates from other urban centres are the average of the quotes from 10 private insurers available in those provinces. Discounts for second or multiple vehicles are not included in the auto insurance calculations.

Auto Insurance for the 2003 Chevrolet Impala and the 2000 Chevrolet Cavalier are used in these examples. The single-parent insures the 2000 Cavalier and the two-parent families insure the 2000 Cavalier and the 2003 Impala.

Child Benefits represent provincial programs comparable to the Canada Child Tax Benefit.

Child Care is based on average fees for full-time preschool care for the three year old and the five year old, before and after school care for the seven year old, and six weeks of summer day camp for the seven year old. Quebec figures are based on \$7 per day for care. Average fees were based on *Early Childhood Care and Education in Canada: Provinces and Territories*, and were updated by a survey by Manitoba Finance of different cities.

Electricity charges are based on annual consumption of 9,000 kWh for the two-parent family at \$40,000; 12,000 kWh for the two-parent family at \$60,000 and \$75,000; 6,000 kWh for the single-parent family; and 4,500 kWh of usage for the tenant. Rates do not include municipal taxes or charges, and are based on residential rates in effect February 1, 2007.

Gasoline Tax is based on annual consumption of 2,000 litres for single-vehicle families and 3,000 litres for the two-earner family at \$60,000 and \$75,000; this includes the 6 cents and 1.5 cents per litre levy applied by Vancouver and Montréal respectively and provincial sales tax has been applied to the wholesale price in Prince Edward Island.

Health Premiums are annual premiums for hospital insurance and medical services in provinces which levy them. They include Quebec's Prescription Drug Plan.

Home Heating charges are based on annual consumption of 2,300 cubic metres of natural gas for the standard townhouse, or 3,450 cubic metres of natural gas for the standard two-storey. For the Atlantic provinces, the figures represent the BTU equivalent consumption of fuel oil. Refundable home-heating benefits have been deducted from home-heating costs for Alberta, Nova Scotia and Newfoundland and Labrador.

Mortgage Costs are based on one-half the average home prices for a standard townhouse for families with \$40,000 of income, or a standard two-storey for families with \$60,000 and \$75,000 of income, per the Royal LePage *Survey of Canadian House Prices, Fourth Quarter 2006*, for a 25-year term, amortized at a five-year interest rate of 6.492%.

¹ Tables reflect 2007 budget changes for British Columbia, Saskatchewan, Ontario, Quebec, New Brunswick, Nova Scotia and Manitoba, as well as the federal budget.

Property Taxes are based on the assessed values for a standard townhouse for families with \$40,000 of income, or a standard two-storey for families with \$60,000 and \$75,000 of income, per the Royal LePage *Survey of Canadian House Prices, Fourth Quarter 2006*.

Provincial Income Tax is calculated for a single renter with \$30,000 earned income, a single parent with one child who rents and has \$30,000 in earned income², and three homeowners with \$40,000, \$60,000 and \$75,000 of earned income², respectively. Families include one income earner, a spouse and two dependent children (ages 3 and 7), two income earners and two dependent children (ages 3 and 7), or two income earners and three dependent children (ages 3, 5 and 7). For two-earner families, one spouse is assumed to earn 60% of the family income while the other spouse earns 40%. Personal non-refundable credits used include the CPP/QPP and EI contribution credits. For the single parent, child-care costs unique to each province have been deducted from income. For two-earner families, child-care costs have been deducted from the income of the spouse with the lower income. Gross Quebec personal income tax has been reduced by the 16.5% abatement from federal income tax. Refundable sales tax credits and provincial tax reductions and rebates have been deducted from income tax payable. Rental credits are included in income tax, but property tax credits are shown separately.

Provincial Income Tax after Graduate Credits and Tuition Rebates Single person at \$50,000 Income tax includes the Saskatchewan Post-secondary graduate tax credit (\$1,100), the New Brunswick Tuition Tax Cash Back (\$2,000), the Nova Scotia Post-secondary graduate tax credit (\$2,000) and the Manitoba tuition fee income tax rebate (\$2,500). Includes credits for CPP, EI and the basic personal amount.

Rent is from Canada Mortgage and Housing Corporation's *Rental Market Survey, October 2006*, and is based on the average one-bedroom apartment rent for each urban centre for the single person, and the average two-bedroom apartment rent for the single parent family.

Retail Sales Tax is based upon an average expenditure basket at the selected gross income levels from the *2005 Survey of Household Expenditures* (Statistics Canada), inflated to 2007 values and adjusted for family size.

Transit Fares are based on adult (single zone) monthly pass rates in effect in February 2007. The Charlottetown fare is based on adult tickets for 240 working days. The full impact of the federal non-refundable Public transit passes amount has reduced the cost of transit fees shown for the single individual example.

Telephone charges are the basic service rates for individual residences.

² Earned income is net of the Universal Child Care Benefit however, the Universal Child Care Benefit has been used in the calculation of taxable income.

■ Appendix 2: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

Manufacturing is Manitoba's largest economic sector, accounting for 12% of provincial GDP and two-thirds of total foreign merchandise exports. Approximately 70% of Manitoba's merchandise exports to the United States are manufactured goods.

In 2006, manufacturing industries employed over 66,000 people in Manitoba, or one in nine Manitoba workers. Many more Manitobans work in industries that provide goods and services to the manufacturing sector. Only in Quebec and Ontario does manufacturing account for a greater share of total employment.

Manitoba's manufacturing shipments continued to grow in 2006, increasing 5.2% to \$14.2 billion. This contrasts with Canada's performance of a 0.6% decline. Manitoba's shipments growth has outperformed Canada's in five of the past six years.

Manitoba's manufacturing sector is highly diversified, producing a broad range of industrial and consumer goods. Major manufactured goods include urban and intercity buses, aerospace equipment, smelted metals, industrial chemicals, machinery, pharmaceuticals, processed meats, processed vegetables and grain products, furniture, plastic products, manufactured windows and fabricated metals. Manitoba is North America's largest manufacturer of buses. Canada's largest furniture factory, owned by Palliser Furniture Ltd., is located in Manitoba. Maple Leaf Foods operates one of the world's largest and most technologically advanced meat processing plants in Brandon, Manitoba's second-largest city. Manitoba is also Canada's third-largest aerospace centre.

