

2001 THE MANITOBA BUDGET

BUDGET SPEECH



WORKING HARD TODAY. PREPARING FOR TOMORROW.



THE HONOURABLE
GREGORY F. SELINGER
MINISTER OF FINANCE



The 2001 Manitoba Budget Address

The Honourable Gregory F. Selinger
Minister of Finance
April 10, 2001

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The 2001 Manitoba Budget Papers,
2001 Estimates of Expenditure,
2001 Estimates of Revenue,
the latest Quarterly Financial Report and
Highlights of Manitoba's Recent Economic Performance

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THE 2001 MANITOBA BUDGET ADDRESS

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WORKING HARD TODAY, PREPARING FOR TOMORROW

As we move further into a new century, we are afforded a unique opportunity to celebrate our past, while focussing on the vast opportunities of the future. Our hard work today builds a better tomorrow for Manitobans and their families. We have many accomplishments on which to build:

- employment at record high levels;
- dramatic cuts in hallway medicine and other improvements to health care;
- significant tax reductions;
- a renewed commitment to preserve and promote our immense Hydro resource and create new development opportunities in our North;
- significant investments in our schools, colleges, universities, children and youth – for all our futures.

It is my honour to present to Manitobans the 2001 Budget.

It is time to address our present challenges the way only Manitobans can: with courage, compassion and confidence. A time to focus on our vision for the future. A time to build upon those things that make our province the best place in Canada to live, work and raise a family.

We face difficult choices at this time of economic uncertainty, but we make them with an eye toward our

collective future. That is the essence of the 2001 Budget – working hard today, preparing for tomorrow.

In that spirit, this Budget continues to put Manitoba families first. We have made choices that the vast majority of Manitobans would make: more investment in vital public services, strong debt reduction, tax reductions we can afford, schools and health care first.

We must make wise decisions today, even if it means delaying some more popular measures. Protecting our capital city from future flooding is estimated to cost up to \$700 million. We cannot let the size of the task deter us from taking action now. The security of families, businesses and communities in Manitoba requires prompt action. Budget 2001 meets this challenge head on.

Manitoba's future prosperity depends on the skills and education we can give our citizens, particularly young Manitobans. A well-trained, well-educated work force is the foundation of our economic plan.

Every Manitoban depends on our health care system. This Budget provides needed resources for nurse and doctor training and retention programs. We will give our regional health authorities support to carry out their responsibilities, while asking them to further



improve cost effectiveness. We will invest in needed medical equipment, and we will work to control spiralling drug costs.

This Budget supports Manitoba families and communities. For example, our efforts to bridge the crisis in agriculture today, will lead to greater diversification tomorrow. It ensures we have a safe and healthy environment.

We are taking steps to keep our taxes affordable and fair. We will address education property taxes, personal income taxes, and business levies. At the same time we will introduce measures to further improve transparency and accountability in government.

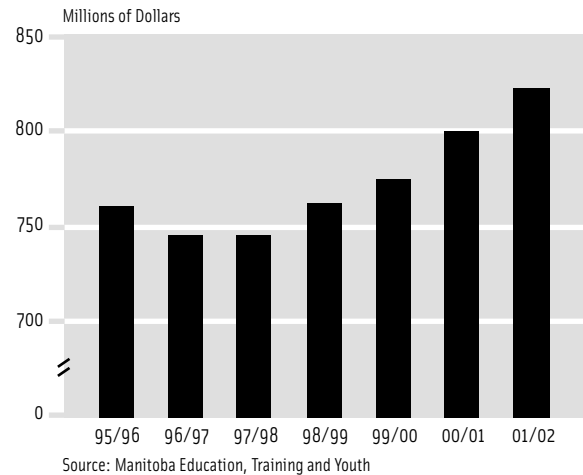
This is a fair Budget. A Budget that is balanced in every sense of the word. A Budget that makes sense for Manitoba in 2001 and beyond.

EDUCATION: RENEWING HOPE FOR YOUNG PEOPLE

Our plan for education has five components:

- rebuilding physical infrastructure;
- greater affordability through tuition policy and bursaries;
- improved enrolment through broader course offerings;
- training strategies for the future; and
- greater accessibility.

Funding to Public Schools



Providing quality education and flexible skills training is an important challenge in the 21st century. Our responsibility as a society is to restore hope to young people, and provide a more secure future right here in Manitoba.

Over the past 18 months, we have increased funding to public schools by \$47 million, compared to a total increase of just \$15 million in the five Budgets from 1995 to 1999. Combined with improved education property tax credits, we have increased support for public education, directly and indirectly, by \$100 million.

Last year we allocated the highest amount ever for capital funding to our public schools. And, to address physical infrastructure needs, we committed to the largest post-secondary investment in decades – \$101 million in capital funding to colleges and universities.

Capital Funding Commitments for Universities and Colleges (Millions of Dollars)

University of Manitoba *	\$ 50
University of Winnipeg	14
Brandon University	5
Collège universitaire de Saint-Boniface	1
Red River College	31
Total Commitments	\$ 101

* A matching amount will be raised through the University of Manitoba's private fund-raising campaign.

Manitoba is now a leader among provinces in making education affordable. Statistics Canada recently reported that Manitoba students were the only ones to see a reduction in their tuition fees last year.

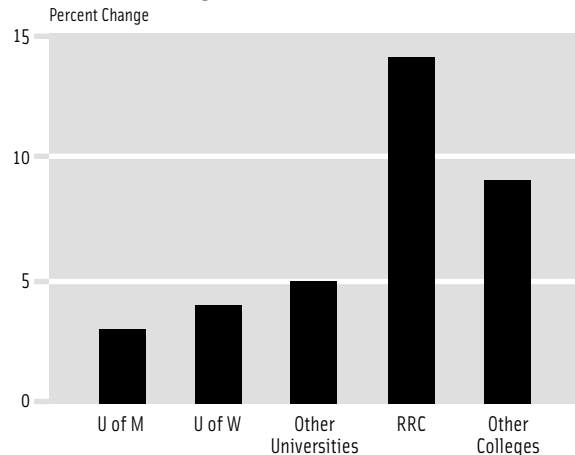
We reduced tuition fees by 10% last year. Today's Budget will continue this benefit, keeping tuition at last year's level for the majority of students. In our first Budget, we introduced the first student bursary program in ten years. With this Budget, two years of student bursary support totals over \$12 million. In combination with Canada's Millennium Scholarships, over 5,000 students received assistance. This Budget continues our commitment to affordable tuition and to bursaries.

