



THE MANITOBA ADVANTAGE

MANITOBA BUDGET 2005

BALANCING PRIORITIES. BUILDING OPPORTUNITIES. INVESTING IN TOMORROW.



Manitoba 
Building for the Future

Manitoba 

Budget Paper E

**THE MANITOBA
ADVANTAGE**

THE MANITOBA ADVANTAGE

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THE MANITOBA ADVANTAGE

In 2004, more people moved to Manitoba than in any other year in modern times. Strong net migration to the province helped push Manitoba's overall population growth to its highest level in 20 years.

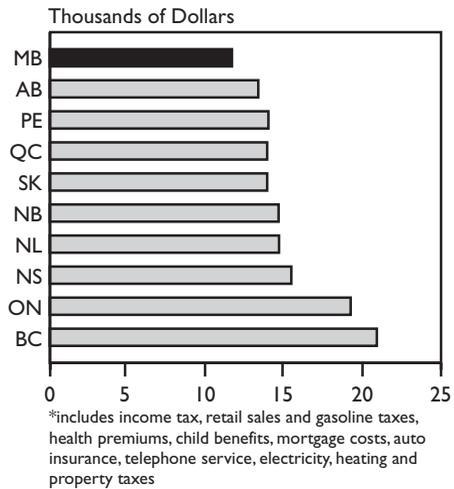
The significant increase in the number of young people coming to Manitoba bodes well for the future. Over the past four years, Manitoba has had increasing net gains of young people through immigration; this, in turn, has helped boost the size of the provincial labour force significantly.

Strong growth in the number of young Manitobans attending the province's universities and colleges is laying the foundation for future economic growth and the development of key, knowledge-based industries. Significant investments in both education and research facilities over the past few years also add to the province's capacity for innovation, productivity growth and new product development.

Immigration has always been a driver of economic growth in our province, and Manitoba has once again become a destination of choice for people looking for rewarding opportunities. More than this, Manitoba also offers investors a competitive business environment – an environment built upon a unique combination of factors we call The Manitoba Advantage:

- a productive, well-educated and multilingual labour force
- an extremely favourable business cost environment, including competitive office and land costs, low construction costs and affordable taxes
- one of North America's lowest electricity costs with highly reliable, renewable and environmentally responsible hydro-electricity

2005 Comparison of Annual Personal Costs and Taxes: Single-Earner Family of Four Earning \$40,000*



Manitoba Credit Ratings, February 2005

	Credit Rating	Provincial Rank*
Moody's Investors Service	Aa2	2nd (tie)
Standard & Poor's	AA-	4th (tie)
DBRS	A(high)	4th (tie)

* 1st=highest
 Moody's - reaffirmed July 2004
 Standard & Poor's - reaffirmed September 2004
 DBRS - confirmed June 2004

Average House Price Senior Executive

Toronto	\$914,041
Vancouver	791,750
Montréal.....	544,954
Calgary	532,614
Saint John	358,500
Halifax.....	350,000
St. John's	264,333
Charlottetown	263,000
Regina	247,000
Winnipeg.....	243,750

Source: Royal LePage Survey of Canadian House Prices,
Fourth Quarter 2004

Average House Price Standard Townhouse

Vancouver	\$321,321
Toronto	277,136
Montréal.....	183,695
Calgary	173,489
Halifax.....	134,333
Regina	118,250
Saint John	112,200
Charlottetown	103,000
St. John's	97,667
Winnipeg.....	89,406

Source: Royal LePage Survey of Canadian House Prices,
Fourth Quarter 2004

- modern and extensive communications infrastructure
- an extensive network of research and development facilities, supporting innovation and technology diffusion
- a convenient mid-continent location in the North American central time zone
- cost-effective transportation links and intermodal facilities providing shipping by road, rail, air and sea
- an extremely favourable cost of living, including the lowest auto insurance rates in Canada
- reliable and accessible public services, including quality universal public health care and education and
- safe communities, a dynamic cultural and artistic community, and an attractive natural environment – all of which contribute to an unsurpassed quality of life.

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

■ What is The Manitoba Advantage?

Manitoba has one of Canada's most diverse economies. It is home to a number of major industries including aerospace, bus manufacturing, food processing, health products and research, financial services, cultural industries, electricity, chemicals, agriculture and transportation. While the province has considerable strength, it also has balance: no one sector dominates the Manitoba economic landscape.

Provincial economic diversity provides stability to the overall economy. Manitoba's real GDP growth has been the most consistent among the provinces

over the last five years. This economic certainty contributes to a more stable workforce and a predictable local business climate.

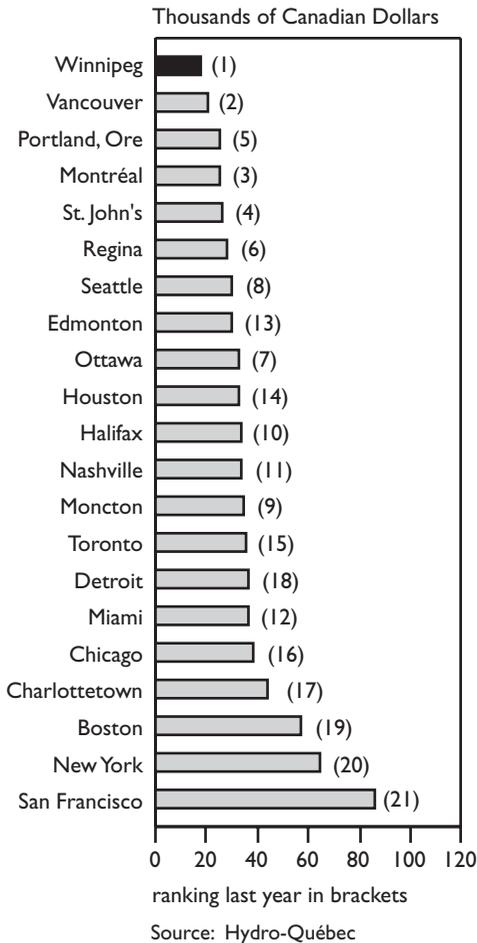
Manitoba's published electricity rates are among the lowest in the world. Manitoba Hydro, one of North America's major electricity companies, has generating capacity of over 5,000 megawatts with tremendous potential for future growth. Virtually all of the province's electricity is generated by clean, reliable and environmentally desirable water-powered facilities. Manitoba is exploring options for more clean energy through investments in additional hydro-electric generation and large, leading-edge wind power facilities.

Manitoba is located at the northern end of the mid-continental trade corridor, as well as at the major junction of Canada's east-west transportation system. Winnipeg is the only major city between Vancouver and Thunder Bay with direct U.S. rail connections. These factors position Manitoba to further expand trade and transportation links. Winnipeg's extensive and modern rail car marshalling facilities can handle over 5,000 rail cars per day. Three of Canada's top ten for-hire trucking carriers have headquarters in Winnipeg. An estimated 350–400 carrier firms operate in Manitoba, and 90% of these operate interprovincially or internationally. Together, these facilities offer substantial flexibility and cost savings to business, with ready access to the world's largest market.