Manitoba's competitive and cost-effective business environment continues to attract manufacturing investment. Manufacturers are taking advantage of the province's central location and its excellent transportation links to the rest of North America. Industrial and commercial land costs are lower than in many other major metropolitan centres, and Manitoba's electricity costs are among the lowest in the world. Manitoba has a skilled and well-educated work force ready to take advantage of the opportunities provided by the province's growing manufacturing sector.

Manitoba Finance's competitiveness model is used to compare the tax structure and cost environment for a representative small and larger manufacturing firm. The model is used to assess Manitoba's competitive position relative to several other North American cities.

The model simulates start-up costs, operating costs and financial and taxation profiles over a period of twenty years. It incorporates future changes in taxes that have been announced by the federal and provincial or state governments¹. Manitoba measures that have been announced but which are subject to balanced budget requirements have not been incorporated into the model. The representative firms' profiles have been updated using the most recent data available from Statistics Canada, local economic development boards and other public information sources.

¹ The model reflects information available as of March 22, 2007.

Interjurisdiction Competitiveness

The following indicators are used to assess cost and tax competitiveness for both a small and a larger manufacturing firm over a 20-year period:

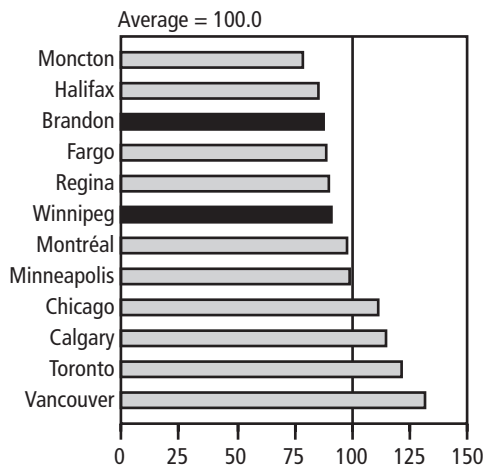
- net cost of investment, or start-up costs (including applicable taxes)
- pre-tax net income
- effective tax rates
- internal rates of return

The model assumes actual costs for each city and calculates net revenue and cash flow, including start-up costs, based on the operating costs in each location. The results for each city are compared to the overall average of all cities for each of the indicators and presented in the charts that follow.

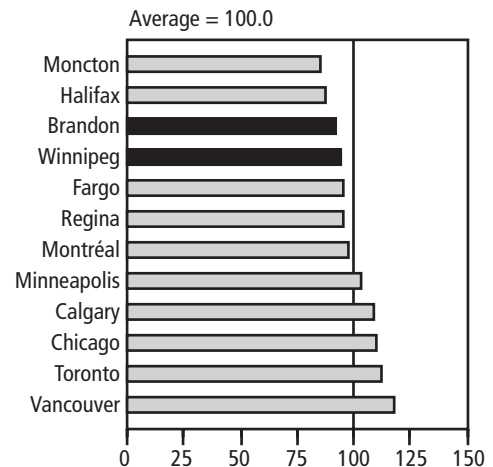
Net Cost of Investment

The costs of starting a manufacturing plant (land, buildings, and machinery and equipment) are lower in Manitoba than the average for all cities. Taxes have a negligible impact on net costs. Investment tax credits on capital asset purchases reduce the net cost of investment. The net cost of investment for larger metropolitan centres tends to be higher than the overall average, primarily because of the cost of land and construction labour costs. As a result of Manitoba's growing economic prosperity, land values in Manitoba cities have increased at a higher rate than the average, but investment tax credits on capital assets have mitigated the land price increases.

Net Cost of Investment Small Manufacturing Firm



Net Cost of Investment Larger Manufacturing Firm



Pre-Tax Net Income

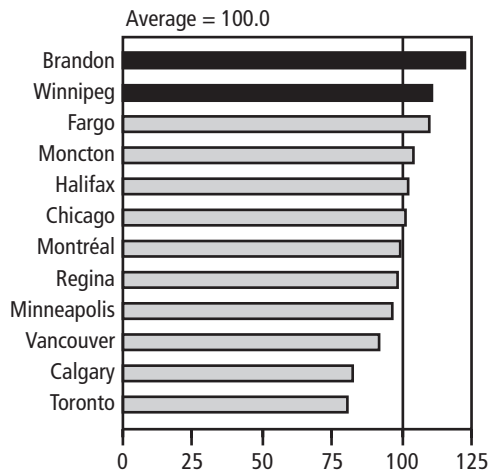
The model calculates pre-tax net income by subtracting from a common level of revenue the following location-sensitive operating costs:

- average manufacturing wages
- local utility charges (electricity and telephone)
- interest costs
- capital depreciation

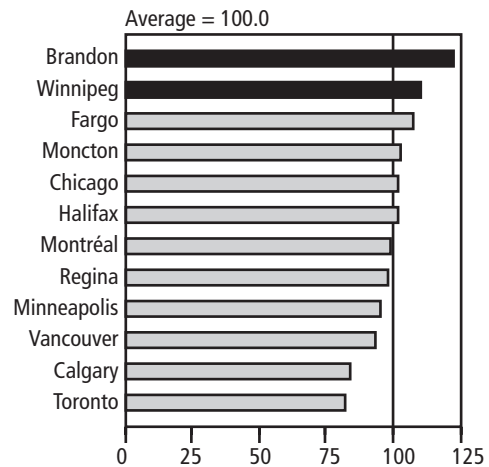
Pre-tax net income is used to compare Manitoba's cost competitiveness to the other locations. A higher pre-tax income indicates lower operating costs relative to another jurisdiction. The sales figures used in the simulation model are fixed across the cities, \$4 million for the small firm and \$45 million for the larger firm, for years five through 20. Production material costs are also fixed across jurisdictions.

Brandon and Winnipeg yield the highest pre-tax net income for both the small and larger manufacturing firms. A talented, well-educated and productive labour force, low utility costs and lower than average start-up costs contribute to the cost advantages of operating a manufacturing plant in Manitoba.

