

Budget Paper D

**THE
MANITOBA
ADVANTAGE**

THE MANITOBA ADVANTAGE

Contents

THE MANITOBA ADVANTAGE	1
THE MANITOBA ARTS AND CULTURE ADVANTAGE	7
Appendix 1: 2007 INTERPROVINCIAL COMPARISON OF PERSONAL COSTS AND TAXES	10
Appendix 2: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING	23

■ THE MANITOBA ADVANTAGE

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

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

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

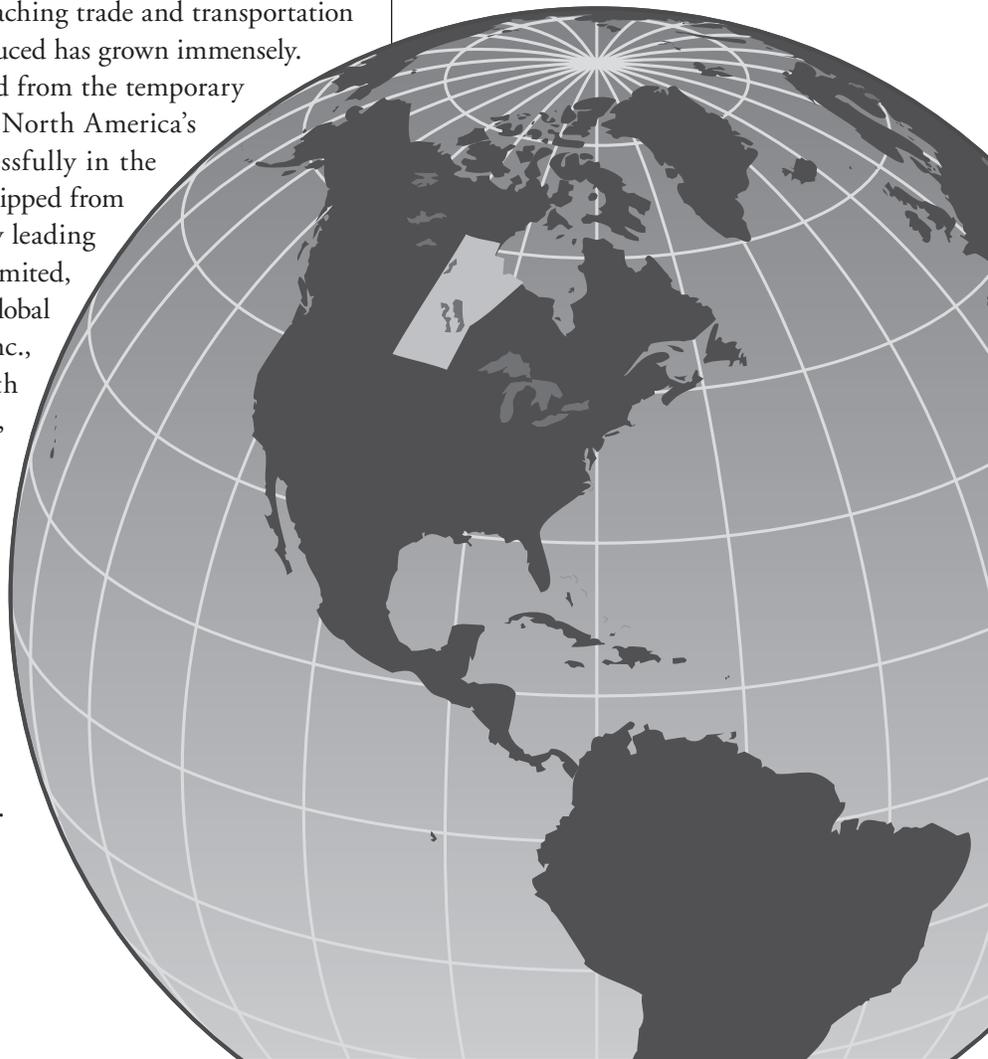
Manitoba, created in 1870, became the Gateway to the West and the heart of trade, commerce and production on the Prairies. Winnipeg, the new province’s capital, sprang up around The Forks and became the first home for tens of thousands of migrants coming west seeking opportunity. By 1891, Winnipeg’s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

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

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

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

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



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

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

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

Manitoba Top Export Destinations:

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

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

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

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

What is The Manitoba Advantage?