A flexible and convenient air transportation system is vital to business success. Winnipeg International Airport is one of the few major North American airports that operate 24 hours per day. The airport offers a broad range of services, including international carriers, commuter airlines, jet freight and extensive cargo and courier facilities. In 2004, it served three million passengers and moved 100,000 tonnes of air cargo. In 2005, the Winnipeg Airport Authority is about to embark

*Manitoba's published
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the lowest in the world.
Manitoba Hydro,
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major electricity companies,
has generating capacity of
over 5,000 megawatts, with
tremendous potential for
future growth.*

**Monthly Industrial Electric Bills
Medium-sized Commercial/
Industrial Customer**
400,000 Kilowatt Hours, 2004



on an extensive, multi-year capital improvement program, with planned investment of \$350 million over the next four years, including the construction of a new air terminal building.

Churchill is the only deep-water port in the prairie region. Located on Hudson Bay, the port brings Atlantic Ocean trade to Western Canada. The Port of Churchill offers shippers major cost advantages for ocean shipping to and from Europe, Africa and Latin America.

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

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

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

Manitoba remains committed to providing quality public services such as health care. There are no premiums or personal charges for medical services

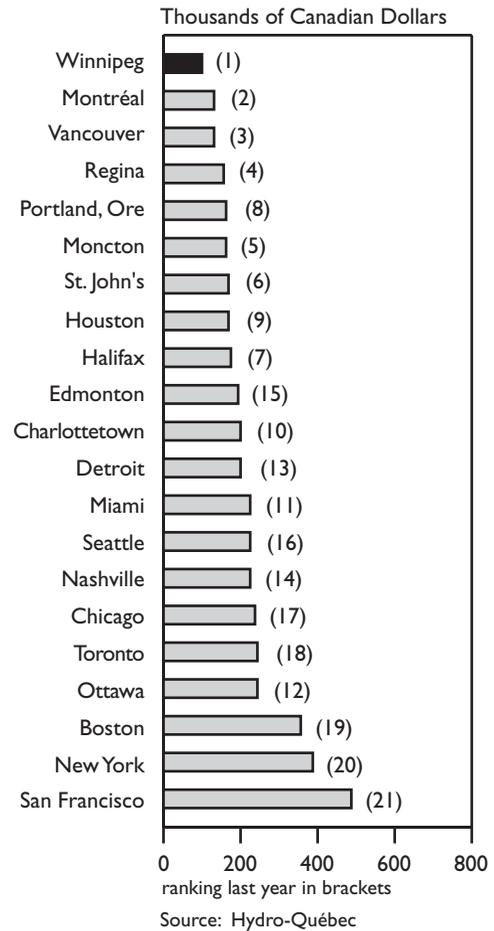
in Manitoba for either employers or individual Manitobans. This is a major advantage over U.S. locations for both businesses and residents. In the U.S., employers paid an average of US\$7,300 per employee for family health care insurance in 2004.

Having the skills and knowledge to take on the challenges of the 21st century is a prerequisite for a prosperous and growing economy. Manitobans enjoy a quality public education system, including affordable, high-quality post-secondary education opportunities in several universities and colleges. Higher education continues to be affordable in Manitoba, with undergraduate tuition among the most affordable in Canada. About 20,000 students attend the University of Manitoba, the largest of Manitoba's four universities, on a full-time basis with another 7,000 attending part-time. The university offers a wide range of post-secondary programs, including a wide range of graduate programs, sciences and arts, medicine, law, architecture, fine arts, engineering, and agriculture. Another 13,000 students are enrolled in full- or part-time study at Manitoba's other three universities. Together, Manitoba universities graduated almost 6,000 students last year. As well as university study, over 14,000 students are enrolled in full- or part-time study at Manitoba's four community colleges.

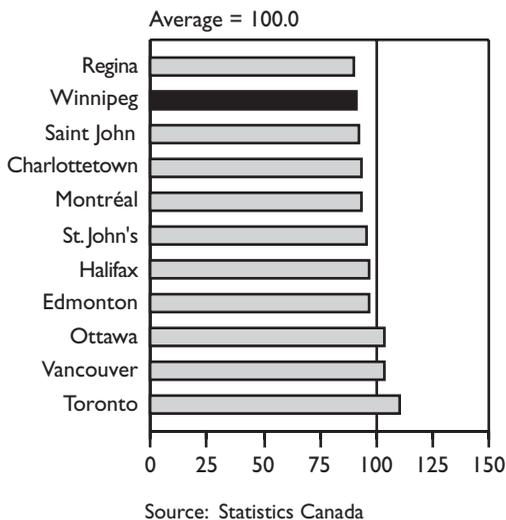
Competitive operating costs and taxes have made Manitoba one of the least expensive provinces in Canada to do business. KPMG's *2004 Competitive Alternatives Study* confirmed other analyses that show Winnipeg is one of the most cost-competitive cities in Canada in which to do business. More details on Manitoba's business cost advantage can be found in Appendix I, Manitoba's Competitive Environment for Manufacturing (see p.11).

Monthly Industrial Electric Bills Large-sized Commercial/ Industrial Customer

3,060,000 Kilowatt Hours, 2004



Intercity Comparison of Retail Prices, October 2003



Manitoba's Quality of Life Advantage

Winnipeg is a growing cosmopolitan centre of almost 700,000, and workers enjoy the benefits of convenient and community-minded living. The average commuting distance to work in Winnipeg is less than six kilometres, the lowest of any Canadian city with population over 500,000.

Winnipeg is recognized as one of Canada's most family-friendly cities. Affordable living costs, good schools, excellent child-care options, and a safe environment make Manitoba a great place to raise a family.

Manitobans care. The rate of volunteerism in the province is consistently among the highest in the nation. Moreover, Manitobans have the highest proportion of charitable giving of any province. This reflects Manitobans' community spirit and long tradition of helping others. The Government of Manitoba also provides indirect contributions to culture through tax credits on charitable donations. In 2002, Manitobans donated more than \$639 million to all registered charities including \$275 million from individual taxpayers. Through charitable donations tax deductions, Manitoba contributed \$103 million in 2002, including \$43 million in tax credits to individual taxpayers.

Winnipeg has an active and vibrant artistic and cultural scene, including the Winnipeg Art Gallery, the Manitoba Museum, the Royal Winnipeg Ballet, the Winnipeg Symphony Orchestra, the Manitoba Theatre Centre and many other live theatre groups. Manitoba's diverse population has created a rich and fascinating mosaic of cultural and artistic accomplishments. For more details, see The Manitoba Arts and Culture Advantage, page 8.

In November 2004, the new \$135 million, 17,000-seat multi-use sports and entertainment facility, the MTS Centre, opened in Winnipeg. With superb acoustics and excellent sightlines, the world-class

MTS centre venue is drawing numerous entertainment events to Manitoba, including the 2005 Juno Awards. The location of this state-of-the-art facility in downtown Winnipeg is also acting as a catalyst for further development of Winnipeg's downtown district, already the site of many major capital projects this year.

Manitoba has a long sporting tradition. There are professional sports teams in the Canadian Football League, the American Hockey League and the Northern Baseball League. With more than 120 golf courses, Manitoba has one of the highest ratios of golf courses to golfers in Canada, as well as one of the highest golfing participation rates in Canada. More than one in four Manitobans tee off in the province each year.

