



Budget Paper E

THE MANITOBA
ADVANTAGE

THE MANITOBA ADVANTAGE

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THE MANITOBA ADVANTAGE

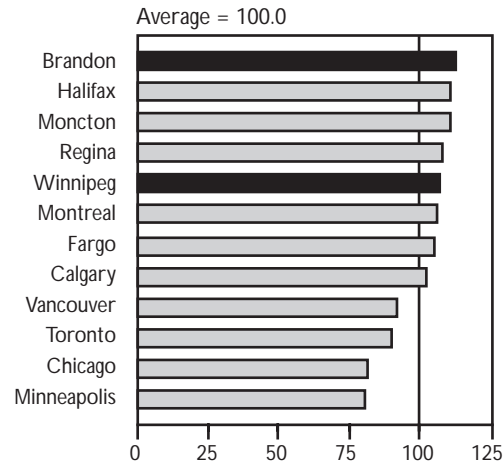
Manitoba is on a roll! The province in the centre of North America is enjoying unprecedented prosperity with balanced and sustainable growth across its diverse economy. Consider the following:

- Thanks to strong job creation, Manitoba's unemployment rate has fallen to its lowest level since 1980. Manitoba also enjoys the lowest unemployment rate in Canada.
- Manitoba's exports to the United States – the most competitive market in the world – increased almost three and a half times from 1990 to 1998. Much of this growth is due to a diverse range of manufactured goods ranging from buses to apparel.
- After running deficits for many years, Manitoba has now had five balanced budgets in a row. Both public debt costs and tax rates are falling.
- The Investment Dealers Association of Canada described Manitoba as having “the best-managed public finances during the 1990s.”
- Both Moody's and Standard and Poor's raised Manitoba's credit rating in 1998.

How did Manitoba become a growth leader in Canada? The economy is one of the most diverse in the country. The people of the province have a strong work ethic, a complete range of skills, and an entrepreneurial spirit. Both the cost of living and the cost of doing business are lower than elsewhere. A mid-continent location and excellent transportation links provide ready access to markets across North America.

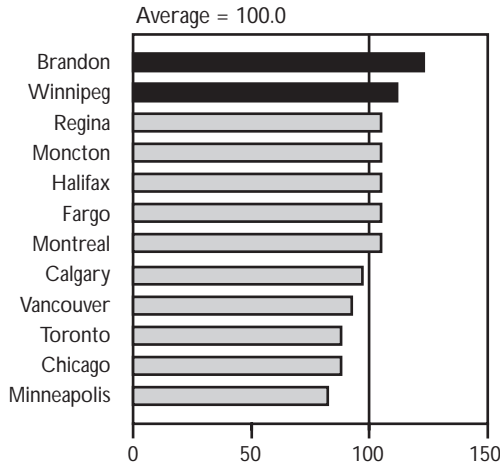
Manitoba also has a strong commitment to government policies that create a positive climate for business expansion and job creation. In particular, balanced budgets have boosted confidence and made tax cuts possible, allowing Manitobans to make the most of the Manitoba Advantage.

Internal Rates of Return Small Manufacturing Firm



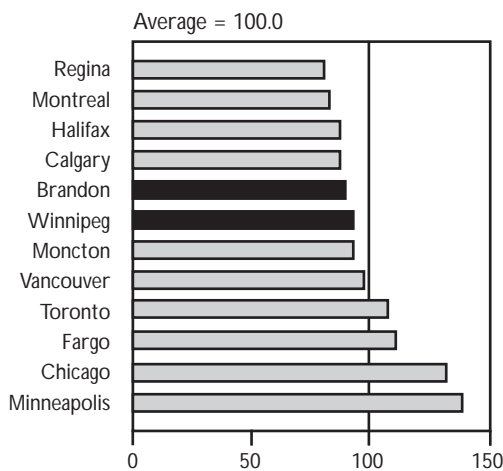
The chart above shows the competitiveness of Manitoba's total business cost and tax environment for a typical small manufacturer. (See Appendix 1 for more detail.) Brandon and Winnipeg rank well above average. The advantage over larger cities, such as Vancouver, Toronto, Chicago and Minneapolis, is particularly striking.

Pre-Tax Net Income Small Manufacturing Firm



Pre-tax net income is highest in Manitoba, due to low operating costs. (See Appendix 1 for more detail.)

Effective Tax Rates Small Manufacturing Firm



A comparison of the effective tax rates for a small manufacturer (also detailed in Appendix 1) shows that a Manitoba location offers competitive taxes.

These are just some of the reasons why Manitoba offers unbeatable advantages. The following pages provide more details on the Manitoba Advantage, including business and personal costs and tax rates. Included is a detailed comparative analysis of the costs and taxes facing typical manufacturing firms in 12 Canadian and U.S. cities.

■ Manitoba has the most **diversified manufacturing sector** in Western Canada. The wide range of products includes countless foods and beverages; tractors and other farm equipment; municipal and interurban buses; security printing products; specialty steel products; electrical components; aerospace components; chemicals; plastics; furniture; and much more. This diversity means that manufacturers can source many of their inputs from other local firms, and draw on a large pool of skilled labour.

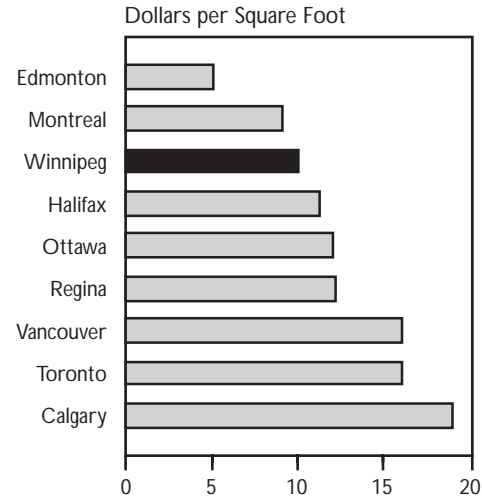
Much of this activity is export oriented. The bus and tractor manufacturers export most of their output, making motor vehicles Manitoba's largest category of export.