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

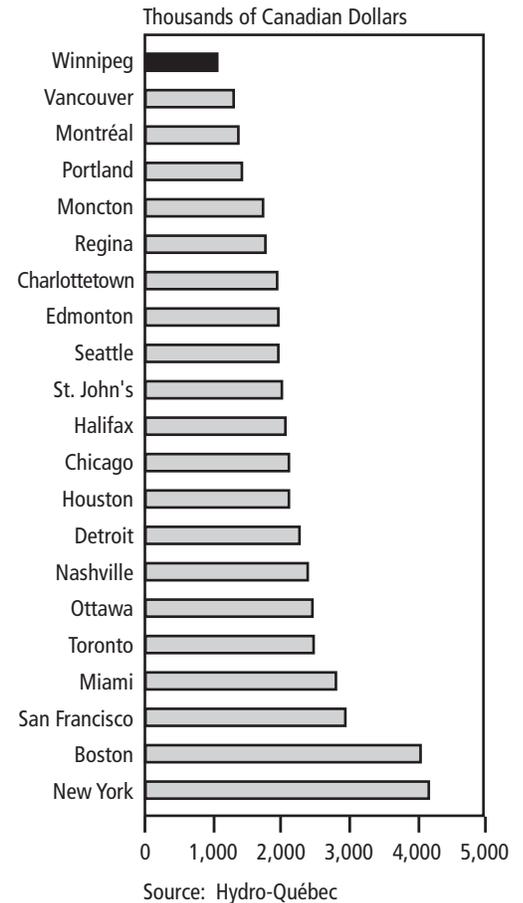
Manitoba's published hydro-electricity rates are among the lowest in the world. Manitoba Hydro, one of North America's major electricity companies, has generating capacity of over 5,000 megawatts (MW) and tremendous potential for future growth. Over 98% of the province's electricity is generated by clean,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

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

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

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

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



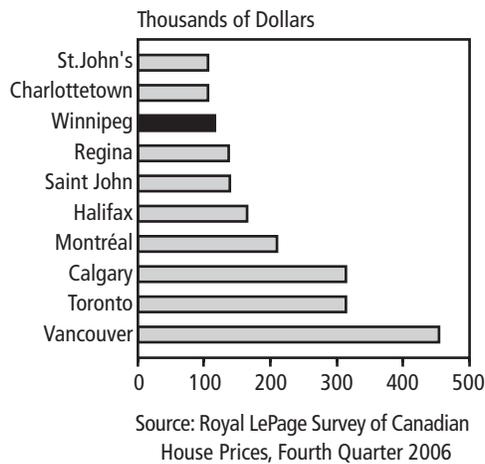
Churchill is the only deep-water port in the prairie region. Located on Hudson Bay, the port brings Atlantic Ocean trade to Western Canada. The Port of Churchill, owned by OmniTRAX Inc., offers shippers major cost advantages for ocean shipping to and from Europe, Africa and Latin America. The Port has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