Pre-Tax Net Income Small Manufacturing Firm



Pre-Tax Net Income Larger Manufacturing Firm



Effective Tax Rates

Effective tax rates are generated by computing gross taxes as a proportion of pre-tax net income over the 20-year period. The following operating taxes are included in the analysis:

- corporation income taxes
- local property and business taxes
- corporation capital and U.S. franchise taxes
- payroll taxes
- workers' compensation premiums
- statutory pension and unemployment insurance premiums
- employer-paid health premiums

The following tax expenditures that benefit the manufacturing sector are also taken into account:

- investment tax credits
- accelerated capital cost allowances
- preferential tax rates

Not included in the model are enterprise zones, grants, and other forms of governmental and third-party financial assistance programs.

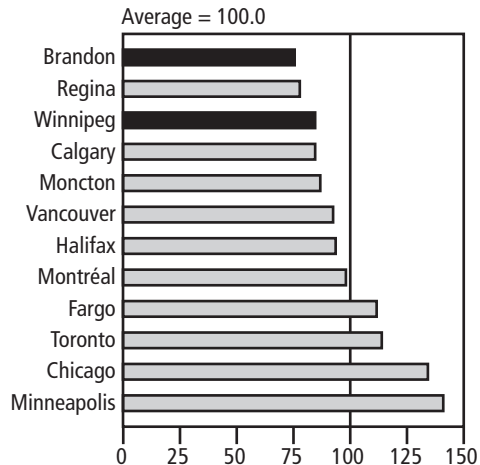
For both the small and larger manufacturing firm, Manitoba's effective tax rates are below both the overall average and the Canadian city average.

Overall Competitiveness

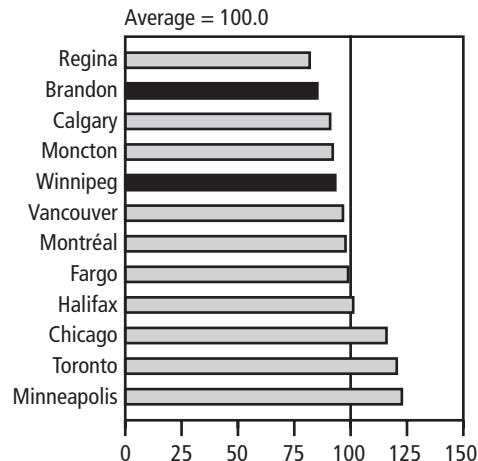
Overall competitiveness is compared by calculating internal rates of return. The internal rate of return is commonly used for business investment and location decision making. It measures the expected profitability of an investment. The higher the internal rate of return, the more attractive the investment. Generally, a firm will only consider investing in a project with an internal rate of return that is higher than the firm's cost of borrowing or discount rate. The model calculates the internal rate of return for each city using start-up costs and cash flow over the 20-year period, discounted using commercial interest rates specific to a small and a larger manufacturing firm. The following charts illustrate the combined effect of taxes and costs on the internal rates of return for the representative small and larger manufacturing firms in the selected jurisdictions.

The internal rates of return for both Winnipeg and Brandon are above the overall average of the cities included in the study. Brandon has the highest internal rate of return and Winnipeg has the fourth-highest internal rate of return for both the small and larger manufacturing firms. Among cities with populations over 500,000, Winnipeg has the highest internal rate of return for both small and larger manufacturing firms.

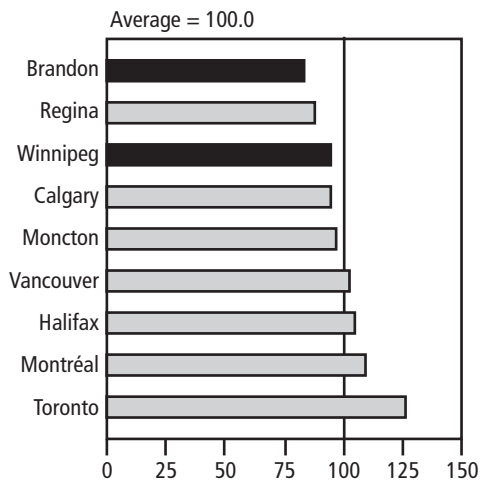
**Effective Tax Rates
Small Manufacturing Firm**



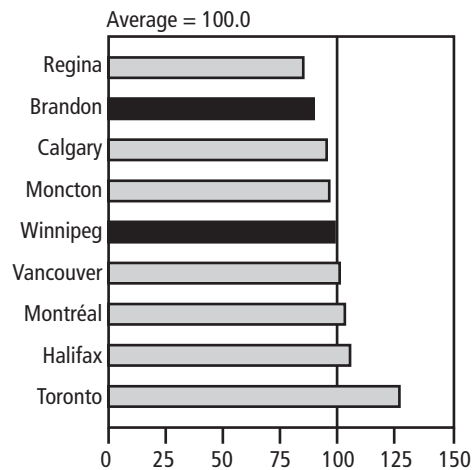
**Effective Tax Rates
Larger Manufacturing Firm**



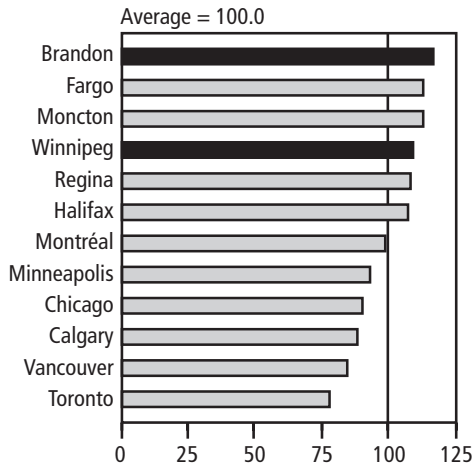
**Effective Tax Rates
Small Manufacturing Firm
Canadian Cities**