■ Thanks to its location at the northern end of a trade corridor running through the Midwest U.S. to Mexico, Manitoba can take full advantage of the virtual elimination of tariffs under the **Canada-U.S. Free Trade Agreement**, which took effect in 1989. Manitoba's exports to the U.S. have increased almost three and a half times since 1990 – well above the national increase. Under the **North American Free Trade Agreement**, Manitoba's trade with Mexico will also be virtually tariff-free by 2004. Mexico's rapidly improving economy and growing middle class should be a significant source of further trade expansion.

■ Manitoba's **transportation** links are unsurpassed.

- Winnipeg is the only city in Western Canada served by three continental railways: CN, CP and Burlington Northern. All three railways operate intermodal terminals in Winnipeg, so shippers enjoy the economies of rail transport in combination with the flexibility of highway transport.
- Manitoba's central position in North America makes it an ideal trucking centre. Many of the leading interprovincial and transborder trucking firms are headquartered here.
- Winnipeg International Airport is competitively positioned as one of the few major North American airports that operate 24 hours a day. Generally favourable weather and efficient operations allow the airport to be usable 99% of the time on an annual basis. Only 7 km (4.5 miles) from the city's downtown, it provides convenient access for both business and visitor traffic. The airport is also very attractive as an air cargo distribution centre because it has a favourable central location relative to global flight paths, it is uncongested, and it has room to grow on adjacent lands.
- Churchill is not only a major tourist site, but Manitoba's northern seaport. OmniTRAX operates the Hudson Bay Railway, which moves commodities such as grains, ores and wood products from The Pas to Churchill. Already a long-established export route for such commodities, Churchill also has great potential as a trading port for markets in northern and eastern Europe, and Latin America.

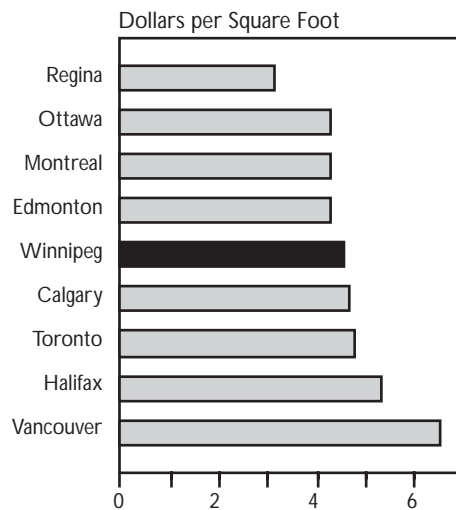
Average Office Rental Rates, 1998



Source: Royal LePage

One of the reasons Manitoba has been so successful in attracting call centres, for example, is the low cost of office space.

Industrial Rental Rates, 1998

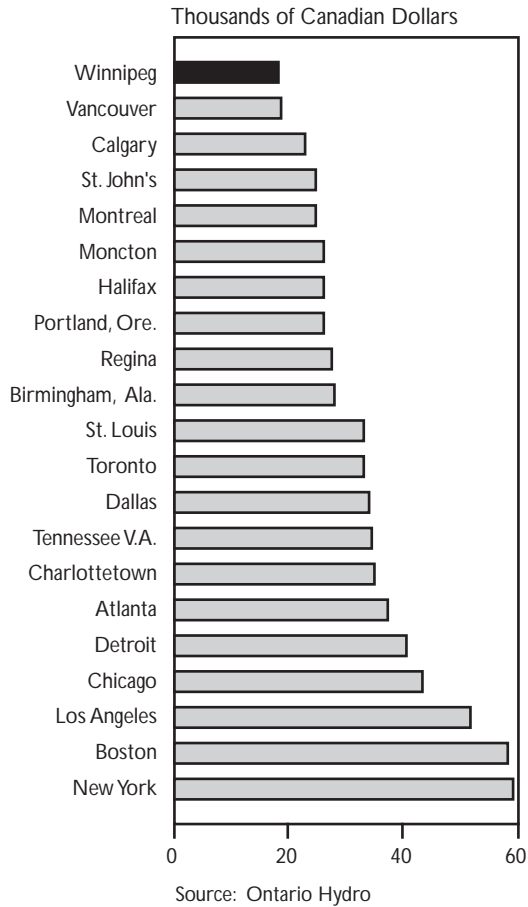


Source: Royal LePage

Industrial buildings can also be rented at competitive rates.

Monthly Industrial Electric Bills Medium-sized Commercial/ Industrial Customer

400,000 Kilowatt Hours, 1998



Manitoba electricity rates are among the lowest in North America, as the charts on this page and the facing page show. Indeed, they are among the lowest anywhere: Edison Electric Institute has compared average 1998 electricity costs for 205 utilities around the world. Manitoba had the lowest commercial rate, the third-lowest industrial rate, and the fourth-lowest residential rate.

■ Manitoba has a vast, dependable supply of clean, economical **hydro-electric power** – and the lowest published electricity rates in North America. Current generating capacity amounts to some 5,000 megawatts. A further 4,000 megawatts of potential capacity is available to be developed at a reasonable cost. This is enough to meet our energy requirements today and in the future.

■ Manitoba's vast stores of **natural resources** offer great potential for expanded production and further processing. The value of mineral production, which includes nickel, copper, zinc, gold, industrial minerals and petroleum, is approximately \$1 billion. Almost \$200 million was invested in mineral exploration over the past five years.