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

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

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

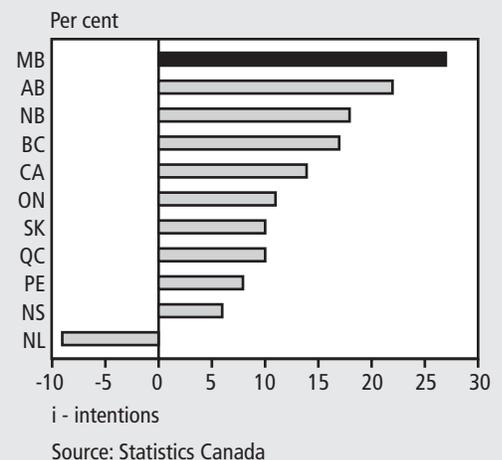
Average House Price Standard Townhouse



Manitoba's Investment Boom

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

Capital Investment Growth, 2005-2007i



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

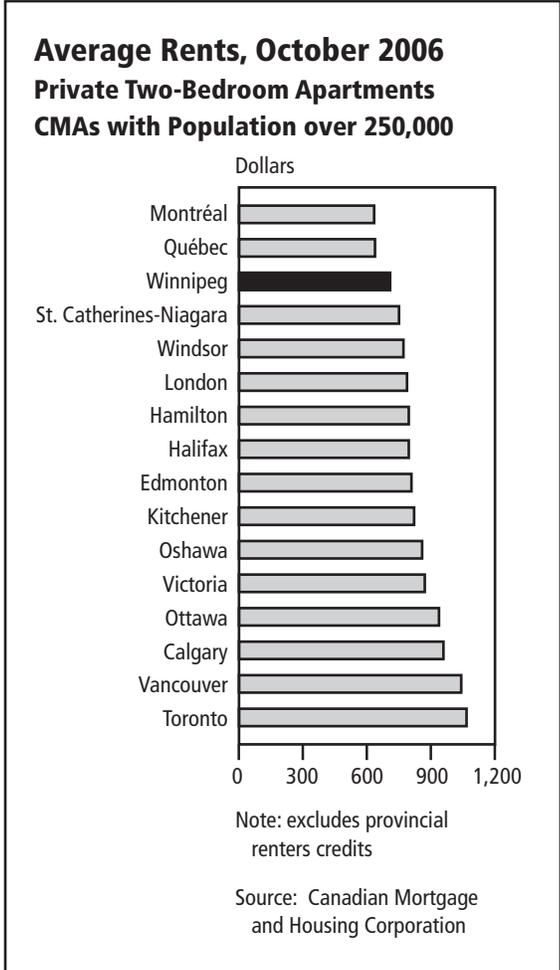
Having the skills and knowledge to take on the challenges of the 21st century is a prerequisite for a prosperous and growing economy. Manitobans enjoy a quality public education system, including affordable, high-quality post-secondary education opportunities in several universities and colleges. Higher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

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

Manitoba's Quality of Life Advantage

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

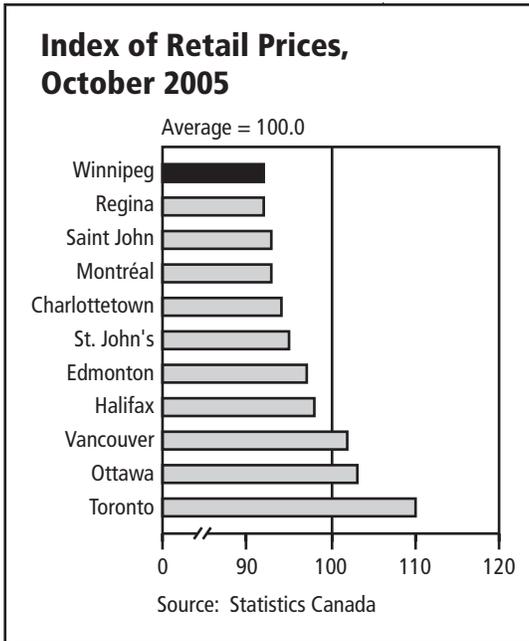
With half of the province's population reporting voluntary service, it is clear that Manitobans care. Manitobans are among the country's leaders in terms of volunteer activity with community, social and charitable groups. Similarly, more Manitobans donate to charity on a per capita basis than residents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



Manitoba Credit Ratings, March 2007

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

Source: Manitoba Finance



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

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

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

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

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

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

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

Conclusion

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

■ THE MANITOBA ARTS AND CULTURE ADVANTAGE

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



The Manitoba Arts and Culture Scene

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

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

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

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

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

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

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

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

Many of Canada's premier cultural attractions are found in Manitoba. The world famous Royal Winnipeg Ballet was the first dance company to be established in Canada and brings Winnipeg to the world through touring performances. The Manitoba Museum is a highlight for visitors to the province, and is only one of three Canadian attractions to achieve the Michelin Guide three-star rating. The Winnipeg Art Gallery has the world's largest collection of contemporary Inuit art, including over 10,000 sculptures, prints, paintings and textiles. The Manitoba Theatre Centre, The Winnipeg Symphony Orchestra, the Manitoba Opera, the Costume Museum of Canada, and sites like Lower Fort Garry and The Forks, are only a small sample of the hundreds of attractions found throughout the province.