Beaches, lakes, rivers and parks are integral parts of Manitoba's quality of life. Manitoba is a province of 100,000 lakes – you're never far from an opportunity to participate in water sports like canoeing, kayaking, swimming, or to just relax at one of Manitoba's world-class beaches. Proximity to lakes and affordable vacation homes has given Manitobans one of the highest rates of vacation homeownership in the country. Winters offer extensive family recreation opportunities for skiing, curling, snowmobiling and (of course) hockey. Whether you are an observer or a participant, the choices for recreation are endless.

■ Conclusion

Budget 2005 builds on Manitoba's considerable advantages. To show Manitoba's cost competitiveness in more detail, two appendixes are attached. The first, Manitoba's Competitive Environment for Manufacturing, provides a detailed comparison of the taxes and costs faced by representative manufacturers in various Canadian and U.S. cities (see p.11). The second is an Interprovincial Comparison of Annual Personal Costs and Taxes (see p.17).

According to an Ipsos-Reid survey, Manitoba has the highest level of cottage ownership in Canada at 11%.

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THE MANITOBA ARTS AND CULTURE ADVANTAGE

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

■ The Manitoba Arts and Culture Scene

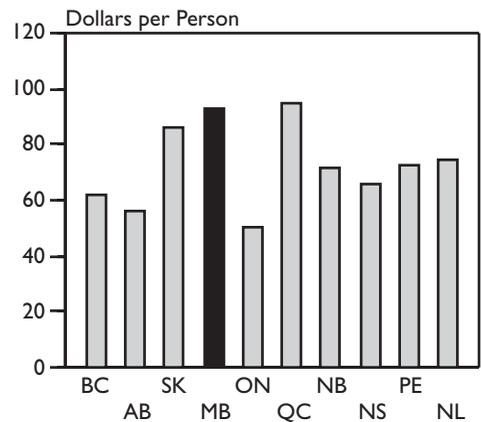
Manitoba has one of the most diverse cultural environments in Canada: more than one-fifth of Manitobans are members of a visible minority. This diversity, combined with our love of the arts and culture, provides the nurturing environment for artistic and cultural expression to blossom.

Our Aboriginal communities are among the largest and most creative in Canada and new initiatives by the Government of Manitoba continue to enrich our communities. The Aboriginal Cultural Initiatives Program and the Aboriginal Music Initiative help to bring the creative genius of our Aboriginal community together to the benefit of all Manitobans.

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

Manitoba supports a number of diverse cultural organizations and activities throughout the year that enrich the lives of Manitobans and attract many visitors to a province that embraces diversity. Manitoba is home to the largest Icelandic settlement in the world outside Iceland, one of the largest Filipino communities in Canada and many vibrant Ukrainian and Mennonite communities throughout the province. Examples of this rich diversity include the India School of Dance Music and Theatre, which is enjoying its 25th anniversary in 2005, and Oseredok – the Ukrainian cultural and education centre which is in its 60th year of operation in Winnipeg.

Provincial Government Per Capita Expenditures on Culture, 2002/03



Source: Statistics Canada

Many of Canada's premier cultural attractions are found in Manitoba. The world famous Royal Winnipeg Ballet was one of the first dance companies to be established in Canada and performs around the world. The Winnipeg Symphony Orchestra, the Manitoba Opera, the Winnipeg Art Gallery, the Costume Museum of Canada, and sites like Lower Fort Garry and The Forks, are only a small sample of the hundreds of attractions found throughout the province. The Manitoba Museum is a highlight for visitors to the province, and has achieved the Michelin Guide three-star rating.

Manitoba also boasts many contemporary cultural attractions such as the Plug In Institute of Contemporary Art, the Winnipeg Film Group, Platform Centre for Photographic and Digital Arts and Urban Shaman Inc., an Aboriginal artist-operated centre that presents contemporary visual art.

There are also exceptional venues across the province, ranging from the Keystone Centre and the Western Centennial Auditorium in Brandon, to the Prairie Theatre Exchange, Rainbow Stage and the Manitoba Theatre Centre in Winnipeg. Last year, Manitobans saw the opening of the MTS Centre, the new 17,000-seat, \$135 million entertainment centre and arena. The MTS Centre is just one of many new investments in Winnipeg's downtown district and is a key reason for Winnipeg being selected to host the 2005 Junos.

Manitoba boasts many world-class festivals throughout the year. In winter, the Festival du Voyageur attracts over 150,000 visitors to Winnipeg's French quarter. Further north, the Manitoba Trappers Festival in The Pas celebrated its 58th year in 2005, and in Brandon, the Royal Manitoba Winter Fair attracts people from across Canada.

People from around the world are also drawn to Winnipeg's summer festivals, such as Folklorama, the world's largest multi-cultural festival. Folklorama attracts over 400,000 visits to over 40 pavilions during its two-week run and was voted the best festival in Canada. The Winnipeg Fringe Festival, the second-largest festival of its kind in North America, boasted a total attendance of over 161,000 in the summer of 2004. Last year, the 17th annual Winnipeg Fringe Festival hosted performers from as far afield as Australia, France, Scotland, South Africa and New York, and was supported by 790 volunteers. The Winnipeg Folk Festival attracts over 55,000 and contributes more than \$16 million to the provincial economy. Other important festivals include the Jazz Winnipeg Festival, Canada's National Ukrainian Festival in Dauphin and the Icelandic festival of Manitoba, Islendingadagurinn, in Gimli. Vibrant community fairs and exhibitions can be found in every corner of the province. Several festivals are also geared for young people, including Freeze Frame, a film festival for children and young people, and the Winnipeg International Children's Festival, which builds on first-rate children's attractions such as the Manitoba Theatre for Young People and the Manitoba Children's Museum.

■ Provincial Support for Arts and Culture

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

Culture and the arts are actively supported by the Manitoba government. The provincial government spent \$112 million on the arts and cultural industries sector during the 2002/03 fiscal year, the latest period for which Statistics Canada's data on culture is available. At \$93 per person, Manitoba has the second-highest provincial per capita spending on culture (see Chart, p. 8). In addition, the province provides substantial support to cultural organizations in Manitoba through tax credits on charitable contributions to these organizations.

The video and film production industry is rapidly expanding in the province with production budgets of over \$96 million last year. Through the Manitoba Film and Video Production Tax Credit, direct equity financing and other programs, the Manitoba government provided over \$16.1 million in direct support for this industry in 2004/05. In 2005, Manitoba has announced that it will strengthen its support for film production in the province through enhancements to the film tax credit program.

Appendix I:

MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

Manufacturing is Manitoba's largest economic sector, accounting for approximately 12.3% of provincial GDP and two-thirds of total foreign merchandise exports. Approximately 70% of Manitoba's merchandise exports to the United States are manufactured goods.

Manufacturing industries directly employ one in eight Manitoba workers. In 2004, manufacturing industries employed 69,100 people in Manitoba. Many more Manitobans work in industries that depend on manufacturing activities.

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

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

Since 1992, Manitoba Finance's competitiveness model has been used to compare the tax structure and cost environment for a representative small and larger manufacturing firm. The model is used to assess Manitoba's competitive position relative to several other North American cities.