This year, Manitoba students are receiving important additional support through the income tax system. Both our Government and the Government of Canada have doubled the monthly amount used to calculate the non-refundable tax credits for post-secondary

education. In addition, Manitoba has increased the non-refundable tax credit rate from 8% to 10.9%. Because the higher amounts would also automatically increase the value of the Learning Tax Credit, the rate for that Credit is being reduced from 7% to 4%.

A student attending a post-secondary institution full-time for eight months and paying \$3,000 in tuition and fees is receiving an additional \$234 of support from Manitoba, and \$210 from the federal government. The combined increase in support for this student is 30%. All students are receiving more Provincial support this year thanks to these changes.

Post-Secondary Enrolment, 2000/01



Note: University enrolment measured in full-time equivalents.

Source: Council on Post-Secondary Education

Education is crucial to our economic strategy. Unfortunately, in the last decade, too many young Manitobans were being left behind. Today, we are working to increase enrolments by expanding course

options and flexibility. We are supporting students and we are supporting colleges and universities. We are finally on the road to strengthening our place as a learning society.

Our Government recently outlined a Manitoba Training Strategy, building on recommendations from last year's Manitoba Century Summit. Our plan calls for continued expansion of our college system and apprenticeship spaces, and new forms of on-the-job training.

Programs such as ACCESS enhance accessibility of educational opportunities, especially for Aboriginal students. This Budget increases support for ACCESS programs for the second consecutive year, after more than a decade of program cuts and frozen funding. We are also proud to be a partner, with the Business Council of Manitoba and the federal government, in the new Aboriginal Education Awards.

Significant commitments in this Budget include:

- increasing overall grants to colleges and universities. Universities will receive a 3.8% grant increase, including almost \$3 million to support the continuing tuition reduction;
- allocating \$10.9 million for our College Expansion Initiative; and
- increasing support for our aviation and aerospace training.

Tuition reductions, more bursaries, and an increase in capital and operating grants to colleges and

universities – these measures provide young people with incentives to stay on the road to higher learning and success right here in Manitoba.

MOVING AHEAD ON HEALTH CARE

Investing in our future means investing in the health of every citizen. Our commitment is to provide better health care, not simply more health care.

*We believe in the
future of universal, public,
not-for-profit health care.*

Today, we are increasing health care funding to almost \$2.6 billion – 38% of the total Provincial Budget. But dollars are just one factor in the health care equation. As we rebuild our health care system, we continue to focus on three main areas:

- stabilizing funding;
- addressing shortages of nurses, doctors and other health care workers; and
- working on innovative, made-in-Manitoba solutions to preserve and enhance our health care system.

All provinces face similar health care challenges, but our approaches are distinctly Manitoban. We believe in the future of universal, public, not-for-profit health care. A recent example of our commitment is the

conversion of the Pan Am Clinic. The Clinic's standing will be retained and enhanced as it becomes part of the public system providing world-class care to all Manitobans.

We reject the culture of hallway medicine. We have been nationally recognized by the Canadian Institute for Health Information as having the best plan in the country for ending hallway medicine. Last year – through expansions to home care, better co-ordination of hospital resources, and the largest flu vaccination program in our province's history – we decreased the number of patients in hallways by 80%. This year, there will be new initiatives directed specifically to better care and co-ordination in emergency rooms.

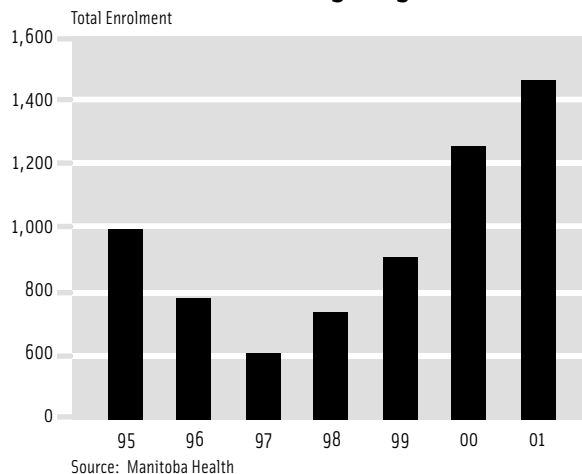
For the second year in a row, there will be timely and predictable budgets for regional health authorities. This new process has helped the Winnipeg Regional Health Authority to manage its budgeted resources

better. The WRHA's progress speaks to the determination and hard work of our health care professionals. Work must continue with regional health authorities to provide health care that is sustainable, affordable and cost-effective.

Manitoba faces the national and global challenge of addressing a shortage of health professionals. Past failures to provide needed training resulted in staff shortages and increased waiting lists for tests and treatment. It will take time to address the short-sighted cuts of the past, but we are making progress.

*Hospitals are now providing
1,400 more ultrasound tests
and up to 400 more
CT scans per month.*

Total Enrolment in Nursing Programs



This Budget supports the reinstated diploma nursing program, a key component of the continuum of nurse training. This year we have more students enrolled in nursing than at any time in the last decade – twice as many as just four years ago.

Manitoba faces the challenge of recruiting and retaining more doctors. In this Budget we are increasing funding to keep doctors in Manitoba. New medical graduates will be provided with incentives to set up their practices here at home. International medical graduates living in Manitoba will be given the

supports they need to provide care, especially in underserved areas of the province. This is part of a comprehensive recruitment and retention strategy that will see 15 more medical school spaces. Nine of these spaces will be dedicated to training family physicians for rural and Northern Manitoba.

