

Budget Paper D

**AN UPDATE ON IMPROVED
INFRASTRUCTURE AND FISCALLY
SOUND ECONOMIC STIMULUS**

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■ OVERVIEW

In the fall of 2008, the worst economic recession in a generation caused ripple effects around the globe. International markets tumbled, economies faltered, banks collapsed, and even Canada and its provinces were not spared from the storm.

To counter the retraction, governments around the world were spurred into action to lay the foundations for future prosperity. Provinces and the federal government developed stimulus plans to support local markets and prevent widespread unemployment.

One year ago, Budget 2009 laid out Manitoba's plan for fiscally sound infrastructure renewal that would stimulate Manitoba's economy. Initially developed in the fall of 2008, Manitoba's four-year \$4.7 billion infrastructure plan was ready to go, and built on existing projects in order to generate immediate construction work and create tens of thousands of direct and indirect jobs.

Over the long term, the stimulus plan will provide benefits for the next generation as it lays a strong foundation for transportation, health care, education and communities. It will improve services for Manitobans, resources for business, and add strength to the province's asset base.

Seventeen months into Manitoba's stimulus plan, the Province has made significant progress on its goals, both short and long term. The 2009/10 forecast of \$1.3 billion, as reported in the third quarter financial report, will contribute an estimated 18,000 person years of construction jobs. The \$1.3 billion forecast includes over \$540 million in expenditures for highways and bridges.

Based on current projections, Manitoba will spend more than three times what was spent in the 1990s on roads and bridges, and double what is required by *The Gas Tax Accountability Act* (GTAA). Under that Act, Manitoba is required to spend as much as it collects in fuel taxes on roads, transportation systems and related infrastructure, and its financial statements are reviewed by the Auditor General to ensure accuracy. By the end of 2009/10, it is estimated Manitoba will collect \$207 million in roadway fuel taxes, and build or repair some 1,500 km of road.

In 2010 Manitoba plans to spend \$1.8 billion on infrastructure and capital asset renewal, a record-high investment for Manitoba's future, including almost \$600 million for roads and bridges. If considered together with this year's \$306 million budget for the Wuskwatim Generating Station project, Manitoba will contribute to as many as 29,000 direct and indirect construction jobs in 2010. For purposes of the GTAA, expenditures in Budget 2010 are almost double what Manitoba expects to collect in roadway fuel taxes.

While the province suffered a setback in 2009 because of the global recession, the H1N1 pandemic and the second-worst flood after 1997, it is integral to this early stage of economic recovery to continue with stimulus and help grow the economy.

Manitoba remains in a strong fiscal position as evidenced by its net debt to GDP ratio, a measure of the Government's ability to live within its fiscal means. By the end of 2010/11, the net debt to GDP ratio is projected to be 26.8%, down from 32.9% in 1999.

“While many areas of Canada eagerly anticipated big-ticket projects as a result of the federal stimulus package, Manitoba had its own, home-grown package already going before the downturn happened.”

Canada West Foundation

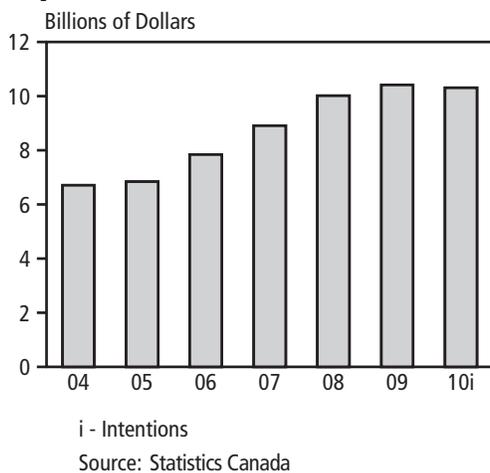
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The value (net book) of Manitoba's total tangible capital assets has almost doubled since 2005/06, and is about 15% of GDP or over \$7 billion, as a result of 2009/10 investments. It will increase to an estimated \$8.5 billion in 2010/11. In 2009/10, the total replacement value of all capital assets is estimated to be \$36 billion.