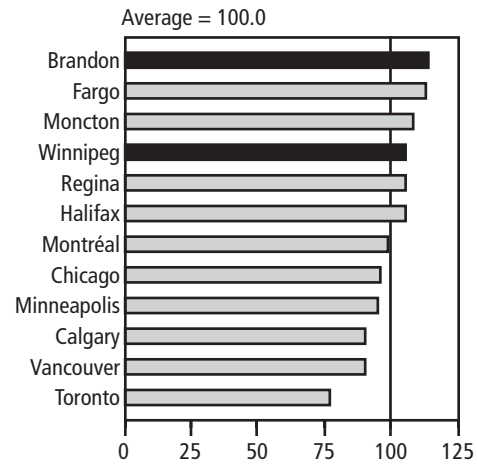
**Effective Tax Rates
Larger Manufacturing Firm
Canadian Cities**



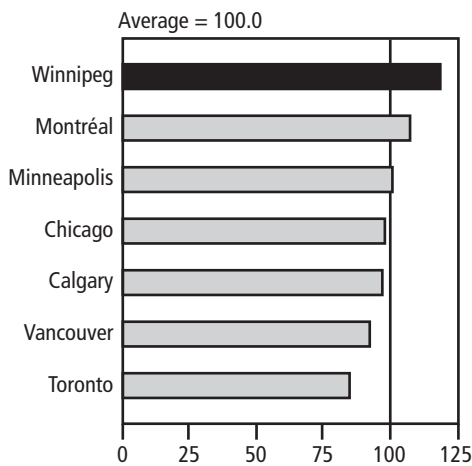
Internal Rates of Return Small Manufacturing Firm



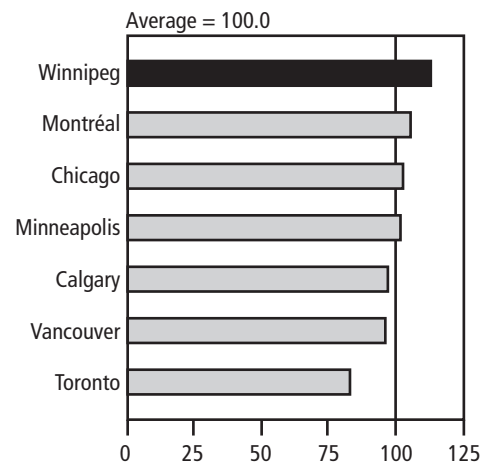
Internal Rates of Return Larger Manufacturing Firm



Internal Rates of Return Small Manufacturing Firm in Cities over 500,000



Internal Rates of Return Larger Manufacturing Firm in Cities over 500,000



CONCLUSION

For the eighth consecutive year Manitoba has reduced corporation income taxes, with further cuts announced for 2008. For the third year in a row Manitoba has reduced the tax cost of making capital investments: one-half of the Manufacturing Investment Tax Credit is now refundable and 2007 is the third budget in which capital taxes have been reduced. As a result, the effective tax rates for Brandon and Winnipeg have both improved for the small manufacturing firm, and the effective tax rate for Brandon has improved for the larger manufacturing firm. Combined with having the highest pre-tax net income because of low business operating costs, Brandon has the best overall competitiveness for both small and larger manufacturing firms, and Winnipeg has the best overall competitiveness among cities with a population over 500,000 for both the small and larger manufacturing firms. Low taxes and the best in overall competitiveness – that is the Advantage to manufacturing in Manitoba.

Budget Paper E

**REDUCING POVERTY
IN MANITOBA**

REDUCING POVERTY IN MANITOBA

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■ REDUCING POVERTY IN MANITOBA

Manitoba's growing economy is creating opportunities. More Manitobans are connecting with training, jobs, better housing, and stronger, safer neighbourhoods – important resources in combating poverty. These measures help reduce poverty and are working.

Manitoba had the largest reduction in poverty for single-parent families in Canada between 1999 and 2004. The rate of single female parents living on low-incomes declined from 59.1% in 1999 to 37.1% in 2004 – an improvement of 37%. The child poverty rate has improved by one third, dropping from 18.9% in 1999 to 12.8% in 2004, which is Manitoba's best national ranking since 1989. Manitoba has the lowest average annual number of people on Employment and Income Assistance (EIA) in 20 years, with almost 10,000 fewer people needing income assistance than in 1999.

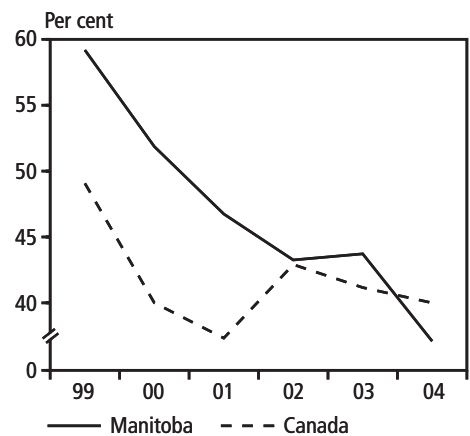
The provincial government recognizes the paramount importance of providing education opportunities, accessible child care, fair income support programs and other initiatives to serve as effective springboards to employment and greater independence. Budget 2007 introduces “Rewarding Work” – a new four-year plan to refocus the low-income support system to help more people gain employment and higher incomes. This new plan focuses on enhancing opportunities for education and training, expanding employment, making work pay for families, easing the transition from welfare to work and helping people retain jobs.

Issues surrounding poverty and low-income families are complex and involve personal, economic, social and systemic factors. The Manitoba government has consistently worked with other governments and community organizations, as well as across government, to develop and implement a range of programs and policy approaches to help low-income earners become more independent and tap into the Province's economic well-being. Employment is the most effective means of combating poverty. However, the necessary supports and services need to be available to those for whom employment is not a realistic option.

Manitoba's cross-sectoral, cross-departmental approach looks to strengthen neighbourhood communities and families, and provide individual Manitobans with access to the many training and job opportunities that are available.

The provincial government recognizes the paramount importance of providing education opportunities, accessible child care, fair income support programs and other initiatives to serve as effective springboards to employment and greater independence.

Reductions in the Incidence of Poverty Among Single Female Parents



Source: Statistics Canada

In 2004, the Manitoba government fully ended the clawback of the National Child Benefit Supplement, putting nearly \$14 million each year back into the pockets of low-income Manitoba families.