The model simulates startup costs, operating costs and financial and taxation profiles over a period of 20 years. It incorporates future changes in taxes that have been announced by the federal and provincial or state governments. The representative firms' profiles have been updated using the most recent data available from Statistics Canada, local economic development boards and other public information sources.

■ Interjurisdiction Competitiveness

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

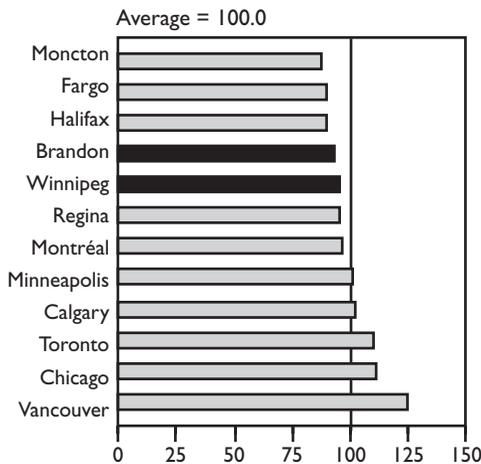
- net cost of investment, or startup costs (including applicable taxes)
- pre-tax net income
- effective tax rates
- internal rates of return

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

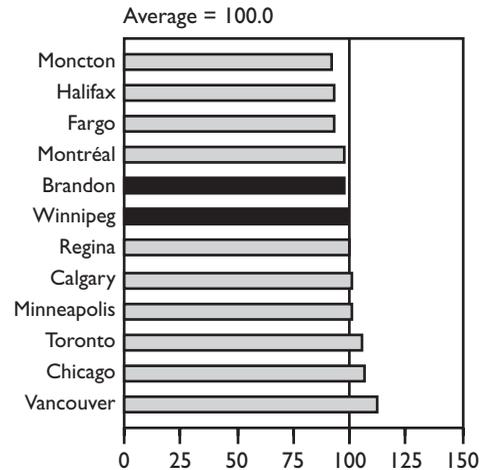
Net Cost of Investment

The costs of starting a manufacturing plant (land, buildings, and machinery and equipment) are lower in Manitoba than the average for all cities. Taxes have a negligible impact on net costs. The net cost of investment for larger metropolitan centres tends to be higher than the overall average, primarily because of the cost of land and construction labour costs. The results presented are consistent with those of previous years.

Net Cost of Investment Small Manufacturing Firm



Net Cost of Investment Larger Manufacturing Firm



Pre-Tax Net Income

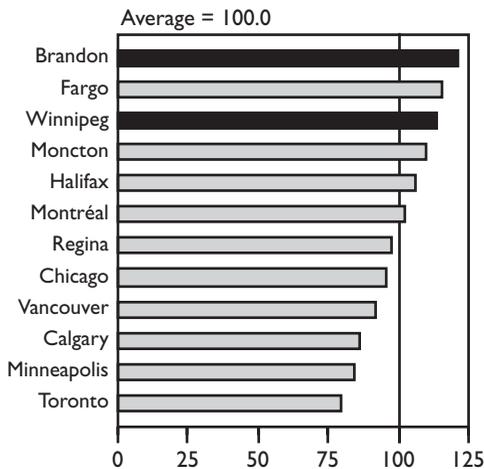
The model calculates pre-tax net income by subtracting from a common level of revenue the following location-sensitive operating costs:

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

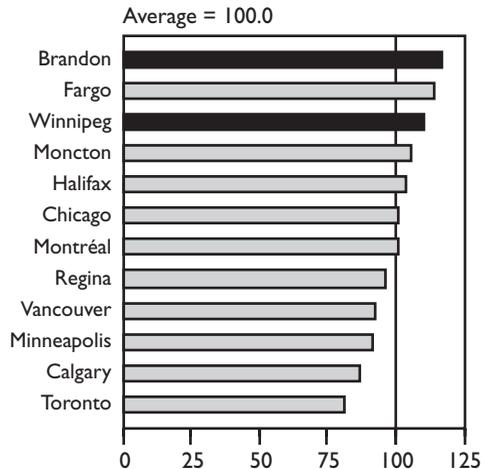
Pre-tax net income is used to compare Manitoba’s cost competitiveness to the other locations. A higher pre-tax income indicates lower operating costs in a given jurisdiction. The sales figures used in the simulation model are fixed across the cities, \$4 million for the small firm and \$45 million for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

Brandon yields the highest pre-tax net income for both the small and larger manufacturing firms. Winnipeg has dropped from second to third behind Fargo due to the appreciation of the Canadian dollar. However, Winnipeg remains well above the average. A talented, well-educated and productive labour force, low utility costs and lower than average startup costs contribute to the cost advantages of operating a manufacturing plant in Manitoba.

Pre-Tax Net Income Small Manufacturing Firm



Pre-Tax Net Income Larger Manufacturing Firm



Effective Tax Rates

Effective tax rates are generated by computing gross taxes as a proportion of pre-tax net income over the 20-year period.

The following operating taxes are included in the analysis:

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

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

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

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

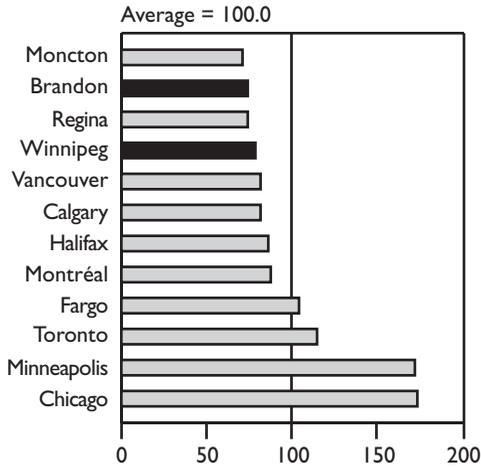
The effective tax rates in Manitoba are well below the overall average. Among Canadian cities, Manitoba cities have lower than average effective tax rates among small manufacturing firms. They are average for larger firms.

Overall Competitiveness

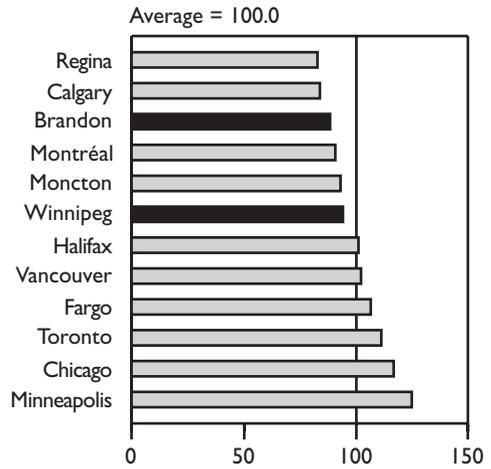
Overall competitiveness is compared by calculating internal rates of return. The internal rate of return is commonly used for business investment and location decision making. The following charts illustrate the combined effect of taxes and costs on the internal rates of return for the representative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