As borrowings may be used to finance capital-related projects, net debt may grow in absolute terms from time to time as needed investments in capital assets are made. However, the benefits to Manitobans and the provincial economy make infrastructure assets a positive investment that pay long-term dividends through reduced costs of maintenance and repair, increased resources for commerce, labour market expansion, and the necessary services to improve the lives and well-being of Manitobans. When the four-year infrastructure plan is complete, Manitoba will have accumulated almost \$10 billion in tangible capital assets.

Manitoba is not alone on this path, and the decision to continue stimulus projects was endorsed by the G7 Finance Ministers at a February meeting in Iqaluit, and again by Canada's Finance Minister Jim Flaherty in the Federal Budget on March 4, 2010.

Combined Public and Private Capital Investment



MAJOR CAPITAL INVESTMENTS – COMBINED PUBLIC AND PRIVATE SECTOR

According to the Statistics Canada Public and Private Investment Intentions results, Manitoba's total capital investment rose 4% in 2009 compared to a decline of 11.4% nationally. Manitoba was second strongest in 2009 with public sector investment up 36.1% compared with 13.4% for Canada. In the midst of a significant global recession, the private sector decreased 8.7% in Manitoba, better than Canada's decline of 17.6%.

Capital investment will continue to be relatively strong in 2010, at \$10.3 billion combined public and private capital investment.

In 2010 a large proportion of private sector construction will be attributable to the new home market and multiple housing starts. Canada Mortgage and Housing Corporation forecasts a 10.2% increase in Manitoba housing starts. This is a contrast to 2009 where starts fell 24.6%.

UPDATE ON CAPITAL INVESTMENTS – GOVERNMENT OF MANITOBA

Health

In the last decade, Manitoba has spent \$1.4 billion on health infrastructure and developed projects in collaboration with regional health authorities to meet the needs of communities. In 2009, Manitoba saw a number of important health achievements, including the redevelopment of the Portage District General Hospital emergency room with \$5 million in improvements to expand its catchment area and improve care.

As part of Manitoba's plan for health infrastructure, investment in projects such as the following will continue in 2010:

- community cancer services as well as health and wellness programs at a new wellness centre to be built by the community of Eriksdale;
- development of a birthing centre in south Winnipeg at the junction of St. Mary's Road and St. Anne's Road;

- a \$2 million renovation of the maternity ward and gynecological services at St. Boniface General Hospital, which will give new mothers, their babies and their families more privacy and access to more modern obstetrical and gynecological facilities;
- construction of a \$21 million Aboriginal personal care home, the first of its kind in Winnipeg;
- a \$12 million redevelopment and modernization of Westman Laboratory in Brandon is now under way;
- site preparations will soon be under way at the planned women's hospital in Winnipeg;
- a \$13 million investment to construct or upgrade emergency medical stations in Arborg, Gypsumville, Lundar, Ashern, Selkirk, West St. Paul, Gimli and other communities;
- construction of the \$24 million Western Manitoba Cancer Centre that will provide radiation therapy, chemotherapy and outpatient care; and
- moving forward with Canada's first stand-alone, mental health crisis response centre with a proposed location on the Health Sciences Centre campus where it will provide centralized services while easing pressure on emergency room visits.