Children and Families

Access to quality child care encourages and supports parents who are looking for and maintaining employment. Quality child care also contributes to healthy child development. Since 1999, funding for Manitoba's early learning and child care system has more than doubled. The 107% increase has helped provide 6,668 newly funded spaces across the Province, bringing the total number of funded child care spaces in Manitoba to 23,108. Wages for early childhood educators have increased by 21% to help recruit and retain qualified workers.

Manitoba introduced its first five-year child care plan in 2002 to improve the quality, accessibility and affordability of early learning and child care across the province. In 2005, the governments of Canada and Manitoba negotiated and signed an agreement to provide new multi-year funding for child care and early learning. Manitoba is disappointed with the Government of Canada's decision to withdraw from the 2005 agreement. However, Manitoba is firmly committed to ensuring quality child care is available for parents and families who need it, and will continue to call for a long-term sustainable federal investment in early learning and child care. Under the agreement, Manitoba received \$23 million last year, but based on the recent federal budget, it appears that Manitoba will only receive \$9 million for 2007/08. 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.

In 2004, the Manitoba government fully ended the clawback of the National Child Benefit Supplement, putting nearly \$14 million each year back into the pockets of low-income Manitoba families.

Healthy Child Manitoba, a nationally recognized body that leads government departments and community partners on the well-being of children, continues to make a positive difference. Programs include:

- literacy, nutrition and parenting supports at 26 parent-child coalitions around the Province;
- the Healthy Baby prenatal nutrition benefit, helping over 25,500 low-income women as of December 2006;
- Families First, a community-based home visiting program providing support for families and children from conception to kindergarten, at no cost; and
- Triple P (Positive Parenting Program) supporting parents by providing practical parenting information, advice and support.

Poverty is a significant factor in the issues that bring some families into contact with the child protection system. In October 2006, the government partnered with the four First Nations and Metis authorities responsible for the delivery of child and family services. They announced the launch of an action plan called *Changes for Children: Strengthening the Commitment to Child Welfare* to improve the Province's child and family services system. The plan implements the recommendations of three external reviews of the child and family services system and is being guided by the work of an implementation team to ensure there are meaningful systemic changes. The action plan also includes an initial investment of \$42 million over three years in the priority areas of workload relief, training and prevention.

- Workload Relief and Front-line Support provides \$11.5 million over three years for up to 150 new positions; computer-system upgrades to help effectively monitor and track child case loads; enhanced governance and information sharing; emotional and counselling supports for caregivers and workers; and continuing action on fostering, suicide prevention and fetal alcohol spectrum disorder.
- Hiring additional professionals to develop and strengthen standards, prevention measures, early intervention programming, and design and implement training initiatives.
- Early intervention services provides \$22 million over three years for troubled families before problems become crises and children are mistreated.

Making fostering more attractive is the first stage of a new recruitment campaign and part of the *Changes for Children* action plan. As of January 2007, rates for foster parents increased more than 23% over 14 months. The \$6.1 million strategy to increase support for foster parents and children includes increases of 36% for recreation, camps, gifts and lessons for foster children.

In January 2007, a strategy was launched to strengthen supports for youth who are aging out of the child welfare system at age 18. Youth participation, mentorship and financial assistance are the focus of the action plan, which includes:

- establishing the Vision Catchers Fund to encourage youth to pursue careers by supporting high school completion, accessing post-secondary education and training, and developing special talents and skills;
- creating a mentorship program with young adults who have successfully aged out of the child welfare system to provide other youth with support and guidance;

Making fostering more attractive is the first stage of a new recruitment campaign and part of the Changes for Children action plan.

ACCESS Centres and Integrated Service Sites

The Manitoba government has worked with the Winnipeg Regional Health Authority to integrate certain health and social services in community ACCESS Centres. ACCESS Centres provide a single point of access for a wide range of health and social services, including primary care. ACCESS River East opened in March 2004 and ACCESS Transcona opened in June 2006. Plans were recently announced to build a new ACCESS Centre in northwest Winnipeg.

Other integrated health and social service sites have been opened in Winnipeg, including two in St. James-Assiniboia, one in St. Boniface/St. Vital via the Bilingual Service Centre, and one each in River Heights/Fort Garry and Seven Oaks. These sites provide a comprehensive set of health and social services, but do not include primary care services.

Budget 2007 continues to invest in areas that benefit women including child care, housing, safety and transportation.

- fostering youth involvement by increasing support to organizations such as Voices! Manitoba's Youth in Care Network, a youth-driven program providing support, encouragement and advocacy for youth making the transition to independence; and
- providing services for youth on a longer-term basis as more youth remain in care beyond the age of 18.

Stronger laws are now in place that provide more tools to collect child support, ensuring more children receive the financial support they are owed. These measures have helped encourage 45% more parents to pay full support for their children through the Maintenance Enforcement Program.

Women and Poverty

Across Canada, women are more likely than men to live in poverty and experience longer and deeper spells of poverty. Aboriginal women, visible minority and immigrant women, women with disabilities, single female parents and unattached senior women are particularly affected by poverty. While Canadian low-income statistics consistently show a gender gap, the portion of Manitoba's low-income population that is female dropped from 59.6% in 1980 to 52.2% in 2003.

Male-female pay equality has improved in Manitoba, with female workers earning nearly 90% as much as men. Wages for women have increased almost 22% and men's average wages have increased 10.5%. The narrowing wage gap can largely be attributed to pay increases for women in industries such as the finance, insurance, real estate and leasing sectors, health care and education.

Supports such as the Healthy Baby Program, launched in 2001, help mothers during pregnancy and the early infant years by providing

financial assistance and nutrition education. The Healthy Baby Manitoba Prenatal Benefit helps income-eligible pregnant women meet their extra nutritional needs during pregnancy.

Budget 2007 continues to invest in areas that benefit women including child care, housing, safety and transportation.

Manitobans with Disabilities

Manitoba is committed to supporting the dignity, quality of life and opportunities for persons with disabilities. In 2001, the government released *Full Citizenship: A Manitoba Provincial Strategy on Disability*. This vision paper presented a philosophy for responding to the needs of people with disabilities and outlined five priority issues for government: income supports, employment, disability supports, access to government and issues affecting Aboriginal Manitobans with disabilities.

The government is actively addressing these five priority areas. For example, commitments have been made on such issues as removing barriers to employment, providing disability supports for training programs and improving consultation with the community of people with disabilities.