Last year we made significant investments in medical equipment, including more CT scanners and dialysis machines. This Budget invests \$22 million to replace ageing diagnostic equipment and a further \$18 million next year. Hospitals are now providing 1,400 more ultrasound tests and up to 400 more CT scans per month.

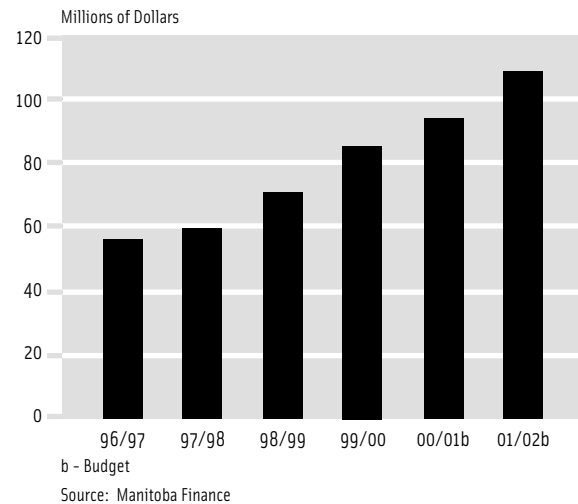
We have expanded acute care services, including dialysis, cardiac care and neurosurgery. We will continue to strengthen our hospitals' ability to provide the best treatment and care of patients. We are renewing our commitment to urban and rural emergency medical services. Over the next 18 months, we will purchase 80 emergency vehicles for regional health authorities, and continue to develop an integrated medical transportation co-ordination centre.

Keeping Manitobans healthy is a key focus of our approach to health care. This is a worthy goal in itself, and it will have the added benefit of easing the burden on our hospitals. The largest flu vaccination program in Manitoba history, and the recent mass meningitis vaccination were important prevention measures. We have also launched HealthCheck, a new public information initiative. Its first focus is on preventing

the tragedy of child injuries. As well this year, we will make further investments in primary care, community and long-term care, and mental health.

Last Session, we passed legislation to protect persons in health care facilities from abuse. This Budget provides resources to protect our most vulnerable citizens.

Pharmacare Costs



Prescription drug costs are the most rapidly accelerating costs in Manitoba's health budget. Pharmacare costs rose 95% over the last four years alone. Neither federal support for health care nor Provincial revenues will support ongoing increases at this rate.

Manitoba will act to contain the cost of drugs while continuing to provide one of the fairest, most compassionate levels of Pharmacare coverage in

Canada. We plan to work with other provinces, the public and health care professionals to undertake measures to contain drug costs. As evidence of our commitment, this Budget provides Pharmacare funding of \$109 million.

A universally accessible health care system is Canada's and Manitoba's heritage. We will work hard to protect it for future generations.

SUPPORTING FAMILIES, STRENGTHENING COMMUNITIES

Strong and healthy families are key to the future well-being of our province. Studies indicate that children raised in nurturing environments have higher graduation rates, higher incomes, lower crime rates, and less reliance on social services.

For these compelling reasons, our Government has been allocating resources to important programs for communities and families.

Last year, we introduced Healthy Child Manitoba to better focus resources and programming for early childhood development. We also extended parental leave from 17 to 37 weeks, and increased funding for child care by nearly 18%. In addition, we began to reduce the clawback of the National Child Benefit by allowing increases to flow through to all Manitoba families on income assistance. We introduced a new family tax reduction, providing more benefit to Manitoba families.

This year, we are building on these achievements by:

- increasing funding to Healthy Child Manitoba by \$5.5 million – more than 42%;
- adding a further 7.7% in funding to child care; and
- implementing a new, innovative prenatal benefit.

I am also pleased to announce that this Budget completely ends the clawback of the National Child Benefit for hundreds of families on income assistance with children under six. With today's Budget, these families will receive the full benefit

*The Lighthouses program is
a new, community-based program
promoting opportunities
for youth to get involved.*

In addition, we provide more support for:

- family violence prevention programs and women's shelters;
- parent-child centres;
- Aboriginal child welfare; and
- persons with disabilities.

Strong, healthy families require decent places to live. This Budget continues support for significant housing and neighbourhood renewal initiatives, including:

- Neighbourhoods Alive!, a renewal program targeting neighbourhoods in need in Winnipeg, Brandon and Thompson;
- the Residential Rehabilitation Assistance Program (RRAP) for renovation of rental units and homes;
- the Supportive Housing Initiative, for lower-income elderly persons and persons with disabilities; and
- the Rural and Native Housing Program.

In this Budget, we reinforce our commitment to community safety by:

- increasing the number of law enforcement officers; and
- strengthening community safety and crime prevention programs.

The Lighthouses program is a new, community-based program promoting opportunities for youth to get involved in after-school activities. Lighthouses is an excellent example of how we can provide new hope and opportunities for young people.

Aboriginal and Northern Initiatives

Manitoba has many diverse regions, and Budget 2001 recognizes that diversity. Our Aboriginal and Northern initiatives include:

- increasing funding for new airport terminals and maintenance;

- providing First Nations full mineral development rights on reserve land;
- providing low equalized Hydro rates for all Manitobans;
- working with First Nations and Métis partners on new protocols in justice, family services and resource development;
- encouraging the federal government to play a more active role in addressing the needs of Aboriginal people; and
- eliminating the \$50 Northern patients transportation fee.

Budget 2001 increases support for:

- the RCMP's Aboriginal Community Constable Program;
- the work done by the Manitoba Association of Friendship Centres, Manitoba Métis Federation and Assembly of Manitoba Chiefs;
- winter roads, including the new 500-kilometre Tadoule Road system, serving the communities of Tadoule Lake, Brochet and Lac Brochet; and
- other much-needed infrastructure projects, including a new Northern Housing Strategy focussing on remote Northern communities.

Urban Revitalization

Winnipeg, our capital city, is experiencing an exciting renaissance. The new Red River College campus will act as a major boost to Winnipeg's downtown. The refurbished Ashdown Building, future home to several arts and cultural organizations, as well as new downtown living space, will also boost revitalization efforts.