■ One of the province's fastest growing industries is **information and telecommunications**. In particular, there has been a rapid expansion of call centres thanks to Manitoba's strategic advantages. These include a central time zone, low-cost office space, competitive telecommunication rates, and a ready supply of bilingual and multilingual labour. In addition, Manitoba has over 75,000 strand kilometres of fibre-optic cabling, with 100% digital switching technology. Manitoba is one of the first provinces to establish an Asynchronous Transfer Mode (ATM) fibre backbone network, allowing economical advanced services, such as multimedia applications, for most of Manitoba's larger communities. These advantages, coupled with the province's innovative information technology sector, place Manitoba in a highly competitive position. Today, the province is home to 80 call centres, over a dozen of which moved here from other parts of Canada and the United States.

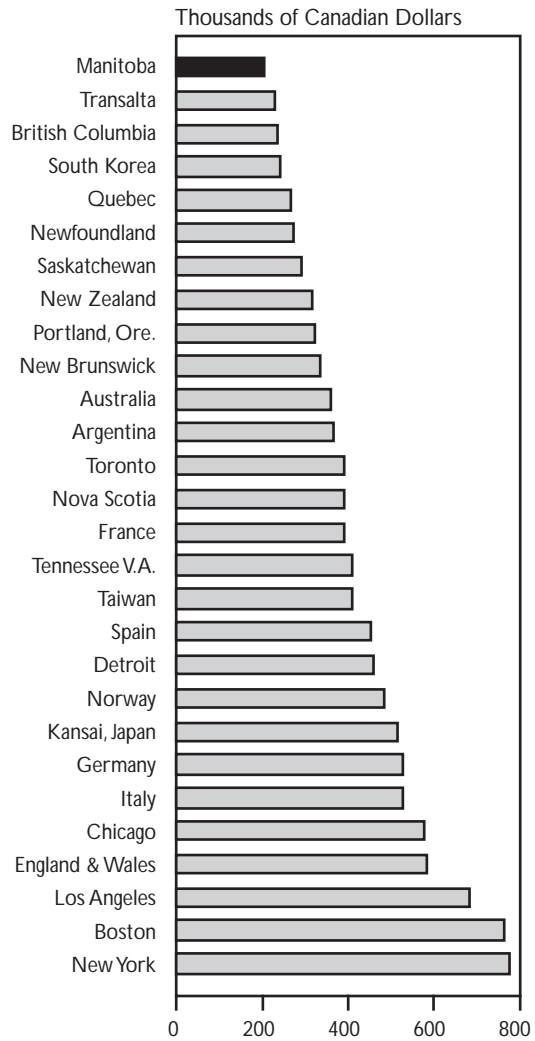
■ **Medical research** is an important part of the Manitoba economy. Building on a base of two teaching hospitals, the province boasts a variety of research facilities, including Health Canada's Centre for Disease Control (a level four laboratory) and the National Research Council's Institute for Biodegnostics. Research undertaken here has important economic spinoffs. Companies producing health products ranging from pharmaceuticals to medical-surgical devices have located in Manitoba to take advantage of the research, as well as doing their own. There are now over 100 companies in Manitoba producing health-care products and services.

■ Manitoba is equally strong in other areas of **R&D**, boasting such major research facilities as the Manitoba Industrial Technology Centre, the Food Development Centre, and Telecommunications Research Laboratories (TRLabs). Manitoba has among the best R&D tax environments in Canada, whose overall R&D climate is better than any other G7 country. Manitoba's record is bolstered by such measures as the 15% R&D provincial tax credit.

■ A key component of Manitoba's economic development strategy is **responsible financial stewardship**. The Government has worked steadily to reduce unnecessary expenditures, while developing innovative and more effective means of delivering services, and establishing performance measures in order to improve accountability. As a result, Manitoba has a very efficient government: total per capita expenditures in 1998 were the second-lowest among the ten provinces. This has made it possible to freeze major tax rates since 1988; reduce personal and small business income taxes; introduce targeted tax reductions which enhance the competitiveness of Manitoba firms; and still balance the provincial budget every year starting in 1995.

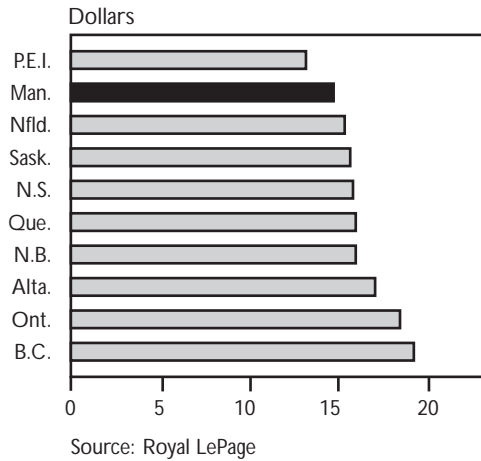
**Monthly Industrial Electric Bills
Large Industrial Customer**

5,840,000 Kilowatt Hours, 1998



Source: Ontario Hydro

Average Hourly Earnings Manufacturing, 1998



Labour costs are reasonable because the cost of living is low. Employees may earn less than their counterparts elsewhere, but still have a higher standard of living. A major reason is that housing costs are low.

The Province has written its commitment to balanced budgets into law. The Balanced Budget, Debt Repayment and Taxpayer Protection Act, passed in 1995, requires that Manitoba not incur budget deficits, subject to personal financial penalties for Cabinet Ministers. The Act also prohibits any increases in the rates of major taxes without voter approval in a referendum, and sets out a plan for repayment of Manitoba's general purpose debt in 30 years or less, starting in 1997/98.

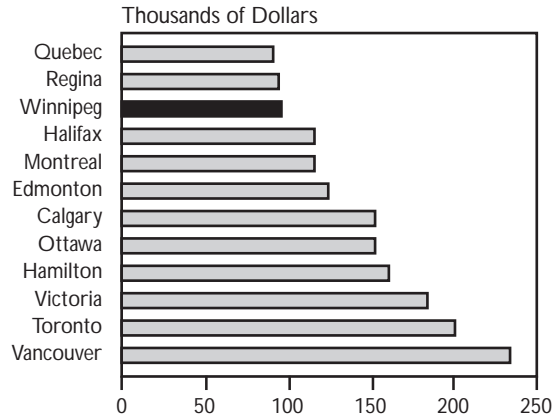
■ Manitoba's best feature may be the **quality of life** it offers. The population is large enough to support a rich cultural and sporting life, but small enough to keep the air and water clean, the traffic moving, and the many natural attractions uncrowded.