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

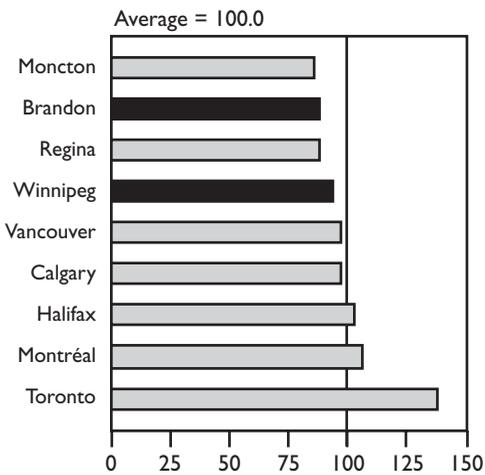
Effective Tax Rates Small Manufacturing Firm



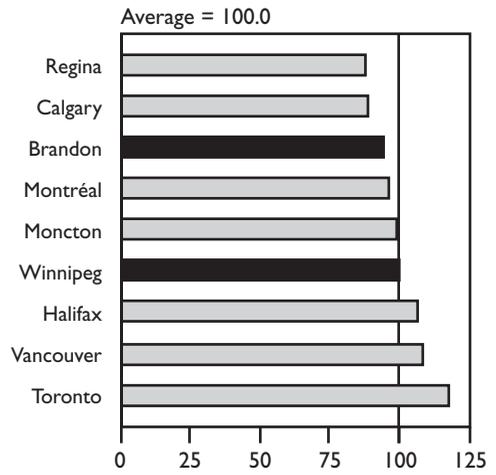
Effective Tax Rates Larger Manufacturing Firm



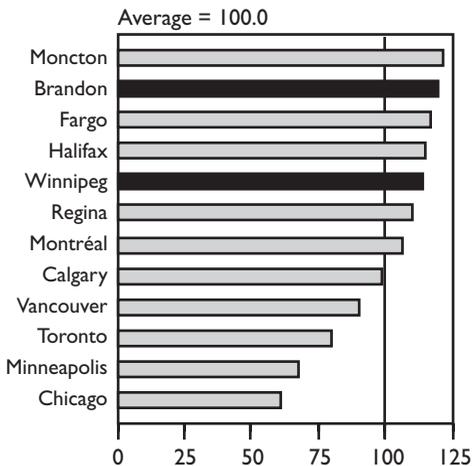
Effective Tax Rates Small Manufacturing Firm Canadian Cities



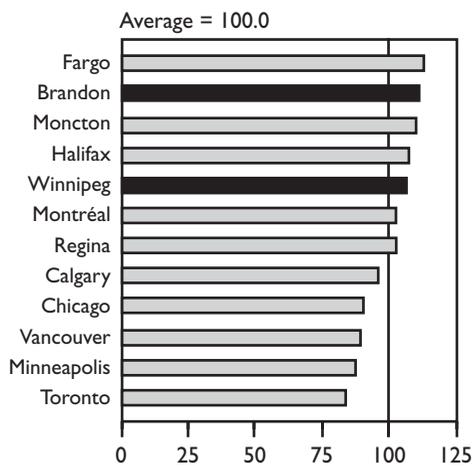
Effective Tax Rates Larger Manufacturing Firm Canadian Cities



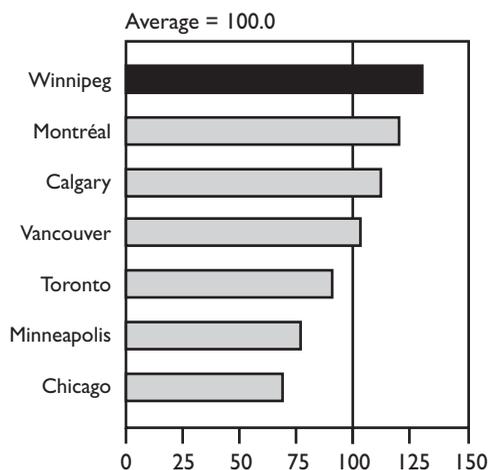
Internal Rates of Return Small Manufacturing Firm



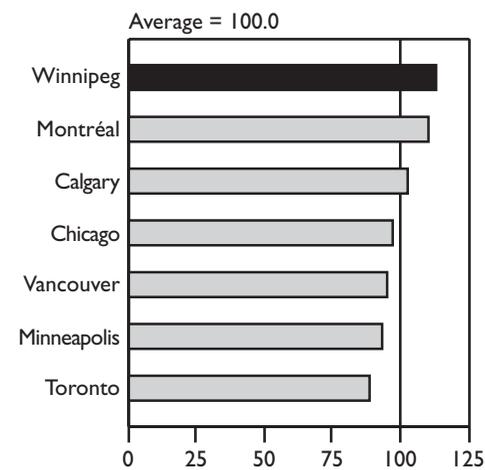
Internal Rates of Return Larger Manufacturing Firm



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



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



Brandon has the second-highest rate of return among all cities for both the small and larger manufacturing firms. Among cities with populations over 500,000, Winnipeg has the highest internal rate of return for both small and larger manufacturing firms.

■ Conclusion

The above results are comparable to those shown in previous budgets. Manitoba continues to maintain a highly competitive cost and taxation environment for both small and larger firms engaged in manufacturing and processing. Significant changes in the outcomes for other cities in the model are in part explained by the rapid and prolonged appreciation in the Canadian dollar relative to the U.S., and increases in land costs for selected Canadian cities. Overall, U.S. cities, particularly Fargo, improved their relative position while larger Canadian centres lost some ground.

Appendix 2: 2005 INTERPROVINCIAL COMPARISON OF ANNUAL PERSONAL COSTS AND TAXES

Since 1999, Manitoba's overall provincial rankings for personal costs and taxes have been among the best in Canada.

For 2005, Manitoba's performance continues to be strong. Manitoba again has the lowest total costs for two of the six representative families, and ranks third-lowest for the other four.

The following charts show that Manitoba remains one of the most affordable provinces in which to live, with among the lowest costs for child care, gasoline tax, automobile insurance, electricity and housing costs.

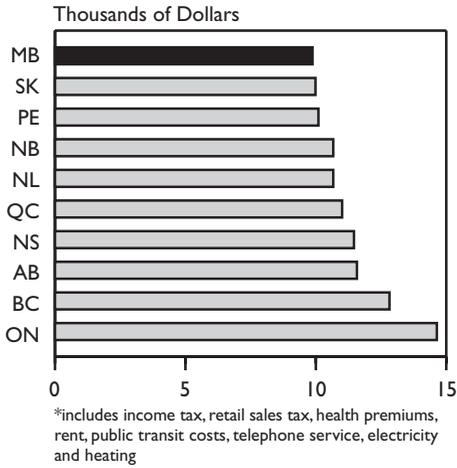
The combination of modest taxation levels and low living costs* means Manitobans enjoy a high standard of living. This makes Manitoba a more competitive and attractive location for both new and expanding businesses.

A superior quality of living with lower personal costs and taxes – that is The Manitoba Advantage.