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

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

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





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

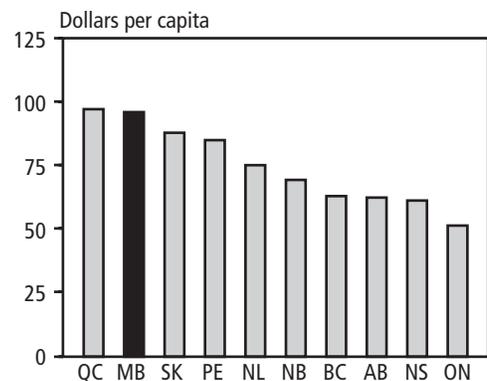
People from around the world are also drawn to Winnipeg's summer festivals, such as Folklorama, the world's largest cultural festival. Folklorama attracts over 400,000 visits to over 40 pavilions during its two-week run and was voted the best festival in Canada. The Winnipeg Fringe Festival, the second-largest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

Provincial Support for Arts and Culture

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

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

Provincial Government Per Capita Expenditures on Culture, 2003/04



Source: Statistics Canada

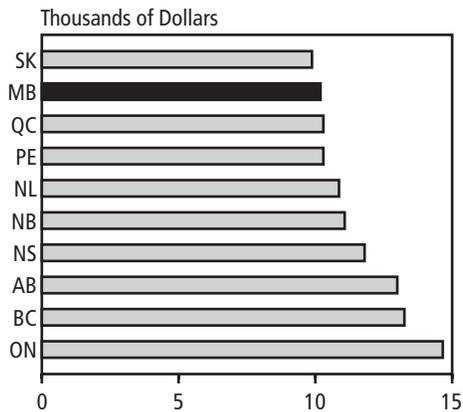
■ Appendix 1: 2007 INTERPROVINCIAL COMPARISON OF PERSONAL COSTS AND TAXES

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

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

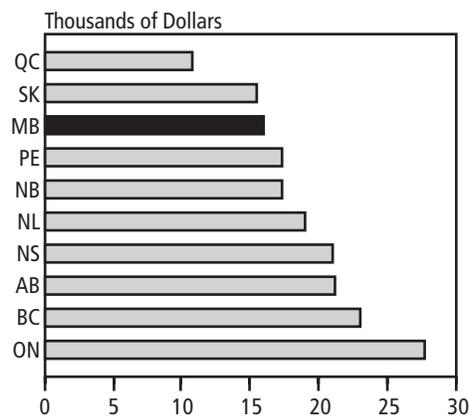
Single Person Earning \$30,000

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



Single Parent Earning \$30,000

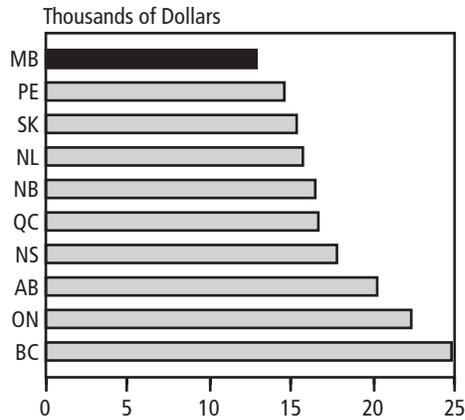
- third-lowest personal costs and taxes in the country
- fourth-lowest provincial levies, PIT and premiums



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

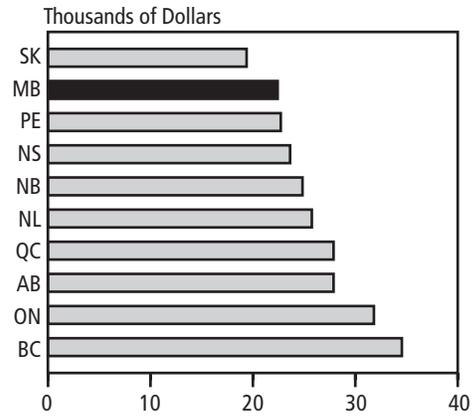
One-Earner Family of Four Earning \$40,000

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



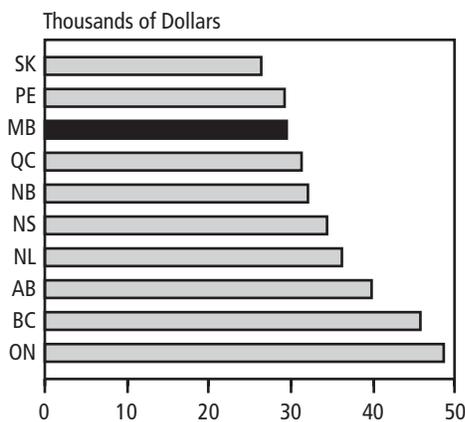
One-Earner Family of Four Earning \$60,000