- Winnipeg has an active theatre scene, the Winnipeg Art Gallery, the Manitoba Museum of Man and Nature, the Winnipeg Symphony Orchestra and the Manitoba Opera Company. The famous Royal Winnipeg Ballet performs around the world. The enthusiastic support of Manitobans for the arts is evident in Statistics Canada data, which show that Manitoba's performing arts companies enjoyed the highest per capita revenue in Canada, including revenue from ticket sales, public grants and fund raising. Manitoba ranked first or second in each of these categories individually.

Manitoba's many cultural festivals include: Folklorama, the world's largest multi-cultural festival; the Brandon Royal Winter Fair; Northern Manitoba's Trappers' Festival in The Pas; the Winnipeg Folk Festival, one of the largest in North America; the Festival du Voyageur, a celebration of Manitoba's French-Canadian heritage; and Canada's National Ukrainian Festival in Dauphin.

- There are 2.5 million acres of parkland and more than 100 golf courses in the province. You can fish in one of our 100,000 pristine lakes, hike over the sand dunes in the desert near Carberry, or stroll along the many long, sandy beaches. In fact, Grand Beach on Lake Winnipeg is one of the best in North America. You can watch the polar bear migration at Churchill, view the huge and varied flocks of birds from the boardwalks at Oak Hammock Marsh, and visit the Stampede at Morris. The choices are almost endless. Best of all, there are so many great outdoor locations and activities that it is easy to get away from the crowds.
 - The Pan American Games return to Winnipeg in 1999 from July 23 to August 8. Winnipeg also played host in 1967. The Pan Am Games will be the biggest multi-sport event ever held in Canada, and the third-largest ever held in North America, after the Atlanta and Los Angeles Olympics. [For information visit www.panamgames.org.]
 - There are professional sports teams in the International Hockey League, the Canadian Football League, the Northern Baseball League and the International Basketball Association. In recent years, the province has very successfully played host to sporting events such as the Grey Cup, the World Curling Championships, the Canada Summer Games and the World Junior Hockey Championships – the latter setting a new attendance record.
- **Manitoba's citizens** share a strong work ethic – a point often noted by companies with operations both in Manitoba and elsewhere. They are also highly qualified. The three universities, three community colleges and various technical training facilities provide a rich pool of skills and talent. Some companies, such

Average Price of a Starter House, January–July 1998



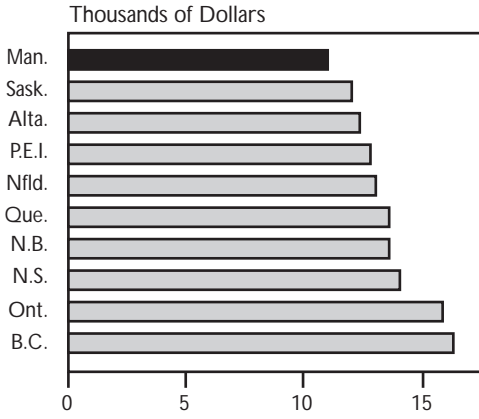
Source: CMHC, Canadian Housing Market Report

Housing in Manitoba is very inexpensive, especially in comparison to Toronto and Vancouver.

" . . . [W]e chose Manitoba at the end of the day because this also proved to be, on the basis of our research, the most productive workforce in the country."

ANGUS REID OF ANGUS REID GROUP,
ANNOUNCING A CALL CENTRE EXPANSION IN
WINNIPEG THAT WILL CREATE 203 FULL-TIME JOBS
(WINNIPEG FREE PRESS, APRIL 15, 1999)

Annual Personal Costs and Taxes Family of Four Earning \$40,000*



*Includes income, retail sales and gasoline taxes, health premiums, rent or mortgage costs, public transit costs or auto insurance, telephone service, electricity, heating and property taxes.

Taxes and other living costs, ranging from electricity to automobile insurance, tend to be lower in Manitoba. When the major taxes and other significant costs are added up for a typical family, Manitobans are shown to have the lowest taxes and living costs in the country. (See Appendix 2 for details.)

as those operating call centres, have been attracted to Manitoba by the ready availability of employees who speak French, Spanish and many other languages.

- In addition to all of these features, Manitoba has also earned a reputation as a **low-cost location**. When all the costs – including taxes – are added up and compared, businesses are finding that Manitoba offers a clear cost advantage for a strong bottom line. And with Manitoba's lower cost of living, employees are better off too.

To show Manitoba's cost advantages in more detail, two appendices are attached. The first, Manitoba's Competitive Environment for Manufacturing, provides a more detailed comparison of the taxes and costs faced by typical manufacturers in various Canadian and American cities. The second is an Interprovincial Comparison of Annual Personal Costs and Taxes.

In short, there are many reasons to do business in Manitoba, and low costs are among the most important of these. Herein lies the Manitoba Advantage.

APPENDIX 1: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

■ Introduction

Manitoba's \$10 billion manufacturing sector is one of the most diverse in Canada, with significant production in 15 distinct industries. It is also one of the fastest-growing sectors in the provincial economy: over the past five years, shipments have grown at an average annual rate of 10%, while manufacturing investment growth has averaged 14%. A large and growing proportion of manufactured output is exported to the United States and countries around the world, proof that Manitoba-based manufacturers can compete with the best the world has to offer.

Many factors contribute to Manitoba's competitiveness. We have a central location with excellent transportation links. Telecommunications and other infrastructure are world class. Land costs are low, and energy costs are among the lowest in the world. Thanks to the low cost of living, skilled labour can be hired at very competitive rates.