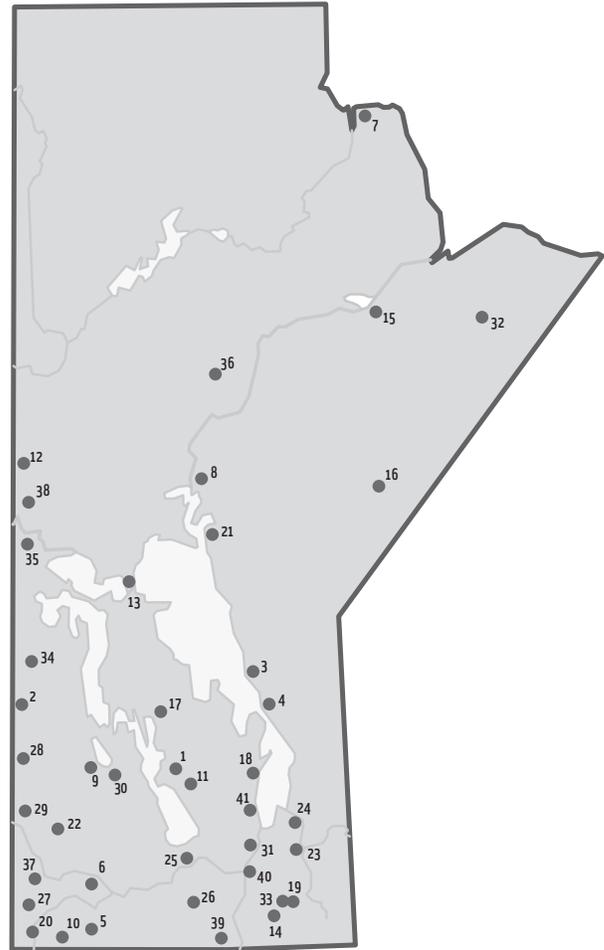
Housing

As part of its HomeWorks! strategy, Manitoba is partnering with the federal government to invest nearly \$327 million over 2009/10 and 2010/11 into affordable housing initiatives, including \$307 million in capital investments.

Investments will add 450 new affordable units – with a focus on northern and rural Manitoba, families and new Canadians with low incomes. It will also fund renovations to 1,500 homes, improvements to buildings that will benefit 12,000 units, and renovation assistance to another 800 privately owned homes.

Some of the projects under way include:

- a new 25,000 square foot apartment complex and settlement service facility in Winnipeg called Welcome Place, with 23 units for newly arrived refugees;
- Centre Village Co-op, a new \$3.7 million, 25-unit apartment complex located in downtown Winnipeg providing affordable housing for new Canadians;
- a three-storey, 42-unit supportive housing and assisted living complex for seniors in Grunthal;



Distribution of a sample of 2010/11 infrastructure projects across Manitoba

- | | |
|-----------------------|------------------------|
| 1. Ashern | 22. Oakburn |
| 2. Benito | 23. Pinawa |
| 3. Berens River | 24. Pine Falls |
| 4. Bloodvein | 25. Portage la Prairie |
| 5. Boissevain | 26. Rathwell |
| 6. Brandon | 27. Reston |
| 7. Churchill | 28. Roblin |
| 8. Cross Lake | 29. Russell |
| 9. Dauphin | 30. Ste. Rose du Lac |
| 10. Deloraine | 31. Selkirk |
| 11. Eriksdale | 32. Shamattawa |
| 12. Flin Flon | 33. Steinbach |
| 13. Grand Rapids | 34. Swan River |
| 14. Grunthal | 35. The Pas |
| 15. Gillam | 36. Thompson |
| 16. Gods Lake Narrows | 37. Virden |
| 17. Gypsumville | 38. Wanless |
| 18. Hnausa | 39. Winkler |
| 19. La Broquerie | 40. Winnipeg |
| 20. Melita | 41. Winnipeg Beach |
| 21. Norway House | |

- a two-storey, 32-unit fully accessible seniors assisted living building in Winnipeg Beach;
- an additional 10 homes for Winnipeg Habitat for Humanity for low- to moderate- income families who invest at least 500 hours of sweat equity;
- a 42-unit transitional housing project on Main Street in Winnipeg for homeless individuals and people with mental health issues; and
- the doors will be opening this year on 58 units of affordable housing, including integrated mental health supports in the Massey Building in Brandon.

Work on many of the projects will be done by people who live in affordable housing or in the surrounding neighbourhoods, providing on-the-job skills training, and creating and maintaining jobs across the province, while building community pride.

Education

A record public schools capital investment of \$310 million over four years was launched in 2009 and will see construction of new schools and over 400 revitalization projects.