The following are some accomplishments to date.

- A rapid re-enrollment policy within the Employment and Income Assistance (EIA) Program, which provides financial assistance quickly if an employment opportunity for a person with a disability has not succeeded and the individual needs to resume benefits.
- The earnings exemption allows participants to retain up to \$115 of net monthly earnings for single parents with disabilities, and \$100 for other persons with disabilities. It also allows them to retain 30% of net monthly earnings in excess of these amounts, recognition of the higher employment costs required for persons with disabilities.
- Manitobans with disabilities, who receive funds such as an inheritance or life insurance, will not have their EIA benefits reduced if they set up a trust fund for disability-related equipment or services to improve their quality of life. These trust funds can accumulate up to a lifetime limit of \$100,000 per person with a disability.

The federal government has recently announced plans for a Registered Disability Savings Plan (RDSP). Manitoba is supportive of an initiative that encourages asset-building and financial independence for persons with disabilities, and will co-ordinate provincial programming so income assistance participants with disabilities will also receive this benefit. It is similar to measures Manitoba already has in place. For example, Manitoba

The Manitoba government has committed to reducing the persistent gap in well-being between Aboriginal and non-Aboriginal people.

already allows EIA recipients to set aside these kinds of trust funds to contribute to the quality of life for people with disabilities, without affecting their EIA rates. Manitoba also supports savings for similar programs for the future, such as Individual Development Accounts.

The Disabilities Issues Office continues to work with government departments and community partners to implement the commitment made in *Full Citizenship*.

Closing the Gap for Aboriginal Peoples

The Manitoba government has committed to reducing the persistent gap in well-being between Aboriginal and non-Aboriginal people. This commitment extends to areas of education and early childhood development, housing and infrastructure, relationships and accountability, health and well-being, and economic opportunities.

The Premier's Economic Advisory Council, made up of business and labour leaders, has highlighted the importance of Manitoba's growing Aboriginal population in a growing economy. This focus has helped make Aboriginal training, employment and business development a significant part of major capital projects like the expansion of the Red River Floodway and the construction of the Wuskwatim hydro-electric dam.

The \$60 million Canada-Manitoba, Manitoba Hydro pre-project training initiative has provided training for almost 1,200 First Nations and Metis people. As Wuskwatim and, in the future Conawapa develop, there will be increasing need for trained workers. Wuskwatim also represents a unique partnership with the Nisichawayasihk Cree Nation. There are currently 200 people working on Wuskwatim, two-thirds of whom are of Aboriginal descent.

Aboriginal education supports are increasing through programs such as ACCESS, the Aboriginal Midwifery Education Program at the University College of the North, and training for licensed practical nurses in seven Aboriginal communities. The Aboriginal Education Action Plan goal is to increase high school graduation rates, encourage post-secondary education and connect young Aboriginal people with employment opportunities. Investments in the University College of the North and support for bursaries, such as the Helen Betty Osborne Memorial Foundation and the Millennium Manitoba Opportunities Grant, help deliver positive results for the Aboriginal community.

- Aboriginal student enrolment in universities and colleges is up 77% and 59% respectively since 1999.
- Aboriginal apprentice enrolment has tripled since 1999.

- The number of employed off-reserve Aboriginal people rose 30% between 2001 and 2005.

Other partnerships in health care are working too. The development of the new renal centre at Island Lake demonstrates how all levels of government can work together with First Nations to provide an important health care service for the 10,000 residents in the Island Lake area. Manitoba has the only two on-reserve dialysis machines in Canada – Island Lake and Norway House.

Other initiatives developed in partnership with Aboriginal people include the Northern Development Strategy, the Aboriginal Education Action Plan, the Aboriginal component of the Winnipeg Partnership Agreement, and Manitoba Hydro revenue sharing and training partnerships with First Nations. These initiatives provide more development opportunities for this rapidly growing segment of Manitoba's population.

Budget 2007 funds several key areas which will help support the commitment to closing the gap. This includes ongoing investment in education to support Aboriginal academic achievement, a new young Aboriginal entrepreneur initiative to assist with business development costs and investments in roads in northern Manitoba.

Better Start for Newcomers

Since 1999, federal and provincial funding has almost quadrupled for settlement services to help new immigrants make Manitoba their home. It is expected to be over \$17 million in 2007/08. A new approach to settlement and integration will support a wide range of services and programs throughout the province such as:

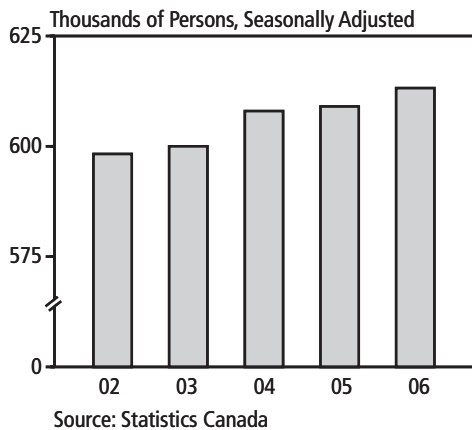
- improving the delivery of settlement services by responding to the needs and priorities identified by immigrants and service providers, while strengthening community involvement in helping immigrants settle and succeed in Manitoba;
- developing new models of English as an Additional Language services and training, including specific language training geared to work as well as general language training to ensure faster integration of immigrants into Manitoba's labour force and community; and
- increasing support for Manitoba's Qualification Recognition Initiative to better assess and recognize the valuable qualifications immigrants bring to the province.

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The minimum wage has been increased seven times in Manitoba since 2000. This is a 33% increase that sets the minimum wage at \$8 per hour as of April 1, 2007.

Manitoba Labour Force



Provincial Nominee Program continues to fast-track the arrival of skilled immigrants to Manitoba. Successfully attracting new immigrants requires effective settlement services to help immigrants put down roots in Manitoba and make it home. Other services such as language training, labour market integration, credentials recognition and ethno-cultural initiatives that celebrate the economic, social and cultural contributions that new immigrants make to Manitoba are another important component of the government's immigration commitment.