The Government of Manitoba is fully aware that tax competitiveness is also very important. That is why Manitoba has implemented numerous targeted and general tax reductions (detailed below).

This appendix provides a detailed analysis of the cost competitiveness of a representative small and a representative larger manufacturing firm in 12 North American cities, including Winnipeg and Brandon in Manitoba. The analysis is based on the update on the manufacturing competitiveness model developed by the Department of Finance in the early 1990s. The model simulates start-up costs, operating costs, financial profiles and taxation regimes over a period of years. The purpose is to quantitatively evaluate Manitoba's tax structure and cost environment relative to other jurisdictions in Canada and the United States. The model firms' profiles have been updated using the most recent data available from Statistics Canada and other public sources.

■ Declining Business Taxation in Manitoba

Manitoba is committed to maintaining and enhancing our competitive environment for manufacturing and processing. To this end, the following tax initiatives have been implemented in recent years.

- The personal income tax rate has been cut by seven percentage points since 1988.
- The payroll tax rate has been reduced from 2.25% to 2.15%.
- The payroll tax exemption has been increased from \$100,000 to \$1 million, with a reduced rate for payrolls between \$1 million and \$2 million.
- The capital tax exemption has been increased from \$1 million to \$5 million.
- The corporate income tax rate for small businesses has been reduced from 10% to 8%, with further annual cuts of one percent until 2002, when the rate will be 5%.
- A 10% Manufacturing Investment Tax Credit has been introduced.

- A 15% Research and Development Tax Credit has been introduced.
- The Retail Sales Tax has, since 1991, been applied alongside of the federal Goods and Services Tax instead of on top, as had been the practice with the Federal Sales Tax.
- Telephone charges on 1-800 and related toll numbers have been exempted from the sales tax.
- Custom-developed software and custom computer programming services have been exempted from the sales tax.
- Electricity used in mining and manufacturing activities has been exempted from the sales tax.
- Propane used in certain mining activities has been exempted from motive fuel tax.
- The sales tax exemption has been broadened for specified direct agents used in manufacturing and mining exploration activity.

■ Interjurisdiction Competitiveness

The following indicators are used to assess cost and tax competitiveness for 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; and
- internal rates of return.

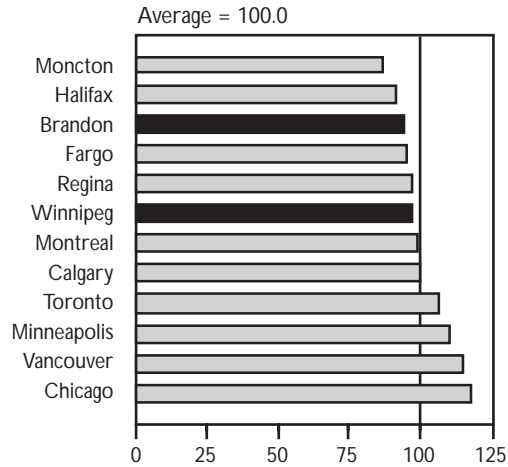
This analysis uses a variable cost model and calculates net revenue and cash flow, including start-up costs, based on the operating costs in each location. The simulation results for each city are compared to the overall average of all cities for each of the indicators, and are presented in the charts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

All costs for the U.S. cities were converted to equivalent Canadian dollar amounts based on the exchange rate US\$1.00 = C\$1.48.

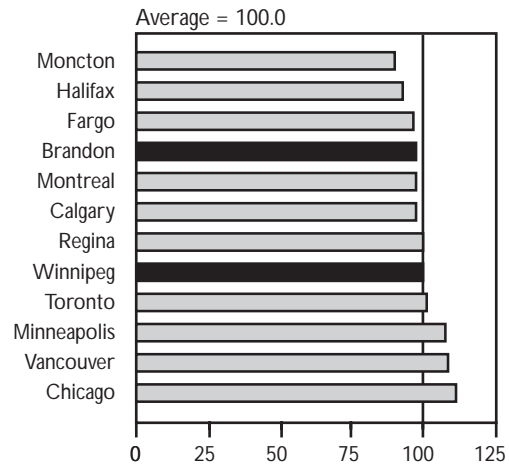
Net Cost of Investment

The costs of starting a manufacturing plant (land, buildings and machinery) are lower in Manitoba than the average for all cities. The net cost of investment for the larger metropolitan centres tends to be higher than the overall average, primarily because of the higher cost of land in those cities.

Net Cost of Investment Small Manufacturing Firm



Net Cost of Investment Larger Manufacturing Firm



Pre-tax Net Income

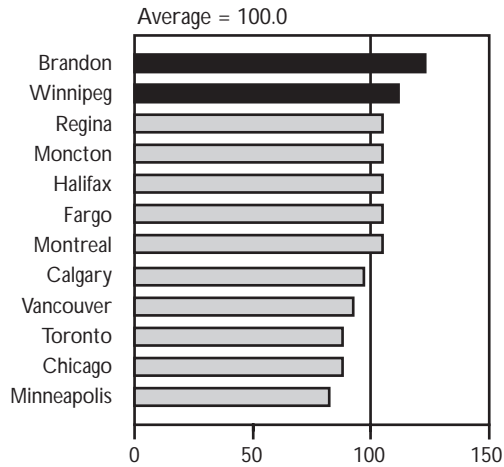
The model calculates pre-tax net income by subtracting from a common level of revenue the following location-sensitive operating costs:

- average manufacturing wages;
- local utility charges (electricity and telephone);
- interest costs;
- fixed production material costs; and
- capital depreciation.