The Province has invested over \$568 million in public schools capital projects this decade, an increase of \$302 million from the 1990s. Since 2000, the Province has initiated construction of 17 new schools, 12 replacement schools and completed over 55 major additions and renovations and approximately 1,000 infrastructure renewal projects.

In 2010, work will begin on construction of schools across Manitoba, including new schools in La Broquerie, Steinbach and Winkler.

In addition to the new schools, this year (2010/11) the Province will be investing in revitalization and renewal projects that include:

- \$3 million to ensure eight more schools can accommodate students with disabilities,
- \$9 million for roofing projects at 24 schools,
- \$9 million for structural renewal projects at seven schools including masonry walls, foundations and roof structures, and
- \$10 million to replace or upgrade heating and ventilation systems in six schools including boilers, heat-distribution and air-handling systems.

Advanced Education

Manitoba and the federal government are investing over \$132 million to expand and repair research and educational facilities at post-secondary institutions in Manitoba through the Knowledge Infrastructure Program, leveraging \$44 million of investments from recipient institutions and local communities.

Projects include:

- \$52 million for projects at the University of Manitoba including the new Art Research Technology Lab and renovations to the biological sciences building,
- over \$35 million for the University of Winnipeg's new Science Complex and College for the Environment,
- \$19 million for the Red River College expansion into the Union Bank Tower,
- \$8 million for improvements to nine Regional Centres of the University College of the North,
- over \$11 million for expansion to the Collège universitaire de Saint-Boniface, and
- nearly \$3.5 million for Assiniboine Community College Parkland Campus in Dauphin.

Roads and Bridges

Manitoba's commitment to enhancing its transportation networks was demonstrated by the 10-year \$4 billion strategy to improve roads and bridges, launched in 2007. Since the strategy's launch, over 5,000 kilometres of road will be repaired or built by the end of 2010. Examples of recent or upcoming work include the following.

Eastern Manitoba:

Since 2007, Manitoba has invested over \$279 million in capital projects in Eastman, including Winnipeg:

- reconstruction of Highway 1 between Winnipeg and Ste. Anne and the commencement of CentrePort Canada Way, both major projects with the federal government, and
- work on a number of bridges on the Perimeter highway and paving the North Perimeter.

South Central Manitoba:

Since 2007, Manitoba has invested over \$147 million in major capital projects in South Central Manitoba:

- reconstruction of Highway 68 through the Interlake and Highway 8 from Winnipeg Beach to Hnaua, and
- paving on Highway 1 between Portage la Prairie and Winnipeg, and Highway 2 near Rathwell.

South Western Manitoba:

Since 2007, Manitoba has invested over \$192 million on major capital projects in South Western Manitoba:

- completed work on Highway 3 between Melita and Deloraine,
- paving and adding shoulders to large sections of the Trans-Canada between Virden and Brandon,
- surface work on Highway 2 near Reston, Highway 21 near Kenton and Highway 45 near Oakburn, and
- completion of the 18th Street twin bridges and First Street reconstruction in Brandon this year, with continued work on the Brandon Eastern Access.

West Central Manitoba:

Since 2007, Manitoba has invested over \$89 million on major capital projects in West Central Manitoba:

- paving Highway 68 east of Ste. Rose du Lac and west of Highway 6, and
- reconstructing Highway 83 between Roblin and Swan River.

Northern and Remote Manitoba:

Since 2007, Manitoba has invested over \$115 million on major capital projects in northern Manitoba:

- continued reconstruction on Highway 6, a key link to Manitoba's North,
- continued work on PR 373 and PR 374, single-access roads serving the communities of Norway House and Cross Lake, and
- continue to work with First Nations to develop an all-weather road on the east side of Lake Winnipeg.

Floodway and East Side Road

The \$665 million federal-provincial Red River Floodway Expansion Project used a community economic development and employment equity model that worked with the local construction sector to create opportunities for approximately 150 companies and over 2,900 workers, including investing \$54 million into an Aboriginal Set-Aside Initiative. As the province is now protected against a 1-in-700-year flood, and as construction enters its final stages, the Manitoba Floodway and East Side Road Authority's consultation and equity approach will be applied to the new east side road initiative that, pending environmental approval, will begin construction on an all-season road in the fall of 2010.