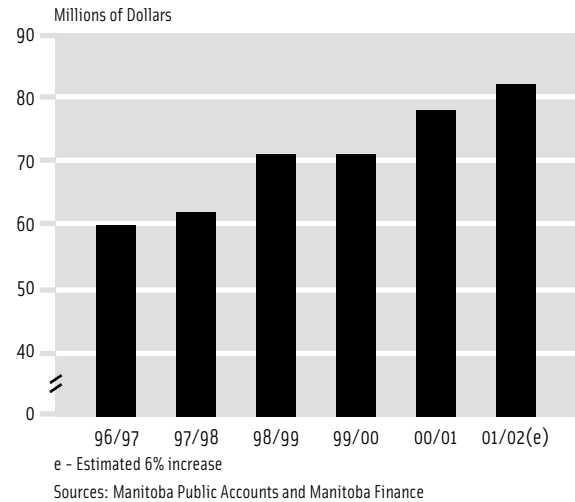
*We announced an increase
in the per capita Provincial grant
to the City of Winnipeg, further
supporting our commitment to
lowering property taxes.*

The City of Winnipeg will receive infrastructure assistance totalling \$21.6 million. The projects reflect government priorities such as fixing roads and sewers, public transit, and the renewal of infrastructure in the downtown and older neighbourhoods.

This year we announced an increase in the per capita Provincial grant to the City of Winnipeg, further supporting our commitment to lowering property taxes.

Other support to the City of Winnipeg includes funding to CentreVenture, Economic Development Winnipeg, Tourism Winnipeg, and the Winnipeg Convention Centre. Communities and residents also benefit from support provided by Neighbourhoods Alive!.

Transfers to Municipalities under PMTS



Brandon, as well, has been experiencing exciting and vibrant new developments. Recent Provincial initiatives include:

- \$58 million for renewal of Brandon Regional Health Centre;
- \$5 million for capital investments at Brandon University;
- transferring ownership of the Brandon Mental Health Centre property to the City of Brandon;
- a new, cost-shared \$3 million water disinfection system;
- community renewal through Neighbourhoods Alive!;
- support for the Keystone Centre; and

- a five-year agreement with the Brandon Police Service to hire and train new police officers with the community policing and youth units.

Today, our cities, as well as the rest of Manitoba, will benefit from our decision to lift rent controls for 15 years for newly constructed rental units.

Agriculture and the New Rural Economy

Our rural areas are also undergoing a transformation. No longer is the rural economy dependent solely on traditional agriculture. Increases in livestock operations underline the fact that producers are diversifying.

Our highly competitive Hydro rates are encouraging companies like Albchem Industries and Nexen Chemicals to build or expand operations. New investments like the recently announced J.R. Simplot plant planned for Portage la Prairie bring new opportunities to rural communities.

Today, we are announcing \$6.8 million for the federal-provincial Prairie Grain Roads Program. The increase will upgrade roads in rural municipalities used for grain transportation.

Our Government will work with all parties in the Legislature, municipal leaders, and farm representatives to press the urgent need to support our farming families. Our farmers deserve increased assistance from Ottawa. At a time of high international subsidies, rising input costs, and low commodity prices, increased assistance from Ottawa is pivotal.

We have taken Provincial action to help during this time of crisis by:

- expanding crop insurance to cover non-traditional crops and unseeded acreage due to excess moisture;
- significantly reducing crop insurance premiums; and
- providing an additional \$52 million in support to farmers.

Support for agriculture is increasing 6.4% over last year's budget.

The Enhanced Diversification Loan Guarantee Program will provide farmers with access to \$200 million in private financing.

Seventeen Canada/Manitoba Business Service Centres are now up and running in rural Manitoba, providing advice on global marketing opportunities.

Recent new funding for the Enhanced Diversification Loan Guarantee Program will provide farmers with access to \$200 million in private financing. The increase is expected to generate \$250 million in construction spending, as well as 900 direct permanent jobs, 500 indirect jobs and other spin-off benefits.

The Rural Economic Development Initiative will continue to help Manitobans expand their local economies and

create jobs. We will also continue to fund programs like Community Works Loans and Grow Bonds.

MANAGING OUR NATURAL RESOURCES FOR A GREENER MANITOBA

We believe a green Manitoba is part of our Manitoba Advantage. Therefore, we must invest in our future with initiatives that address our responsibility to be caring stewards of the environment.

This year we are proud to begin implementing the recommendations in the Consultation on Sustainable Development Report, which includes ecosystem based planning, a more participatory process for environmental licensing, and involvement of Aboriginal people in resource development.

A \$1 million Climate Change Action Fund to address the impact of human activity on the environment

Climate change is one of the most significant environmental challenges of this century. We recently announced a \$1 million Climate Change Action Fund to address the impact of human activity on the environment. This Fund and our new Climate Change Task Force will help Manitoba meet its obligation to ensure a clean, healthy environment for future generations.

Other measures to help protect our environment include:

- introducing a new Environmentally Sensitive Areas Tax Credit to reduce property tax for landowners who restore natural cover to agricultural land;
- introducing sales tax on chemicals used for yard care and pest control, including fertilizers, herbicides and insecticides, except when purchased for farm use;
- continuing with an action plan to create more provincial parks and protected areas;
- cleaning up orphan mine sites; and
- setting aside boreal forest lands. Manitoba is already a leader in protecting boreal forest. We will be making other announcements in this regard.

Manitoba's Water Strategy

Water knows no boundaries. Manitoba's Hudson Bay watershed drains a quarter of North America. Therefore, whether it is flood control, water quality, or drainage, what happens elsewhere in North America impacts Manitoba.

We continue our battle on behalf of Manitobans to stop the Devils Lake and Garrison water projects. We stand alongside Minnesota and Missouri, and are lobbying the Canadian and American governments to put a stop to these projects.

As we continue to deal with this international concern, there is much we can do at home. I am pleased to announce this Budget provides new support for our enhanced water strategy. We are:

- introducing a safer drinking water program through monitoring, inspection and operator training to complement drinking water tests;
- extending a sales tax exemption for manure slurry tanks and lagoon liners to promote environmentally safe handling of livestock wastes; and
- supporting the Livestock Stewardship Program for additional inspection and enforcement.