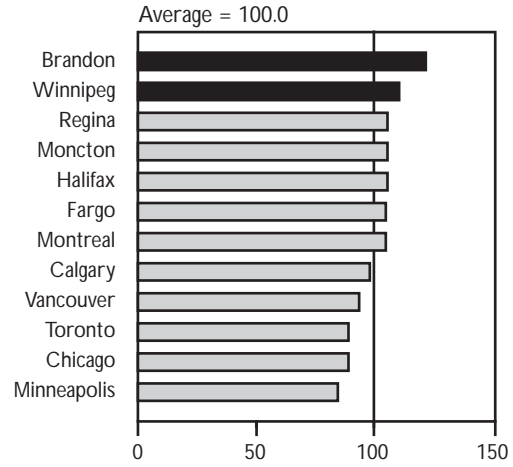
Pre-tax net income is used to compare Manitoba's cost competitiveness to the other locations. The sales figures used in the simulation model are fixed, rising to \$4 million for the small firm and \$45 million for the larger firm for years five through 20. A higher pre-tax income indicates lower operating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

Brandon and Winnipeg have the highest pre-tax net income for both the small and larger manufacturing firms. Competitive wages and low utility 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 cash-flow period.

The following operating taxes are included in the analysis:

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

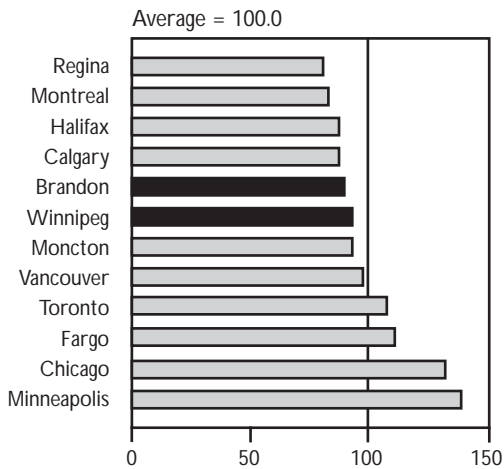
The following tax expenditures that benefit the manufacturing sector are also taken into account:

- investment tax credits;
- tax holidays;
- accelerated capital cost allowances; and
- preferential tax rates.

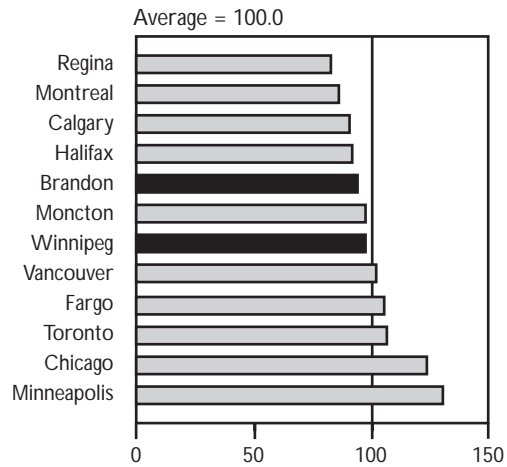
Not included in the models are enterprise zones, grants and other forms of governmental and third-party financial assistance programs.

The effective tax rates in Manitoba are lower than average. The Harmonized Sales Tax, 10% Federal Atlantic Investment Tax Credit in the Atlantic cities, the 30% Nova Scotia Manufacturing Tax Credit, the Saskatchewan Manufacturing and Processing Profits Deduction, the Saskatchewan Manufacturing Investment Tax Credit, and the Quebec New Business Tax Holiday account for the lower effective tax rates in those centres.

Effective Tax Rates Small Manufacturing Firm



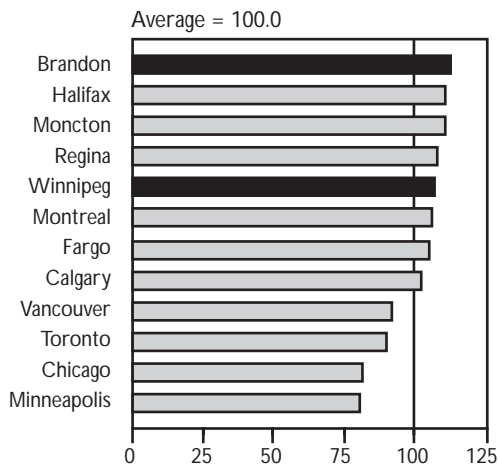
Effective Tax Rates Larger Manufacturing Firm



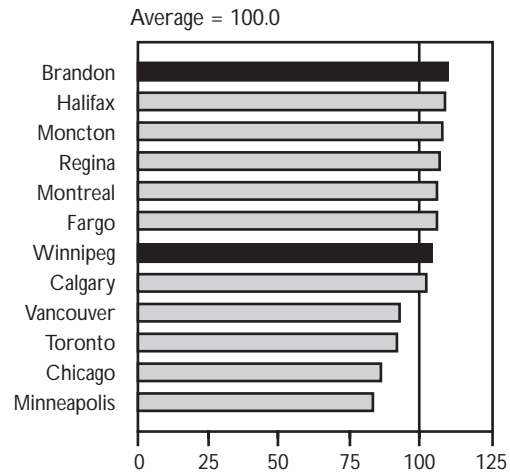
Overall Competitiveness

Overall competitiveness is measured by comparing internal rates of return. The following charts illustrate the combined effect of taxes and costs on the after-tax internal rates of return for the representative small and larger manufacturing corporations in the selected jurisdictions. The internal rate of return is often used for business investment and location decision making.

Internal Rates of Return Small Manufacturing Firm



Internal Rates of Return Larger Manufacturing Firm



The internal rates of return for both Winnipeg and Brandon are better than the overall average of the cities included in the study.

Brandon has the highest 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 small manufacturing firms and the second-highest for larger manufacturing firms.

■ Conclusion

Location-sensitive costs are generally lower in Manitoba than in the other jurisdictions included in this study.

Effective tax rate analysis suggests that Manitoba's business tax regime is competitive with those of other provinces.

Most importantly, Manitoba has one of the best overall business tax and cost environments for manufacturing.

APPENDIX 2:

1999 Interprovincial Comparison of Annual Personal Costs and Taxes

The table in this Appendix compares taxes and living costs for typical households in Manitoba with similar individuals or families in other provinces.