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

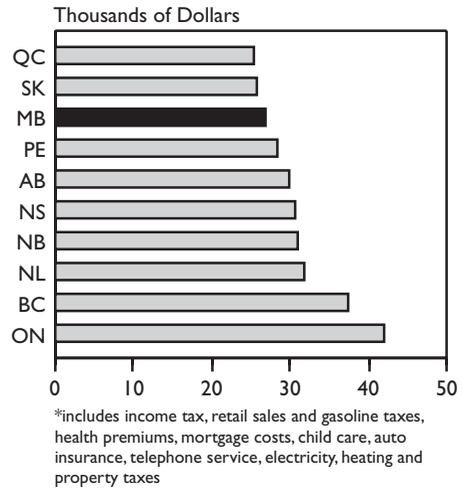
Annual Personal Costs and Taxes Single Person Earning \$30,000*

- lowest combined taxes and living costs in the country
- fourth-lowest provincial levies



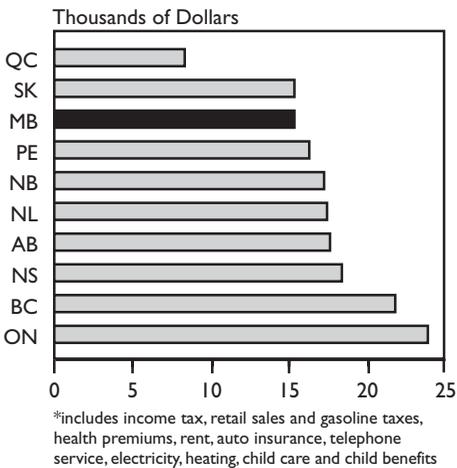
Annual Personal Costs and Taxes Two-Earner Family of Four Earning \$60,000*

- third-lowest combined taxes and living costs in the country
- fifth-lowest provincial levies



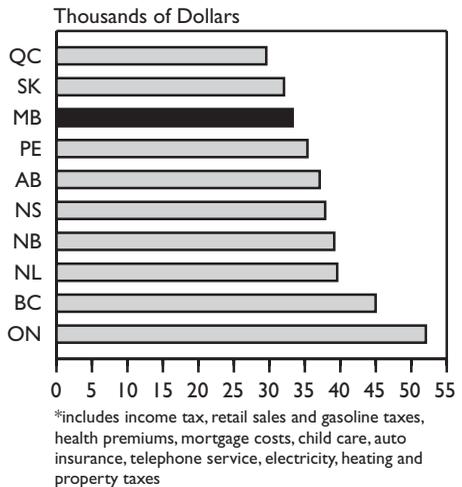
Annual Personal Costs and Taxes Single Parent Earning \$30,000*

- third-lowest combined taxes and living costs in the country
- fourth-lowest provincial levies



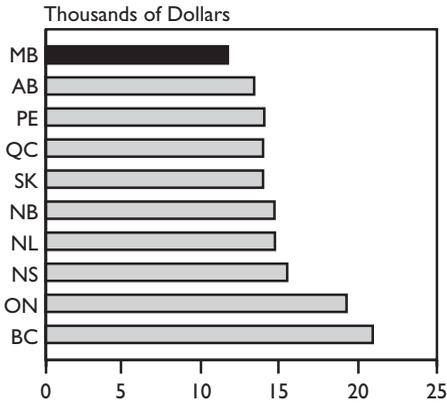
Annual Personal Costs and Taxes Two-Earner Family of Five Earning \$75,000*

- third-lowest combined taxes and living costs in the country
- fifth-lowest provincial levies



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

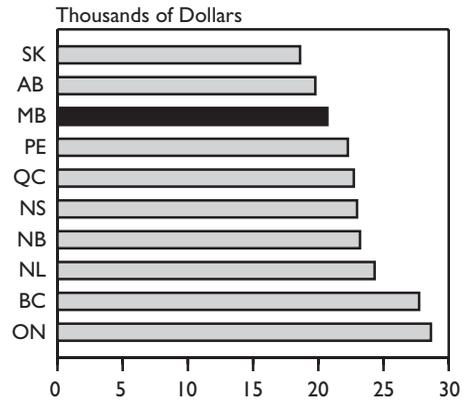
- lowest combined taxes and living costs in the country
- third-lowest provincial levies



*includes income tax, retail sales and gasoline taxes, health premiums, child benefits, mortgage costs, auto insurance, telephone service, electricity, heating and property taxes

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

- third-lowest combined taxes and living costs in the country
- sixth-lowest provincial levies



*includes income tax, retail sales and gasoline taxes, health premiums, mortgage costs, auto insurance, telephone service, electricity, heating and property taxes

2005 Comparison of Annual Personal Costs and Taxes

Single Person: \$30,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,100	1,358	2,114	1,831	1,154
Health Premiums	648	528	0	0	300
PIT and Premiums	1,748	1,886	2,114	1,831	1,454
Retail Sales Tax	338	0	377	378	442
Provincial Levies	2,086	1,886	2,491	2,209	1,896
Rent	9,288	7,860	6,036	6,228	10,632
Electricity	316	658	563	331	580
Public Transit	828	840	630	832	1,185
Telephone	329	285	264	300	271
Living Costs	10,761	9,643	7,493	7,691	12,669
Total	12,847	11,529	9,984	9,900	14,565

Single Parent One Child: \$30,000	BC	AB	SK	MB	ON
Provincial Income Tax	200	0	605	304	(335)
Health Premiums	922	0	0	0	180
PIT and Premiums	1,121	0	605	304	(155)
Child Benefits	(324)	(300)	0	0	(1,070)
Retail Sales Tax	439	0	490	491	575
Gasoline Tax	410	180	300	230	294
Provincial Levies	1,646	(120)	1,395	1,025	(357)
Rent	11,808	9,672	7,224	7,968	12,624
Child Care	6,166	5,650	4,844	4,579	8,298
Electricity	407	804	691	416	723
Auto Insurance	1,415	1,327	864	1,013	2,182
Telephone	329	285	264	300	271
Living Costs	20,125	17,738	13,888	14,275	24,098
Total	21,771	17,618	15,283	15,300	23,741

Sums may not add due to rounding.

QC	NB	NS	PE	NL	Single Person: \$30,000
2,060	1,957	1,860	2,028	2,210	Provincial Income Tax
494	0	0	0	0	Health Premiums
<u>2,554</u>	<u>1,957</u>	<u>1,860</u>	<u>2,028</u>	<u>2,210</u>	<u>PIT and Premiums</u>
546	708	692	614	739	Retail Sales Tax
<u>3,099</u>	<u>2,665</u>	<u>2,552</u>	<u>2,642</u>	<u>2,949</u>	<u>Provincial Levies</u>
6,468	6,504	7,344	5,868	6,252	Rent
371	556	517	709	548	Electricity
732	672	720	600	696	Public Transit
271	264	300	293	263	Telephone
<u>7,842</u>	<u>7,996</u>	<u>8,881</u>	<u>7,471</u>	<u>7,759</u>	<u>Living Costs</u>
<u>10,942</u>	<u>10,661</u>	<u>11,433</u>	<u>10,113</u>	<u>10,708</u>	Total
QC	NB	NS	PE	NL	Single Parent One Child: \$30,000
(1,018)	388	717	940	970	Provincial Income Tax
494	0	0	0	0	Health Premiums
<u>(524)</u>	<u>388</u>	<u>717</u>	<u>940</u>	<u>970</u>	<u>PIT and Premiums</u>
(2,700)	(243)	0	0	0	Child Benefits
709	920	900	799	961	Retail Sales Tax
334	290	310	340	330	Gasoline Tax
<u>(2,180)</u>	<u>1,355</u>	<u>1,926</u>	<u>2,078</u>	<u>2,261</u>	<u>Provincial Levies</u>
7,128	7,884	8,964	7,320	7,416	Rent
1,820	5,962	5,280	4,810	5,460	Child Care
445	675	647	861	667	Electricity
920	1,066	1,158	828	1,343	Auto Insurance
271	264	300	293	263	Telephone
<u>10,585</u>	<u>15,851</u>	<u>16,349</u>	<u>14,113</u>	<u>15,150</u>	<u>Living Costs</u>
<u>8,404</u>	<u>17,206</u>	<u>18,275</u>	<u>16,191</u>	<u>17,411</u>	Total