Support for Employment and Training

Manitoba continues to enjoy one of the lowest unemployment rates across the country, with a rate of 4.3% in February 2007. There are jobs opportunities, but unemployed Manitobans and those enrolled in Employment and Income Assistance may not have the necessary skills to take advantage of them. Budget 2007 will help more Manitobans tap into the job market by providing more employment and training opportunities, and other incentives for low-income people.

Education continues to be a key economic development tool for the Province. Education and training can help connect Manitobans to jobs that improve the quality of their life. Funding for public education has increased every year. Manitoba's high school graduation rates have increased by 10 percentage points in the past seven years, from 73% in 1999 to 83% in 2006.

The 10% tuition reduction for universities and colleges, in place since 2000, is making post-secondary education more accessible and affordable, and supported a one-third increase in enrollment. The government has recently introduced a 60% 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 youth to put down roots while establishing their careers in Manitoba.

The government has undertaken a number of initiatives to increase education and training opportunities, particularly for groups that face barriers to joining the work force.

- Since 1999, the economy produced an average number of 6,514 new jobs in Manitoba each year, up from the average of 3,067 from 1990 to 1999.
- The Canada-Manitoba Manitoba Hydro pre-project training initiative has trained close to 1,200 people for work on hydro-electric dam projects, such as Wuskwatim in Northern Manitoba.
- The minimum wage has been increased seven times in Manitoba since 2000. This is a 33% increase that sets the minimum wage at \$8 per hour as of April 1, 2007.

- A more equitable workers' compensation system has been introduced, improving benefits for many injured workers.
- The Province has recently committed \$45 million to enhance the new University College of the North (UCN) 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 link 14 regional centres, nine of which are in First Nations communities. The regional centre network allows UCN to bring more educational opportunities to more residents across Manitoba's north.
- Income assistance recipients seeking employment have more training support, extended child-care subsidies and can keep more of their earnings before their assistance levels are affected.
- With its last budget, Manitoba made a record three-year \$60 million funding commitment to universities and colleges. Budget 2007 strengthens this commitment, providing an average funding increase of 7% for universities and colleges this year. New graduate scholarships have also been provided, along with new funding for bursaries.
- Career Trek Inc. continues to support innovative programs to help young people from under-represented families complete high school, pursue post-secondary education and create a better future. Its mission statement is: Stopping Poverty through Education.

Education, training and partnerships with other governments, businesses and community organizations help connect low-income Manitobans to employment.

Income Support

The Employment and Income Assistance (EIA) Program is a program of last resort for individual Manitobans and families in financial need. The intent is to help people become financially independent and find employment as soon as reasonably possible. The program looks at ways to provide for citizens in need and help people make successful transitions to work.

- Participants with disabilities, and single parents who are working and not receiving cash assistance, are still eligible for extended health services for up to 12 months to ease the transition to employment. The Province is looking to enhance the extended health provisions over the next three years.
- Families with children under age six, who receive EIA benefits can receive the full federal Universal Child Care Benefit without affecting their income assistance levels. This benefits more than 10,000 young children, and provides low-income families with more than \$10 million per year.

Income assistance recipients seeking employment have more training support, extended child care subsidies and can keep more of their earnings before their assistance levels are affected.

The Rewarding Work initiative will help families with low incomes take advantage of the Province's economic prosperity.

- Manitoba restored the National Child Benefit, ending the claw back of this benefit from families in the EIA program and providing them with nearly \$14 million more per year in disposable income.
- EIA recipients living in Manitoba's northern and remote communities are benefiting from increased rates that recognize and help offset the costs of essential goods and nutritious foods. This compliments a transportation pilot project to lower the cost of bringing supplies to northern communities.
- The Northern Energy Cost Benefit increased monthly income assistance in 2006 by \$25 per home and affected approximately 2,000 households in northern and remote areas of Manitoba. It helped offset the increase in the cost of basic necessities due to rising energy costs, including fuel to transport goods.
- In 2001, northern, rural and urban hydro rates were equalized throughout the Province, ensuring fairness and equality in access to this important resource.
- Manitoba is partnering with SEED Winnipeg on asset-building programs, such as Individual Development Accounts. These provide money-management and matched-savings for the purchase of economic assets; such as education, a first home or business capital. These asset-building accounts, as well as Registered Education Savings Plans and Canada Learning Bonds, allow Manitobans to save for a specific goal, without affecting income assistance benefits for participants.
- The Building Independence Program develops and supports activities that promote job opportunities and enhance the employability of EIA participants. It provides tools such as child care and voice mail services, job readiness assessments, and links to training and employment.

There are almost 10,000 fewer people receiving income assistance than in 1999, the lowest in almost 20 years. Still, many Manitobans need support to become gainfully employed. The Rewarding Work initiative will help families with low incomes take advantage of the Province's economic prosperity. The four pillars of the new four-year plan are:

1. Enhance Employability – improve the employment skills of participants so they are better equipped to find and keep sustainable employment.
2. Encourage Work – provide incentives for participants to find employment and increase hours of work, reducing dependence on assistance.

3. Ease the Transition to Employment – ease the transition of participants from welfare to work and reduce the fear associated with leaving the security of income assistance.
4. Enhance Employment Retention – support low-income workers already in the labour market and encourage them to remain employed by reducing the “welfare wall.”

Specific initiatives include:

- Manitoba Child Benefit – provides 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,” ensuring that families have support for their children when they move from income assistance to work;
- a new Manitoba benefit which will complement the federal government’s newly announced Working Income Tax Benefit program. This will help the transition from welfare to work;
- help with new expenses that come with a job are now available, including a new transportation allowance and an increase of \$25 per month (January 2008) for persons with disabilities, childless couples and singles;
- increase education and training opportunities, including a new pilot project offering longer-term training supports, increasing support for Vocational Rehabilitation Services, promotion of high school completion and doubling the Rural Jobs Project; and
- job retention supports are being enhanced.

Strengthening Community

Strong communities and safe neighbourhoods contribute to the quality of life for all Manitobans. The Manitoba government has developed a range of unique partnerships with community organizations. They encourage and support the commitment of Manitobans to invest in their neighbourhoods and promote community well-being and economic development.