Our water strategy also includes:

- \$25 million for flood protection outside Winnipeg; and
- 11% increase for water projects, with a million dollar increase for drainage.

*We must have the vision
today to make Floodway expansion
a reality for tomorrow.*

Red River Floodway

Nowhere is the need for forward thinking more apparent than with the Red River Floodway. It symbolizes the value of hard work, co-operation and foresight.

Premier Duff Roblin and Prime Minister John Diefenbaker recognized the wisdom of the proposed Floodway in protecting our province, and came to a workable solution on sharing the cost.

The recent International Joint Commission (IJC) report confirms that Winnipeg needs significant upgrading of its flood-proofing capacity to protect against even larger floods than 1950 and 1997. We must have the vision today to make Floodway expansion a reality for tomorrow.

Last month, we took a first significant step, in partnership with the federal government, to improve the operation of the Floodway inlet. Today, we take a second major step, committing \$40 million toward major improvements recommended by the IJC.

Manitobans recognize the necessity of this investment. It will improve their quality of life, while assuring the security of families, businesses and communities. We will be working with our federal colleagues to make this protection happen. It is common sense to invest in prevention today, rather than deal with multi-billion dollar disasters down the road.

In total, \$82 million for flood protection and water-related infrastructure is available in this Budget.

Manitoba's Hydro Resources

Another significant undertaking in Manitoba's history was the development of our hydro-electric resources. The foresight of our past leaders means Manitobans have among the lowest rates for hydro-electricity in North America, and a secure and sustainable supply of energy.

High water levels generally mean more export revenue for Manitoba Hydro. Too often, however, high water means flooding in other parts of the province.

In 1932, Manitoba began to apply Water Power Rental rates to our hydro-electric generation. We are one of five hydro exporting provinces to have such a levy. To help offset the costs of our water strategy and flood protection, including an expanded Red River Floodway, we will be raising Water Power Rental rates to Ontario levels, at \$3.341 per megawatt hour, 60% of British Columbia's rate of \$5.528. Given Manitoba Hydro's strong performance, especially in export sales, no rate increases are anticipated. For the year ahead, after these changes, Manitoba Hydro is budgeting for a profit of almost \$100 million. Winnipeg Hydro will not be affected by these changes.

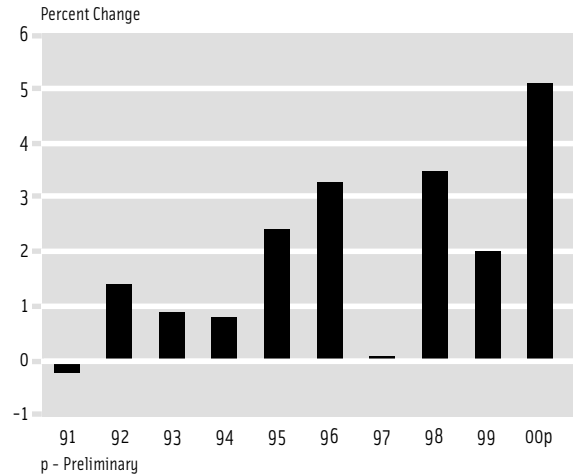
BUILDING THE ECONOMY

Looking ahead, we are committed to building on the solid foundation Manitobans have worked hard to establish. Our aerospace industry continues to expand, and rural economies are more diversified. And favourable costs, our outstanding quality of life, inexpensive and reliable energy, mean continued investment potential in our province. Our ground breaking e-commerce legislation and new e-strategies, like the Common Business Identifier, position Manitoba companies to take advantage of expanding e-business, and streamline access to government services.

Manitoba experienced positive, strong growth during the past year. Highlights include:

- strong labour market conditions pushing Manitoba's employment numbers to record high levels;
- the lowest unemployment rate in Manitoba since 1976;

Manitoba Personal Disposable Income Per Capita



Source: Manitoba Bureau of Statistics

- the lowest youth unemployment rate in the country for the second straight year, and the lowest here since 1977;
- the biggest increase in average weekly earnings since 1991, well ahead of Canada's growth;
- a new record for capital investment last year, signalling continuing high confidence in the Manitoba economy; and
- the strongest per capita disposable income increase since 1990.

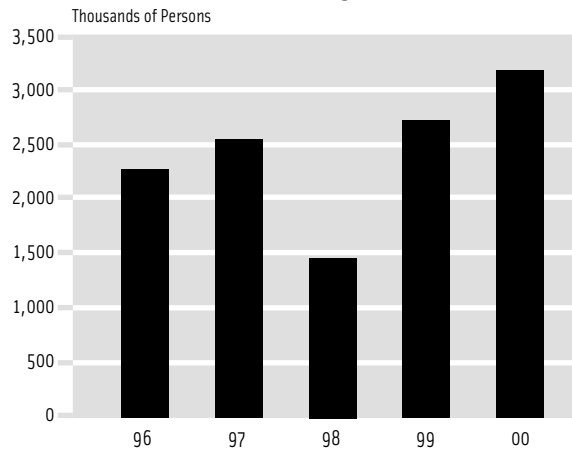
We recognize that North America has entered a period of economic uncertainty. We remain vigilant concerning emerging American protectionist measures at a time of slower U.S. economic growth. However, we also know that the diverse nature of our economy will provide us with an advantage in meeting the challenges ahead.

Our survey of private economic forecasters shows Manitoba's real economic growth this year will be 2.4%.

Immigration and Labour

Manitoba needs more skilled workers. More accessible education is one way to address this challenge, increased immigration is another. Last year, 4,600 immigrants brought their skills to Manitoba, an increase of 24% from 1999. This is only the beginning.

Total Net International Migration



Source: Statistics Canada

We are moving forward with new initiatives that will increase immigration to our province, and add to the quality of life for our diverse, multicultural society. Today, we have increased funding for:

- immigration promotion and recruitment;
- the Manitoba Immigrant Integration Program; and
- Adult Language Training.