“Manitoba has shown resilience in 2009 and is expected to return to a steady growth path in 2010, with a rebound of 2.6% underpinned by hydro utility development and solid manufacturing activity and investment.”

Scotiabank Group

The east side road project was announced in 2008 to develop an all-season road for the remote and isolated communities on the east side of Lake Winnipeg that only have access to winter roads for a few weeks a year. As part of its mandate, the Manitoba Floodway and East Side Road Authority will work in partnership with local communities to ensure that local residents benefit from jobs, training and economic opportunities associated with the construction of the all-season road. Benefits include:

- greater reliability of the transportation routes,
- reduced transportation costs for good and services,
- enhanced access to emergency, health and social services,
- improved linkages between isolated and remote communities,
- construction employment and economic opportunities for local people, and
- enhanced opportunities for sustainable economic development including recreation, tourism and resource development.

Manitoba Hydro

Manitoba Hydro continues progress on construction, consultation and planning of multiple major projects. On an annual basis, Hydro supports over 18,000 jobs in the province and is estimated to add close to \$1.13 billion to provincial GDP.

Manitoba Hydro Place has won numerous awards including “Best Tall Building – Americas” by the Council for Tall Buildings and Urban Habitat. This award recognizes the exceptional energy efficiency of an office tower in an urban environment; Manitoba Hydro Place is the most energy efficient office tower in North America.

In all, Manitoba Hydro plans to invest approximately \$15 billion in capital for major new generation and transmission projects over the next 10 to 15 years, including projects like Wuskwatim, Keeyask and Conawapa Generating Stations and the Bipole III transmission line. These projects will serve the growing needs of Manitoba customers, as well as develop transmission and generating needs for export markets.

Wuskwatim is on schedule to be in service for 2011. Located in northern Manitoba along the Burntwood River, Wuskwatim will produce 200 MW of new hydro-electricity through its three power units. This capital project has supported almost 4,800 person years of employment, and will yield over \$320 million in annual GDP for Manitoba.

Construction will begin this year on a wind farm at St. Joseph, which will add clean and green wind power to Manitoba’s energy capacity.

Conawapa Generating Station is still in the planning stages, but the 1,485 MW station will be the biggest hydro-electric project Manitoba has ever seen. Conawapa will take eight years to build and contribute 13,000 construction jobs and numerous community partnerships.

Keeyask Generating Station is also in its planning stages, and has received approval from partnership communities on the lower Nelson River upstream of the existing Kettle Generating Station. Keeyask will result in a 695 MW station that provides about 10,500 person years of construction employment.

Funding Olympic Dreams in Manitoba - Sports and Recreation

Over the last decade, Manitoba has invested in amateur sport and wellness facilities such as:

- North End Wellness Centre
- Brandon Family YMCA
- Swan Valley Recreation and Wellness Centre
- Kinsmen Reh-Fit Centre
- Indoor soccer complex at the University of Manitoba

Manitoba is providing an additional \$1.5 million for Aboriginal sport initiatives in Northern Manitoba over the next three years, in addition to the existing support for the Winnipeg Aboriginal Sport Achievement Centre, participation in the Canada-Manitoba Aboriginal Sport Development Partnership Agreement, Sport Manitoba's funding of the Manitoba Aboriginal Sport and Recreation Council, and a Provincial commitment to the World Indigenous Nations Games.