2005 Comparison of Annual Personal Costs and Taxes

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

	BC	AB	SK	MB	ON
Provincial Income Tax	1,505	839	1,756	2,155	1,237
Health Premiums	1,296	1,056	0	0	450
PIT and Premiums	2,801	1,895	1,756	2,155	1,687
Child Benefits	0	(400)	0	0	0
Property Tax Credits	(470)	0	0	(400)	(42)
Retail Sales Tax	782	0	1,012	963	1,172
Gasoline Tax	410	180	300	230	294
Provincial Levies	3,523	1,675	3,068	2,948	3,111
Mortgage Costs	11,838	6,439	4,643	3,510	9,132
Property Taxes	1,996	1,747	3,338	2,379	2,306
Home Heating	1,026	767	883	968	1,176
Electricity	588	1,095	949	584	1,007
Auto Insurance	1,697	1,499	910	1,038	2,241
Telephone	329	285	264	300	271
Living Costs	17,474	11,833	10,987	8,780	16,133
Total	20,997	13,508	14,054	11,727	19,244

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

	BC	AB	SK	MB	ON
Provincial Income Tax	3,332	2,833	4,350	5,179	3,360
Health Premiums	1,296	1,056	0	0	600
PIT and Premiums	4,628	3,889	4,350	5,179	3,960
Child Benefits	0	0	0	0	0
Property Tax Credits	(470)	0	0	(400)	0
Retail Sales Tax	1,004	0	1,295	1,333	1,564
Gasoline Tax	410	180	300	230	294
Provincial Levies	5,572	4,069	5,945	6,342	5,818
Mortgage Costs	15,234	8,932	5,310	6,539	13,831
Property Taxes	2,569	2,424	3,817	4,431	3,493
Home Heating	1,475	1,192	1,262	1,276	1,696
Electricity	770	1,387	1,207	753	1,291
Auto Insurance	1,697	1,499	910	1,038	2,241
Telephone	329	285	264	300	271
Living Costs	22,073	15,718	12,770	14,336	22,823
Total	27,645	19,788	18,715	20,677	28,642

Sums may not add due to rounding.

QC	NB	NS	PE	NL	One-Earner Family of 4: \$40,000
978	2,585	2,756	2,695	3,115	Provincial Income Tax
920	0	0	0	0	Health Premiums
<u>1,898</u>	<u>2,585</u>	<u>2,756</u>	<u>2,695</u>	<u>3,115</u>	<u>PIT and Premiums</u>
(3,000)	0	0	0	0	Child Benefits
(187)	0	0	0	0	Property Tax Credits
1,397	1,755	1,742	1,383	1,957	Retail Sales Tax
334	290	310	340	330	Gasoline Tax
<u>442</u>	<u>4,630</u>	<u>4,808</u>	<u>4,418</u>	<u>5,402</u>	<u>Provincial Levies</u>
7,048	4,405	5,274	3,926	3,808	Mortgage Costs
3,008	1,968	1,568	1,690	1,512	Property Taxes
1,277	1,362	1,429	1,334	1,423	Home Heating
594	912	905	1,165	907	Electricity
1,386	1,131	1,238	979	1,410	Auto Insurance
271	264	300	293	263	Telephone
<u>13,583</u>	<u>10,042</u>	<u>10,714</u>	<u>9,388</u>	<u>9,323</u>	<u>Living Costs</u>
<u>14,026</u>	<u>14,672</u>	<u>15,523</u>	<u>13,806</u>	<u>14,726</u>	Total

QC	NB	NS	PE	NL	One-Earner Family of 4: \$60,000
5,000	5,544	5,756	5,475	6,357	Provincial Income Tax
920	0	0	0	0	Health Premiums
<u>5,920</u>	<u>5,544</u>	<u>5,756</u>	<u>5,475</u>	<u>6,357</u>	<u>PIT and Premiums</u>
(2,312)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,958	2,533	2,260	1,937	2,557	Retail Sales Tax
334	290	310	340	330	Gasoline Tax
<u>5,900</u>	<u>8,367</u>	<u>8,326</u>	<u>7,752</u>	<u>9,244</u>	<u>Provincial Levies</u>
8,834	7,332	7,146	6,871	7,460	Mortgage Costs
3,681	2,736	2,544	2,958	2,693	Property Taxes
1,915	2,043	2,144	2,001	2,134	Home Heating
742	1,149	1,163	1,469	1,146	Electricity
1,386	1,131	1,238	979	1,410	Auto Insurance
271	264	300	293	263	Telephone
<u>16,829</u>	<u>14,655</u>	<u>14,534</u>	<u>14,571</u>	<u>15,107</u>	<u>Living Costs</u>
<u>22,729</u>	<u>23,022</u>	<u>22,860</u>	<u>22,323</u>	<u>24,350</u>	Total

2005 Comparison of Annual Personal Costs and Taxes

Two-Earner Family of 4: \$60,000

	BC	AB	SK	MB	ON
Provincial Income Tax	1,604	1,917	2,954	3,356	1,374
Health Premiums	1,296	1,056	0	0	300
PIT and Premiums	2,900	2,973	2,954	3,356	1,674
Child Benefits	0	0	0	0	0
Property Tax Credits	(470)	0	0	(400)	(65)
Retail Sales Tax	1,004	0	1,295	1,333	1,564
Gasoline Tax	615	270	450	345	441
Provincial Levies	4,049	3,243	4,699	4,634	3,614
Mortgage Costs	15,234	8,932	5,310	6,539	13,831
Property Taxes	2,569	2,424	3,817	4,431	3,493
Child Care	9,919	9,705	7,296	6,938	13,323
Home Heating	1,475	1,192	1,262	1,276	1,696
Electricity	770	1,387	1,207	753	1,291
Auto Insurance	3,112	2,826	1,774	2,051	4,423
Telephone	329	285	264	300	271
Living Costs	33,407	26,750	20,930	22,287	38,328
Total	37,456	29,993	25,629	26,921	41,942

Two-Earner Family of 5: \$75,000

	BC	AB	SK	MB	ON
Provincial Income Tax	2,409	2,786	3,846	4,484	2,353
Health Premiums	1,296	1,056	0	0	450
PIT and Premiums	3,705	3,842	3,846	4,484	2,803
Child Benefits	0	0	0	0	0
Property Tax Credits	(470)	0	0	(400)	0
Retail Sales Tax	1,254	0	1,858	1,779	1,854
Gasoline Tax	615	270	450	345	441
Provincial Levies	5,104	4,112	6,154	6,207	5,098
Mortgage Costs	15,234	8,932	5,310	6,539	13,831
Property Taxes	2,569	2,424	3,817	4,431	3,493
Child Care	16,439	15,701	12,326	11,618	21,621
Home Heating	1,475	1,192	1,262	1,276	1,696
Electricity	770	1,387	1,207	753	1,291
Auto Insurance	3,112	2,826	1,774	2,051	4,423
Telephone	329	285	264	300	271
Living Costs	39,927	32,746	25,960	26,967	46,626
Total	45,031	36,858	32,114	33,174	51,724

Sums may not add due to rounding.