Safer workplaces mean reduced injuries, better employment security, lower workers compensation costs for employers, and improved productivity.

Safer workplaces mean reduced injuries, better employment security, lower workers compensation costs for employers, and improved productivity.

Today's Budget also provides an increase of over \$500,000 for Workplace Safety and Health services.

Culture and Tourism

Tourism is a billion-dollar industry in Manitoba. Earlier this year, the Province, along with the travel industry, held a major summit of key stakeholders. It was a great success, and symbolized a new era of partnership between government and the tourism industry.

In this spirit we are pleased to announce today that we are committing resources in new ecotourism initiatives – fulfilling another of our important election commitments.

Attracting more American tourists to Manitoba has been long neglected. This spring, the first major advertising and information campaign into selected U.S. markets in a decade, will be launched, and we will continue this strategy for 2002.

Cultural industries add to the diversity and richness of Manitoba. This Budget includes new support for cultural industries like new media.

We are extending the Manitoba Film and Video Production Tax Credit for another three years. To enable local film producers to enter into more co-productions with larger firms, we will also remove the \$50 million asset cap on eligible firms.

Research and Development

Research and innovation are key elements of growth, higher living standards, and further diversification of our economy. The Conference Board of Canada found that Manitoba's R & D support was substantially more attractive than any of the ten U.S. states examined, and among the best in Canada.

Our Government already plays an important role in facilitating research by our universities and private industry. Last year, for example, we invested over \$13 million in research and development funding directly to Manitoba universities. Our ongoing Research and Development Tax Credit provided an additional \$12 million to support research undertaken by private industry.

To further enhance the growth and innovation in science and technology, we are reorganizing and consolidating the management of Provincial research and development activities within Industry, Trade and Mines. This will co-ordinate our efforts in support of Manitoba's knowledge economy.

Manitoba businesses are also well-positioned to take advantage of markets for clean energy. For example,

hydrogen fuel cell technology is being researched by the Kraus Group, while New Flyer and Motor Coach Industries are developing alternative-fuel buses.

This Budget guarantees a ten-year tax advantage for gasohol to promote the production and use of gasohol to reduce harmful emissions.

Energy

Our plan is to manage Manitoba Hydro for the economic advantage of all Manitobans. Our priorities are:

- using our low rates and proven reliability to attract jobs and business to Manitoba;
- increasing export revenue to keep rates low, allowing us to introduce uniform rates for all hydro users in the province; and
- protecting our environment and conserving energy.

For example, we launched a new PowerSmart initiative to give Manitobans access to home audits, and retrofit loans to help address rising heating bills. Already \$2 million in loans have been approved.

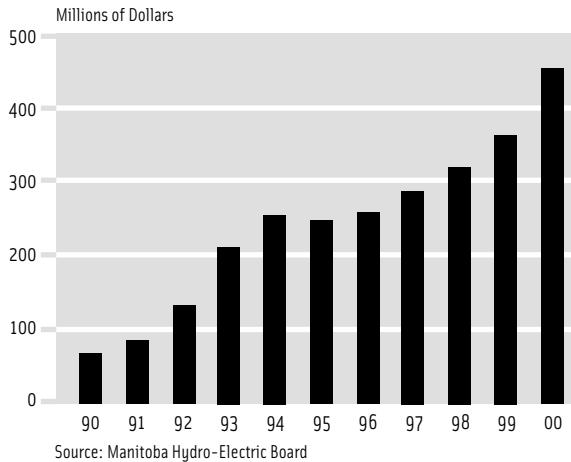
We are actively exploring new hydro export opportunities, not just to the south, but to the east, west, and north as well. We are also strengthening efforts to attract more energy-intensive enterprise to our province.

Manitoba Hydro is well-positioned to realize short-term profits, and to identify and develop new opportunities that will lead to even greater growth in the future. Last year, the value of electricity sales was

\$1.3 billion, an increase of almost 10%. Exports accounted for a record 35% of this total.

Manitoba has significant potential to expand upon our renewable, reliable, and clean hydro-electric power production. More than 5,000 megawatts can be developed with a minimum of environmental damage, and with the concurrence and participation of local communities. Our plans for hydro development ensure that Aboriginal residents have a greater share in the economic benefits.

Manitoba Hydro-Electric Exports



In 1999, Centra Gas was directed to pay amounts in lieu of income taxes to the Province after its acquisition by Manitoba Hydro. We asked for an opportunity to review the broad implications of this policy. As a result, Centra Gas withdrew its application for a 1.8% rate increase.

Roads and Infrastructure

Another important aspect of developing our province is infrastructure improvements. Today's Budget allocates

\$183 million for transportation infrastructure, including new construction, maintenance, winter roads and transportation programs.

The Canada/Manitoba Infrastructure Agreement, signed in October, will further our progress. The six-year program will invest up to \$180 million in infrastructure in Manitoba. More than simply bricks and mortar projects, these programs will improve quality of life across Manitoba.

TAXATION

This Budget again delivers significant, sustainable and immediate tax relief, leaving more disposable income in the pockets of Manitobans.

Last year we announced the elimination of the flat tax and surtax, and introduced the family tax reduction.

Personal Income Taxes

Last year, we announced the elimination of the flat tax and surtax, and introduced the family tax reduction – the most important reform of Manitoba's personal income taxes since 1972. Other measures included:

- increasing the threshold for the middle tax bracket to \$65,000 from \$61,000, effective 2002;

Personal Tax Savings Since 1999

Personal Income Taxes and Education Property Tax Credits

	2000	Implemented in:			Cumulative Annual Total
		2001	2002	2003	
	(Millions of Dollars)				(Millions of Dollars)
Income Tax Reductions:					
2000 Budget	9	68	34		111
2001 Budget		29	7	18	54
Total					165
EPTC Increases:					
2000 Budget	26				26
2001 Budget		27			27
Total					53
Annual Totals	35	124	41	18	
Cumulative Annual Totals	35	159	200	218	218

- reducing taxes for persons living with disabilities;
- increasing credits for charitable donations; and
- removing 15,000 lower-income Manitobans from the tax rolls.