In 2008, Manitoba made a \$60 million multi-year commitment to fund recreation projects across the province, including:

- St. Laurent Community Recreation Centre
- Sinclair Park Community Centre
- Southdale Recreation Centre
- Norberry–Glenlee Community Centre
- Arborg Aquatic Centre
- Winakwa Community Centre
- Lawrence Multi-Plex Centre
- Landmark Recreation Centre Complex
- Gordon Bell High School green space
- Portage la Prairie Regional Recreation Multi-plex

In the past, Manitoba has contributed to numerous community recreation projects, such as:

- Thompson Regional Community Centre
- West St. Paul Multiplex
- Beausejour-Brokenhead Memorial Sportsplex
- Vincent Massey Sports Field
- The Pas Recreation Centre
- Gladstone District Community Centre
- Parkland Recreation Complex
- Red River Community Centre
- Turtle Island Recreation Centre
- Luxton Community Centre
- Pilot Mound Millennium Recreation Complex

Manitoba is supporting Sport Manitoba's Sport for Life Centre, providing new administrative and program space for amateur sport organizations and the community, including a new home for the Manitoba Sports Museum and Hall of Fame.

The Province is providing \$3 million in new funding over the next four years to support greater participation of Manitoba athletes in sport and Olympic opportunities. Manitoba will contribute \$5 million toward a new fitness centre for Brandon University.

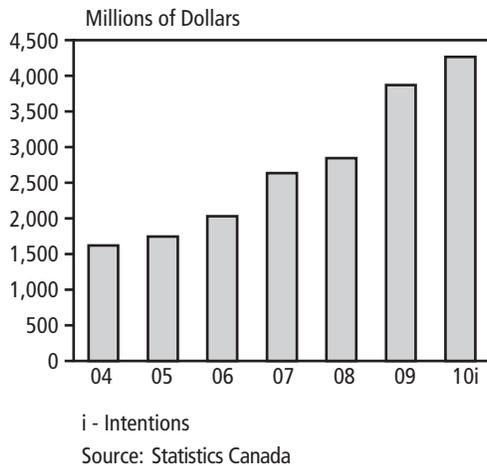
With contributions from the federal and provincial governments, True North Sports & Entertainment is constructing a \$25 million, 175,000-square-foot hockey facility in Winnipeg. The facility will contain four ice rinks, a restaurant, performance training and office space for True North, and is expected to open August 2010.

■ UPDATE ON CAPITAL INVESTMENTS – COST SHARED

The City of Winnipeg is planning to develop a methane capture facility at its landfill site. This project is expected to reduce annual greenhouse gas emissions equivalent to that generated by 21,700 passenger motor vehicles, and is cost shared.

Construction has begun on the \$138 million Southwest Rapid Transit Corridor – Stage 1 Project by the City of Winnipeg.

Public Capital Investment



The route extends from Pembina Highway and Jubilee Avenue to The Forks. The project is receiving over \$17 million from Manitoba, in addition to funds from the federal government.

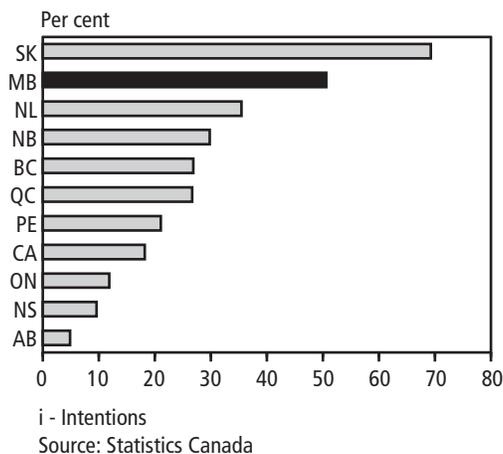
The \$81 million expansion to its wastewater treatment facility will make Brandon the first municipality in Manitoba to be fully compliant with the Clean Environment Commission’s recommended standards for nutrient removal. Improvements were funded with \$33 million of support from the federal and provincial governments.

Winnipeg’s South End Water Pollution Control Centre will receive a \$33 million upgrade to its facility, including upgrade of the wet weather wastewater treatment, expansion of the plant capacity to deal with wastewater during peak periods and protect the health of the Red River and Lake Winnipeg. The project is being funded on a one-third federal-provincial-municipal cost-shared basis.