QC	NB	NS	PE	NL	Two-Earner Family of 4: \$60,000
3,387	3,183	3,292	3,591	3,860	Provincial Income Tax
920	0	0	0	0	Health Premiums
<u>4,307</u>	<u>3,183</u>	<u>3,292</u>	<u>3,591</u>	<u>3,860</u>	<u>PIT and Premiums</u>
(2,432)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,958	2,533	2,260	1,937	2,557	Retail Sales Tax
501	435	465	510	495	Gasoline Tax
<u>4,334</u>	<u>6,151</u>	<u>6,017</u>	<u>6,038</u>	<u>6,912</u>	<u>Provincial Levies</u>
8,834	7,332	7,146	6,871	7,460	Mortgage Costs
3,681	2,736	2,544	2,958	2,693	Property Taxes
3,437	9,283	8,790	6,878	8,260	Child Care
1,915	2,043	2,144	2,001	2,134	Home Heating
742	1,149	1,163	1,469	1,146	Electricity
2,306	2,197	2,396	1,807	2,753	Auto Insurance
271	264	300	293	263	Telephone
<u>21,186</u>	<u>25,004</u>	<u>24,482</u>	<u>22,277</u>	<u>24,710</u>	<u>Living Costs</u>
<u>25,520</u>	<u>31,155</u>	<u>30,499</u>	<u>28,316</u>	<u>31,621</u>	Total

QC	NB	NS	PE	NL	Two-Earner Family of 5: \$75,000
5,171	4,449	4,637	4,879	5,295	Provincial Income Tax
920	0	0	0	0	Health Premiums
<u>6,091</u>	<u>4,449</u>	<u>4,637</u>	<u>4,879</u>	<u>5,295</u>	<u>PIT and Premiums</u>
(2,912)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
2,695	3,102	2,916	2,728	3,465	Retail Sales Tax
501	435	465	510	495	Gasoline Tax
<u>6,375</u>	<u>7,986</u>	<u>8,018</u>	<u>8,116</u>	<u>9,254</u>	<u>Provincial Levies</u>
8,834	7,332	7,146	6,871	7,460	Mortgage Costs
3,681	2,736	2,544	2,958	2,693	Property Taxes
5,257	15,263	14,070	11,688	13,720	Child Care
1,915	2,043	2,144	2,001	2,134	Home Heating
742	1,149	1,163	1,469	1,146	Electricity
2,306	2,197	2,396	1,807	2,753	Auto Insurance
271	264	300	293	263	Telephone
<u>23,006</u>	<u>30,984</u>	<u>29,762</u>	<u>27,087</u>	<u>30,170</u>	<u>Living Costs</u>
<u>29,381</u>	<u>38,970</u>	<u>37,780</u>	<u>35,204</u>	<u>39,424</u>	Total

NOTES

Taxes¹, charges and living costs are based on information available on February 1, 2005, for the following major urban centres in each province: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal, Fredericton, Halifax, Charlottetown and St. John's.

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

Child Benefits represent provincial programs comparable to the Canada Child Tax Benefit and earned income supplements.

Retail Sales Tax is based on an average expenditure basket at the selected gross income levels from the *2000 Survey of Household Expenditures* (Statistics Canada), inflated to 2005 values and adjusted for family size.

Gasoline Tax is based on annual consumption of 2,000 litres for single-vehicle families and 3,000 litres for the two-earner family at \$60,000 and \$75,000. This includes the 6.0 cents per litre transit levy imposed in Vancouver and the 1.5 cents per litre levy imposed in Montréal.

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

Mortgage Costs are based on one-half the average home prices for a standard townhouse for families with \$40,000 of income, or a standard two-storey for families with \$60,000 and \$75,000 of income, per the *Royal LePage Survey of Canadian House Prices, Fourth Quarter 2004*, for a 25-year term, amortized at a five-year interest rate of 6.04%. For New Brunswick and Prince Edward Island, the average home prices are for Saint Johns (Rothesay) and Summerside, respectively.

Property Taxes are based on the assessed values for a standard townhouse for families with \$40,000 of income, or a standard two-storey for families with \$60,000 and \$75,000 of income, per the *Royal LePage Survey of Canadian House Prices, Fourth Quarter 2004*. Mill rates and other elements used in the calculation of the property taxes were obtained from officials in each of the major urban centres in the provinces.

¹ Vancouver totals have been updated to reflect changes announced in the 2005 British Columbia Budget.

Rent is from *Canada Mortgage and Housing Corporation's Rental Market Survey, October 2004*, and is based on the average one-bedroom apartment rents for each urban centre for the single person, and the average two-bedroom apartment rents for the single-parent family.

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

Auto Insurance for two-parent families is based on a 2002 Chevrolet Impala. Coverage includes \$1 million third-party liability, and \$200 all-perils deductible in British Columbia, Saskatchewan and Manitoba; \$250 all-perils deductible in Alberta, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador; \$300 all-perils deductible in Ontario. The driver is married, age 35, has been accident-free for seven or more years; the auto is driven to work (15 km, one way). The two-earner families with \$60,000 and \$75,000 of income also insure a 1999 Chevrolet Cavalier, with identical coverage and driver risk rating as the Impala. Auto insurance for the single-parent family is based on the 1999 Chevrolet Cavalier. Rates for British Columbia, Saskatchewan and Manitoba supplied by Manitoba Public Insurance; rates in other urban centres are the average of between eight and 12 of the larger private insurers available in those provinces.

Transit Fares are based on adult (single zone) monthly pass rates in effect in February 2005. The Charlottetown fare is based on adult tickets for 240 working days.

Home Heating charges are based on annual consumption of 2,300 cubic metres of natural gas for the standard townhouse, or 3,450 cubic metres of natural gas for the standard two-storey. For the Atlantic provinces, the figures represent the BTU equivalent consumption of fuel oil. In Alberta, the Natural Gas Rebate Program has been estimated for five months.

Electricity charges are based on annual consumption of 9,000 kilowatt hours for the two-parent family at \$40,000, and 12,000 kilowatt hours for the two-parent family at \$60,000 and \$75,000 of income; 6,000 kilowatt hours for the single-parent family; and 4,500 kilowatt hours of usage for the tenant. Rates do not include municipal taxes or charges, and are based on residential rates in effect from April 2004. Manitoba Hydro has applied for a rate increase effective April 2005. While this rate increase has not been approved, it has been included in these tables.

Telephone charges are the basic service rates for individual residences.