These changes reduce taxes for all income groups and family types by \$68 million this year, and a further \$34 million next year. We also matched federal reductions with \$9 million of additional Provincial tax relief, for a combined \$111 million in annual Provincial Personal Income Tax savings. This is over and above the \$40 million tax reduction announced in the 1999 Budget, and fully implemented on January 1, 2000. This is meaningful tax relief. This is progress for Manitoba families.

Today, I am announcing further action, which, along with our matching new federal measures, builds on this \$111 million. Budget 2001 further reduces personal income taxes by \$29 million this year, rising to \$54 million annually by 2003.

By 2003, Manitobans will realize \$165 million in annual personal income tax savings from this Government.

New tax reductions announced today, include:

- increasing non-refundable tax credits by 2.5% over 2000, benefiting all taxpayers;
- reducing the middle bracket tax rate to 15.4% in 2002, and 14.9% for 2003 – a reduction from 16.2% in 2001;

- reducing the top bracket tax rate to 17.4% for 2001; and
- removing another 4,000 lower-income Manitobans from the tax rolls.

On average, by 2003, Manitobans will enjoy a 10.5% decrease in their provincial income taxes based on reductions introduced in our first two Budgets.

Property Taxes

In our Budget 2000, we fulfilled our election promise by delivering a \$75 increase in both the minimum and maximum Education Property Tax Credits for all eligible homeowners and tenants. I am pleased to announce the second step in our election commitment, an additional \$75 increase in the Education Property Tax Credit, saving Manitobans a further \$27 million. Our Government has now raised the minimum credit from \$250 in 1999 to \$400 this year – an increase of 60%.

The combined \$150 Tax Credit increase represents an average property tax reduction of 6.0 % in Winnipeg, and 9.4 % in the rest of Manitoba.

The combined \$150 Tax Credit increase represents an average property tax reduction of 6.0% in Winnipeg, and 9.4% in the rest of Manitoba.

The Education Property Tax Credit, combined with income tax cuts, will provide tangible and growing tax relief. For example, for a family of four with a combined income of \$60,000, Manitoba taxes fell by \$249 last year. This year the family will pay \$692 less tax than in 1999, \$785 less next year, and \$820 less in 2003. This family's total savings over the period will be \$2,545.

Other Manitobans enjoy similar savings over the four-year period.

- A family of four with one income of \$40,000 will see a total saving of \$2,259.
- A single senior with an income of \$20,000 will save \$1,231.
- A single parent earning \$30,000 will save \$1,617.
- A single person with an income of \$35,000 will save \$1,351.

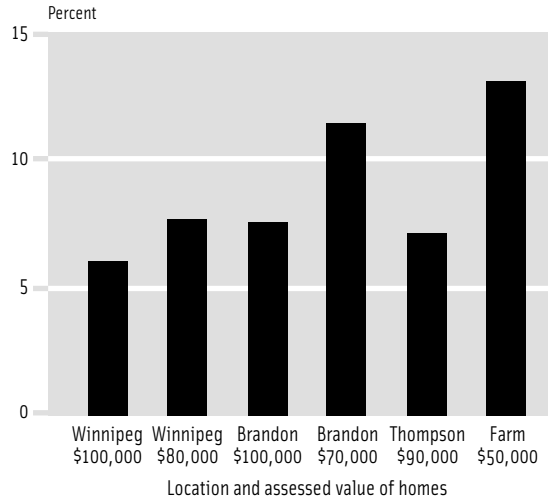
In total, reductions for income tax and education property tax introduced in our first two Budgets will deliver savings of \$218 million to Manitobans by 2003.

Provincial-Municipal Tax Sharing

Manitoba has a unique configuration of financing arrangements with local governments. The Provincial-Municipal Tax Sharing program, the only one in Canada, provides a share of corporation and personal income taxes to help local governments offset expenses, and reduce their reliance on property taxes. As elsewhere in Canada, there is a province-wide residential property levy, the Education Support Levy, that is applied to help pay for

Property Tax Savings

\$150 Education Property Tax Credit increase
as percent of total property tax bill



Source: Manitoba Finance

public schools. To many Manitobans, these arrangements are confusing, unclear, and do not promote accountability.

As promised, we have kept our election commitment and delivered \$150 per household in education property tax reductions in our first two Budgets. We can now look forward to working with local governments and school boards to make other improvements in property taxation, while improving transparency and accountability, consistent with our election commitment.

Business Taxes

In our first year, we reduced subsidies to business by almost \$16 million. We feel it is more transparent to

offer reduced taxation levels rather than further subsidies to business.

Last year, the small business tax rate fell to 7%. At the beginning of this year, it fell to 6%, and I am pleased to confirm it will fall again, to 5%, on January 1, 2002 – a 37.5% reduction since 1999.

Today, I am announcing the reduced income tax rate for small business will now apply on taxable income up to \$300,000 – a 50% increase from the current threshold of \$200,000 – commencing January 1, 2002. This change helps small firms to grow, all the while remaining rooted here in Manitoba.

Today's Budget targets a reduction in the general rate of Corporation Income Tax from 17% to 15% in four equal, annual steps, starting January 1, 2002. This is an 11.7% reduction in the tax rate – the first general Corporation Income Tax rate reduction since the Second World War.

These tax reductions for business are expected to total \$48 million when fully implemented. In the future, we will continue to reduce business subsidies.

Further support to local industry is detailed in the Budget Papers.