A single taxpayer earning \$20,000 in Manitoba pays the third-lowest provincial taxes in Canada. Combined taxes and living costs are the second-lowest in the country.

A married taxpayer earning \$40,000 with a dependent spouse and two dependent children has the fourth-lowest provincial taxes and the lowest combined living costs and taxes in any province.

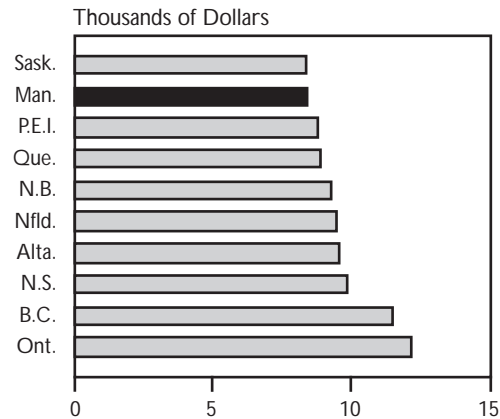
A family of four with \$60,000 earned income, has the fourth-lowest provincial taxes and the third-lowest combined taxes and living costs in the country.

In 1987, Manitoba's top marginal personal income tax rate was the highest in the country. Today it is second-lowest. Also, Manitoba's sales tax rate of 7% is still the second-lowest of all provinces that levy a retail sales tax.

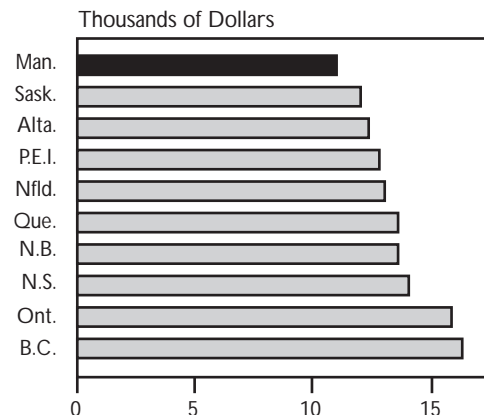
Low living costs and personal taxes mean that all Manitobans are able to enjoy a high standard of living in relation to other parts of the country. This makes Manitoba a more competitive and attractive location for both new and expanding businesses.

A superior quality of living with lower personal costs and taxes are clearly an important part of the Manitoba Advantage.

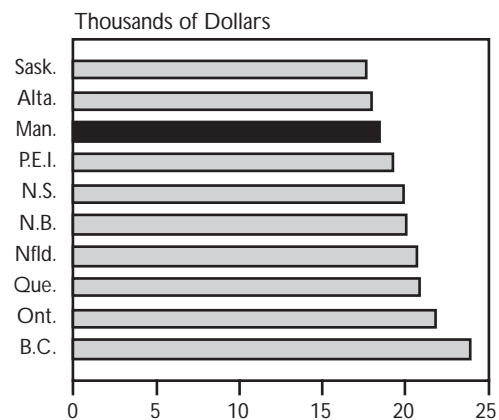
Annual Personal Costs and Taxes Single Person Earning \$20,000*



Annual Personal Costs and Taxes Family of Four Earning \$40,000*



Annual Personal Costs and Taxes Family of Four Earning \$60,000*



*Includes income, retail sales and gasoline taxes, health premiums, rent or mortgage costs, public transit costs or auto insurance, telephone service, electricity, heating and property taxes.

1999 Comparison of Annual Personal Costs and Taxes

Single Person: \$20,000	B.C.	Alta.	Sask.	Man.	Ont.
Provincial Income Tax	1,020	1,006	1,389	1,044	834
Retail Sales Tax	640	0	510	648	774
Health Premiums	432	408	0	0	0
Provincial Levies	2,092	1,414	1,899	1,692	1,608
Rent	8,100	6,888	5,232	5,436	8,748
Electricity	301	382	458	320	494
Transit Fares	648	600	516	693	996
Telephone	296	270	232	222	261
Living Costs	9,346	8,140	6,438	6,671	10,499
Total Costs	11,438	9,554	8,337	8,363	12,107
Family of 4: \$40,000	B.C.	Alta.	Sask.	Man.	Ont.
Provincial Income Tax	2,593	2,505	3,346	2,861	2,122
Retail Sales Tax	1,131	0	902	1,145	1,271
Gasoline Tax	300	180	300	230	294
Health Premiums	864	816	0	0	0
Provincial Levies	4,888	3,501	4,548	4,236	3,687
Mortgage Costs	7,441	4,890	3,019	2,556	6,803
Property Tax	1,119	1,000	1,400	1,278	1,800
Home Heating	465	611	621	846	676
Auto Insurance	1,132	1,065	862	939	1,389
Electricity	561	658	773	552	862
Telephone	593	540	464	444	522
Living Costs	11,311	8,763	7,140	6,615	12,051
Total Costs	16,199	12,264	11,688	10,851	15,738
Family of 4: \$60,000	B.C.	Alta.	Sask.	Man.	Ont.
Provincial Income Tax	5,180	4,992	6,878	6,625	4,316
Retail Sales Tax	1,411	0	1,119	1,429	1,618
Gasoline Tax	300	180	300	230	294
Health Premiums	864	816	0	0	0
Provincial Levies	7,755	5,988	8,297	8,284	6,228
Mortgage Costs	11,480	7,274	4,273	4,544	9,354
Property Tax	1,730	1,641	2,000	2,548	2,600
Home Heating	465	611	621	846	676
Auto Insurance	1,132	1,065	862	939	1,389
Electricity	734	842	984	707	1,108
Telephone	593	540	464	444	522
Living Costs	16,134	11,973	9,204	10,028	15,648
Total Costs	23,889	17,961	17,501	18,312	21,876