Neighbourhoods Alive! is the provincial government’s long-term, social and economic development strategy. It supports and encourages community-driven revitalization efforts in designated older neighbourhoods in Winnipeg, Brandon and Thompson. These neighbourhoods may be experiencing significant social, economic and environmental challenges such as high rates of poverty, unemployment and crime, as well as a lack

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of adequate recreation, family support, affordable housing and economic opportunities. Neighbourhoods Alive! helps with physical renewal such as housing, local economic development and improvements to safety and well-being. Budget 2007 expands Neighbourhoods Alive! to Dauphin, Flin Flon, The Pas, Portage la Prairie and Selkirk.

Other partnerships supported by the Province include:

- SEED Winnipeg's Build a Business and asset-building programs, and community financial service centres all provide business and financial services to Winnipeg's inner city and north-end communities.
- Neighbourhood Renewal Corporations in Winnipeg, Brandon and Thompson harness the ideas of local residents and help put them into action.

The Northern Healthy Foods Initiative helps northern communities gain access to nutritional foods and become more self-sufficient through local production of healthy food. The program is a partnership with the Northern Association of Community Councils, Four Arrows Health Authority, Bayline Regional Round Table, Frontier School Division, and a number of First Nation communities and Northern Association of Community Councils in Northern Manitoba. It has been supporting efforts to promote traditional gathering, harvesting of country foods, and building family and community gardens. In 2006, there were 300 community gardens.

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.

In 2006 Manitoba passed payday loan legislation that requires payday loan companies to operate within a comprehensive regulatory framework. The legislation will help protect borrowers against high fees and industry practices that contribute to the debt spiral that borrowers can encounter.

Manitoba is committed to community economic development principles that expand on traditional forms of economic development and contribute to the well-being of neighbourhoods and the people who live there.

Manitoba has implemented shelter support programs geared to housing costs and family income to help families obtain adequate housing.

Safe and Affordable Housing

Access to safe, affordable, appropriate housing is vital to Manitobans, including seniors, people with low-incomes, Aboriginal people and persons with disabilities. Manitoba has implemented shelter support programs geared to housing costs and family income to help families obtain adequate housing. Federal-provincial-municipal partnerships are also providing more stability and security for individuals and families by building new, affordable housing units and improving existing housing across the Province. Since 2000, the Province has invested over \$100 million in partnerships to repair, renovate or build 4,900 affordable housing units.

Budget 2007 includes \$7.8 million for the Manitoba Shelter Benefit. It combines and expands on previous shelter benefits provided under the Shelter Assistance for Elderly Renters (SAFER) program and the Shelter Assistance for Family Renters (SAFFR) program. The new benefit is also available to persons with disabilities, including some who receive income assistance, low-income seniors and families needing help to pay rent for private housing.

There are several active programs underway to provide safe, affordable housing for Manitobans.

- The Winnipeg Housing and Homelessness Initiative is a partnership between the governments of Canada, Manitoba and the City of Winnipeg to address homelessness, declining housing stock and the revitalization of Winnipeg's older neighbourhoods.
- Manitoba's share of the profits from the development of Waverley West will be invested in further improvements in Winnipeg's inner-city housing, resulting in more variety and greater housing choices for people at all income levels.
- The governments of Canada and Manitoba have each contributed \$36.9 million for a total of \$73.8 million to the Affordable Housing Initiative in Manitoba. Manitoba has been working with other levels of government to develop safe and affordable housing for families with low and moderate incomes, including new energy-efficient infill homes in Winnipeg's inner city and affordable rental housing in a number of communities in Manitoba.
- The establishment of family resource centres at some Manitoba Housing Authority (MHA) sites helps improve tenant-support services. These family resource centres operate like drop-in centres and provide programming to tenants such as public-access computers, employment-skills training, job interview preparation, conflict resolution, crisis

counselling, parenting for teens, a toddler's group, community kitchens, a craft co-operative and community dinners. They can also offer opportunities for work experience.

- Low-income seniors in St. Vital are benefiting from over \$2 million in funding from the Winnipeg Housing and Homelessness Initiative to build a supportive housing and assisted living apartment block as part of the Riverside Lions Seniors Residences Inc. project. The building will be a fully accessible five-storey, 75 unit apartment building. It will feature 48 supportive housing studio units for seniors with early-stage dementia/Alzheimer's and 27 one-bedroom units offering assisted living for seniors.
- Low-income residents of Winnipeg's inner city also have access to more affordable housing with the construction of pocket suites through a new pilot project developed by S.A.M. (Properties) Inc. in collaboration with several community organizations. The project is being funded with over \$1 million from the Winnipeg Housing and Homelessness Initiative. Pocket suites are smaller than an apartment but offer more privacy and other features not available in a typical rooming house, such as an individual bathroom, a kitchen unit and some furniture.

Budget 2007 introduces a new, robust multiyear housing strategy with supports for:

- inner city revitalization
- homelessness
- urban Aboriginals
- northerners, and
- seniors

This strategy will be implemented with the assistance of the federal Housing Trust and will include:

- developing housing options for the inner city including infill housing, co-operative family housing, rental/transitional housing, rent supplements and improvements of publicly owned housing stock;
- engaging community organizations and other levels of government in a long-term strategy for people at risk of being homeless;
- introducing a new off-reserve program for Aboriginals, in both urban and rural areas of Manitoba, to help provide new affordable housing options;

- providing additional rent supplements, developing new publicly owned housing stock, increasing investment in preventive maintenance for existing stock, and developing new options for rehabilitation and ownership for residents of Northern Manitoba; and
- funding the development of new supportive housing units, and rent supplements for seniors as part of the government's Aging in Place strategy.

Conclusion

The Manitoba government has successfully made a difference in priority areas including:

- reducing poverty for children, women and families
- providing more opportunities for Aboriginal people
- ensuring people with disabilities have the opportunity to develop their potential in the workforce
- connecting more Manitobans with educational and job training opportunities that pave the way for a brighter future
- providing a positive start for newcomers
- expanding child care and affordable housing

Building on that success is an ongoing effort. The government recognizes there is more work to be done in reducing poverty and is committed to exploring, developing, and implementing programs and policies that help more Manitobans seize the opportunities offered by a vibrant, dynamic and growing economy.

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