For both health promotion and revenue reasons, the Tobacco Tax rate will be increased effective midnight, April 10, 2001. The tax rate on cigarettes will increase from 8.6 cents to 9.6 cents per cigarette; on fine-cut tobacco, from 7.3 cents to 8.3 cents per gram; on raw leaf tobacco, from 6.0 cents to 7.0 cents per gram.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2001/02 and 2000/01

	2001/02	2000/01	2000/01	Increase/(Decrease)		Increase/(Decrease)	
	Budget	3Q-Forecast	Budget	from 3Q-Forecast to 2001/02 Budget		from 2000/01 Budget to 2001/02 Budget	
	(Millions of Dollars)			(Millions of Dollars)	%	(Millions of Dollars)	%
Revenue							
Own-Source	4,676	4,650	4,487	26	0.6	189	4.2
Federal Transfers	<u>2,127</u>	<u>2,115</u>	<u>1,927</u>	<u>12</u>	0.6	<u>200</u>	10.4
Total Revenue	<u>6,803</u>	<u>6,765</u>	<u>6,414</u>	<u>38</u>	0.6	<u>389</u>	6.1
Expenditure							
Program	6,299	6,123	5,924	176	2.9	375	6.3
Debt Servicing	<u>458</u>	<u>520</u>	<u>474</u>	<u>(62)</u>	(11.9)	<u>(16)</u>	(3.4)
Total Expenditure	<u>6,757</u>	<u>6,643</u>	<u>6,398</u>	<u>114</u>	1.7	<u>359</u>	5.6
Net Revenue	46	122	16	(76)	(62.3)	30	187.5
Interfund Transfers							
Debt/Pension Repayment	(96)	(96)	(96)	0	0.0	0	0.0
Fiscal Stabilization Fund	<u>60</u>	<u>0</u>	<u>90</u>	<u>60</u>	n/a	<u>(30)</u>	(33.3)
Balance Under Balanced Budget Legislation	<u>10</u>	<u>26</u>	<u>10</u>	<u>(16)</u>	<u>(61.5)</u>	<u>0</u>	<u>0.0</u>

TRANSPARENCY AND ACCOUNTABILITY

Last year, our Government took important steps to improve transparency and accountability. Changes in balanced budget legislation were recognized as both appropriate and long overdue.

We ended the characterization of interfund transfers as revenue. We legislated provisions to require repayment of all of Manitoba's pension and debt

liabilities. We are now taking further steps to improve transparency and accountability.

- For the first time, we offer a summary budget presentation, where all Government entities are included.
- We will also produce an annual report incorporating the results not only for the operating fund but also for the entire Government entity, as called for by the Provincial Auditor.

- Legislation to clarify and strengthen the role of the Provincial Auditor will be introduced. This legislation is the result of more than a year's work with the Provincial Auditor.

Transparency involves full disclosure of obligations. Beginning in 1989, the government of the day entered into Water Power Rental agreements with Manitoba Hydro, with the corporation assuming costs related to Northern development initiatives.

Adding to transparency and accountability, we have terminated this agreement effective March 31, 2001. We commit to full disclosure of the history and all commitments covered by this agreement.

BALANCED BUDGET AND DEBT RETIREMENT

This Government has worked hard to ensure Manitoba's finances are on a sound and sustainable track. This Government's balanced approach to budgeting provides resources for priority programs, tax reductions, and debt repayment. Much has already been achieved over the last year.

Last year, for the first time, debt retirement payments totalling \$96 million were achieved with no draw from the Fiscal Stabilization Fund. The previous administration withdrew well in excess of \$500 million to fund ongoing government operations, even when the economy was doing well.

Medium-Term Fiscal Framework

	<u>2000/01¹</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>
			(Millions of Dollars)		
Revenue	<u>6,765</u>	<u>6,803</u>	<u>6,929</u>	<u>7,157</u>	<u>7,424</u>
Expenditure					
Program Expenditure	6,123	6,299	6,425	6,593	6,860
Public Debt Costs	<u>520</u>	<u>458</u>	<u>458</u>	<u>458</u>	<u>458</u>
Total	<u>6,643</u>	<u>6,757</u>	<u>6,883</u>	<u>7,051</u>	<u>7,318</u>
Net Revenue	122	46	46	106	106
Interfund Transfers					
Debt/Pension Repayment	(96)	(96)	(96)	(96)	(96)
Fiscal Stabilization Fund	<u>0</u>	<u>60</u>	<u>60</u>	<u>0</u>	<u>0</u>
Balance Under Balanced Budget Legislation	<u>26</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>

The Medium-Term Fiscal Framework reflects current forecasts and assumptions. Should future circumstances depart from these, budget decisions will reflect these changes.

Note 1: 3Q-Forecast.

We project a positive balance of \$26 million for the last fiscal year, which we will add to the Fiscal Stabilization Fund. In the past fiscal year, we set aside an additional \$96 million for debt and pension payments, including a \$21 million payment toward pension liabilities – the first such payment in 40 years.

In the current fiscal year, our plan includes:

- sustainable funding increases, averaging 5.6% over last year's budget, or 1.7% over projected expenditure, primarily directed to improving established public services such as health care and education;
- \$96 million to pay down general purpose debt and pension liabilities;
- a Fiscal Stabilization Fund draw of less than one-third the amount budgeted in 1999/2000; and
- debt servicing costs of only 6.7% of revenue – the lowest level in two decades, and the third-lowest level in Canada.

Our Budget is balanced with a positive balance of \$10 million, and our Medium-Term Fiscal Framework projects balanced budgets over its term.

Budget 2001 is balanced in every sense of the word.

CONCLUSION

Working hard today, to us, means fulfilling the election commitments we made – to help build a better Manitoba.

We live in a cynical age, where people often don't expect much from their governments.

We believe that by meeting and even exceeding our commitments to Manitobans, wherever we can, we will help turn around that cynicism.

In this Budget, we are keeping our pledges – and going further in many areas.

This Budget meets our election commitments to balance the budget, reduce property taxes, protect and enhance vital health care delivery, and give a strong boost to learning in our public schools and post-secondary institutions.

This Budget, however, also goes beyond our pledges, through measures like investing in necessary flood protection works, such as the expansion of the Red River Floodway, significant personal tax reductions, and tax reductions for Manitoba business.

Budget 2001 is balanced in every sense of the word. It is based on principles of fundamental fairness. And it sets a course for a prosperous and secure future for today's Manitoba families.

As we move forward, we will continue to work hard today, preparing for tomorrow.