Que.	N.B.	N.S.	P.E.I.	Nfld.	Single Person: \$20,000
1,213	1,271	1,218	1,239	1,461	Provincial Income Tax
847	995	1,003	831	978	Retail Sales Tax
0	0	0	0	0	Health Premiums
<u>2,060</u>	<u>2,266</u>	<u>2,221</u>	<u>2,070</u>	<u>2,439</u>	Provincial Levies
5,256	5,724	6,132	5,208	5,616	Rent
354	493	502	542	491	Electricity
540	528	684	600	600	Transit Fares
261	245	300	267	239	Telephone
<u>6,411</u>	<u>6,990</u>	<u>7,618</u>	<u>6,617</u>	<u>6,946</u>	Living Costs
<u>8,471</u>	<u>9,256</u>	<u>9,839</u>	<u>8,687</u>	<u>9,385</u>	Total Costs

Que.	N.B.	N.S.	P.E.I.	Nfld.	Family of 4: \$40,000
1,981	3,212	3,079	3,132	3,694	Provincial Income Tax
1,529	1,773	1,788	1,478	1,755	Retail Sales Tax
334	214	270	260	330	Gasoline Tax
0	0	0	0	0	Health Premiums
<u>3,844</u>	<u>5,199</u>	<u>5,137</u>	<u>4,870</u>	<u>5,779</u>	Provincial Levies
3,550	3,657	4,082	3,189	2,820	Mortgage Costs
1,857	1,300	1,297	1,200	650	Property Tax
1,290	1,150	1,055	1,131	1,298	Home Heating
1,145	898	843	760	1,095	Auto Insurance
567	814	878	895	794	Electricity
522	491	600	534	479	Telephone
<u>8,931</u>	<u>8,310</u>	<u>8,755</u>	<u>7,709</u>	<u>7,136</u>	Living Costs
<u>12,775</u>	<u>13,509</u>	<u>13,892</u>	<u>12,579</u>	<u>12,915</u>	Total Costs

Que.	N.B.	N.S.	P.E.I.	Nfld.	Family of 4: \$60,000
6,678	6,347	6,083	6,287	7,299	Provincial Income Tax
2,147	2,388	2,407	1,987	2,365	Retail Sales Tax
334	214	270	260	330	Gasoline Tax
0	0	0	0	0	Health Premiums
<u>9,159</u>	<u>8,949</u>	<u>8,760</u>	<u>8,534</u>	<u>9,994</u>	Provincial Levies
5,652	5,598	5,528	5,315	5,598	Mortgage Costs
2,300	1,889	1,903	1,700	1,200	Property Tax
1,290	1,150	1,055	1,131	1,298	Home Heating
1,145	898	843	760	1,095	Auto Insurance
724	1,028	1,128	1,130	1,009	Electricity
522	491	600	534	479	Telephone
<u>11,633</u>	<u>11,054</u>	<u>11,057</u>	<u>10,570</u>	<u>10,678</u>	Living Costs
<u>20,792</u>	<u>20,003</u>	<u>19,817</u>	<u>19,104</u>	<u>20,672</u>	Total Costs

NOTES

Taxes, charges and living costs are based on information available on April 28, 1999, for the following major urban centres in each province: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal, Fredericton, Halifax, Charlottetown and St. John's. As of April 29, budgets had been presented for 1999 by all provinces except Ontario and Nova Scotia.

Provincial Income Tax is calculated for a single renter with \$20,000 earned income, and two homeowners with \$40,000 and \$60,000 of earned income, respectively. Families include one income earner, a spouse, and two dependent children. Personal non-refundable credits used include the CPP/QPP and EI contribution credits. Gross Québec personal income tax has been reduced by the 16.5% abatement from federal income tax. Refundable sales tax credits or rental credits and provincial tax reductions have been deducted from income tax payable. Tax credits related to property taxes have been deducted from property taxes.

Retail Sales Tax is based upon an average expenditure basket at the selected gross income levels from the *Survey of Family Expenditures in 1992* (Statistics Canada).

Gasoline Tax is based on annual consumption of 2,000 litres; this includes the 4.0 cents per litre transit levy imposed in Vancouver, and the 1.5 cents per litre imposed in Montréal.

Health Premiums are annual premiums for hospital insurance and medical services, in provinces which levy them.

Mortgage Costs are based on one-half the average home prices for a standard townhouse for the family with \$40,000 of income, and a standard two-storey for the family with \$60,000 of income, per the *Royal LePage Fall 1998 Survey*, amortized over 25 years, at a five-year interest of 6.9%.

Rent is from Canada Mortgage and Housing Corporation's *Rental Market Survey*, October 1998, and is based on rates for an average one-bedroom apartment in each urban centre.

Auto Insurance is based on a 1997 Taurus GL. Coverage includes \$1 million third-party liability, and \$200 all perils deductible in B. C., Saskatchewan and Manitoba; \$250 all perils deductible in Alberta, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland; \$300 all perils deductible in Ontario. The driver is married, age 30, has been accident-free for seven or more years; the auto is driven to work (15km, one way). Rates for B. C., Saskatchewan and Manitoba supplied by Manitoba Public Insurance; rates in other urban centres are the average of between 8 and 12 of the larger insurers.

Transit Fares are based on adult (single zone) monthly pass rates in effect in January 1999. Fredericton and Charlottetown fares are based on adult tickets for 240 working days.

Home Heating charges are from Canada Mortgage and Housing Corporation's *Canadian Housing Market, Third Quarter 1998*, which uses the average starter homes in metropolitan areas. For New Brunswick, Saint John data was used in lieu of Fredericton data, which was not available.

Electricity charges are based on annual consumption of 9,000 kWh and 12,000 kWh, respectively, for the families at \$40,000 and \$60,000 of income; 4,500 kWh of usage for the tenant. Bill calculations for Regina include a Reconstruction Charge for SaskPower. Rates do not include municipal taxes or charges, and are based on residential rates in effect from May 1998.

Telephone charges are the basic service rates for individual residences. The single taxfiler uses a single phone; the families use two telephone lines.

Sums may not add due to rounding.