Construction of the Canadian Museum for Human Rights began in spring 2009. The 260,000-square-foot, 12-storey building is projected to open in 2012. The capital cost of the project is being funded by federal, provincial, municipal and private sector contributions.

■ UPDATE ON CAPITAL INVESTMENTS – FEDERAL INVESTMENTS

Total Capital Investment Growth, 2005 to 2010i



On September 5, 2008, Manitoba and the federal government signed an infrastructure agreement that would make \$718 million in federal funding available to Manitoba and Manitoba municipalities, on a cost-shared basis.

The Building Canada Fund major infrastructure project component and other federal cost-sharing programs will contribute to projects such as the PTH 1 West divided highway improvements.

In addition, Canada Post is building a \$50 million state-of-the-art mail processing plant near the east entrance to the James Richardson International Airport. It is expected to be operational by June 2010.

■ MAJOR PRIVATE SECTOR CAPITAL INVESTMENTS

Retail

Construction is under way on the Gimli RONA. The 14,800-square-foot project is expected to cost around \$6 million. The new store is expected to open soon.

Preliminary infrastructure work has started on the Seasons of Tuxedo shopping centre complex that will anchor an IKEA store. The project is divided into phases, with an estimated total cost of \$400 million or more. Manitoba is investing \$8 million in infrastructure improvements to make way for the new IKEA store.

Industrial

HudBay Minerals announced in October that it will commit \$85 million to start construction of an underground ramp at the gold, copper and zinc mine at Lalor Lake, 15 kilometres from Snow Lake. The ramp will connect the Lalor Lake mineral deposit and the Chisel North Mine. It is the first part of a \$450 million investment the company is planning to make on the project at Lalor Lake. The project is expected to be fully operational by 2015.

Keystone Processors Limited opened a new provincially inspected beef processing plant in Winnipeg. Keystone Processors will continue to renovate the existing facility in order to gain a 'federally inspected' designation. This designation will allow for sales across provinces. The total cost of the project is estimated at \$25 million, with contributions from the federal and provincial governments.

Standard Aero is undertaking a \$13 million expansion of its facilities in Winnipeg. The 27,000-square-foot expansion is in addition to 80,000 square feet recently added, bringing the total square footage of the building to 162,000 square feet.

Monsanto Canada is building a new 29,000-square-foot state-of-the-art breeding plant centre at the University of Manitoba's SMARTPark. The approximate cost for this project is \$12 million. The new plant will accommodate laboratories and greenhouses that will develop new genetically modified canola products for grain growers.

Rolls-Royce and Pratt & Whitney, two of the world's largest gas turbine manufacturers have joined forces to establish the \$44 million Global Aerospace Centre for Icing and Environmental Research (GLACIER) in Thompson, Manitoba. GLACIER will conduct icing certification and cold weather testing on the next generation of low-emission, low-noise aircraft engines. The National Research Council is a partner in a sister organization, the Environmental Test Research and Education Centre.

Residential/Hotel

Choice Hotels International is constructing a new four-storey, 101-room MainStay Suites in Winnipeg. The MainStay Suites Winnipeg Airport hotel is expected to open this September and will be Choice Hotels' first extended-stay hotel in the province.

Lakeview Management plans to construct a new \$20 million Grand Winnipeg Airport Hotel across from the new airport terminal. The five-star hotel should be completed in mid-2011. It will have 100 guest rooms.

■ CONCLUSION

Manitoba's commitment to stay on course with its infrastructure and economic action plan is imperative in supporting the early stage of the economic recovery. The plan provides support for industries, local governments and communities, create employment opportunities for those who need it now, and it lays the foundation for future prosperity.

By maintaining its infrastructure investments, Manitoba creates a strong environment that fosters private sector initiatives to expand their domestic, Canadian and international markets. As the global economic recovery takes hold, Manitoba will be well positioned to boost its economic growth and prosperity over the longer term.

“The recovery is very fragile and we haven’t even seen a recovery in private investment yet. That’s why public-sector investment through infrastructure spending is so important.”

**Glen Hodgson, Chief Economist with
The Conference Board of Canada**