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



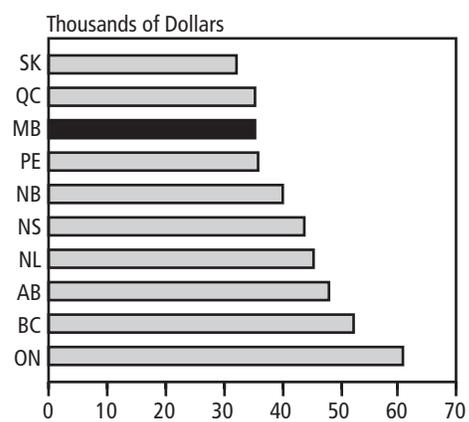
Two-Earner Family of Four Earning \$60,000

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



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

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



2007 Comparison of Personal Costs and Taxes

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

Sums may not add due to rounding.

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

2007 Comparison of Personal Costs and Taxes

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

Sums may not add due to rounding.

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

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

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

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

2007 Comparison of Personal Costs and Taxes

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

Sums may not add due to rounding.

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

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

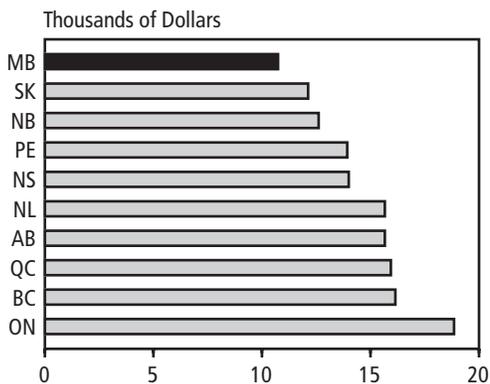
Interprovincial Comparison of Taxes Net of Graduate Credits and Tuition Rebates and of Personal Costs and Taxes

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

Sums may not add due to rounding.

Single Person Earning \$50,000

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



Source: Manitoba Finance

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

NOTES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Telephone charges are the basic service rates for individual residences.

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

■ Appendix 2: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

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

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

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

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

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

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

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

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

Interjurisdiction Competitiveness

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

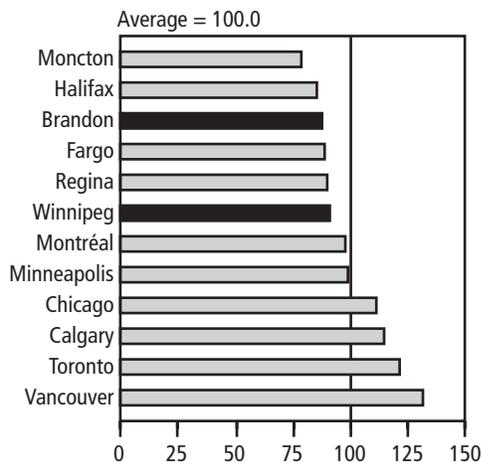
- net cost of investment, or start-up costs (including applicable taxes)
- pre-tax net income
- effective tax rates
- internal rates of return

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

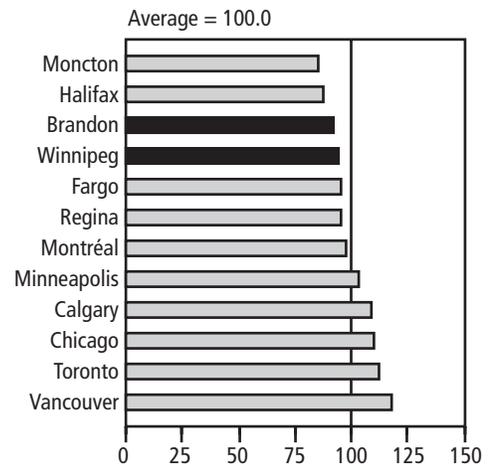
Net Cost of Investment

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

Net Cost of Investment Small Manufacturing Firm



Net Cost of Investment Larger Manufacturing Firm



Pre-Tax Net Income

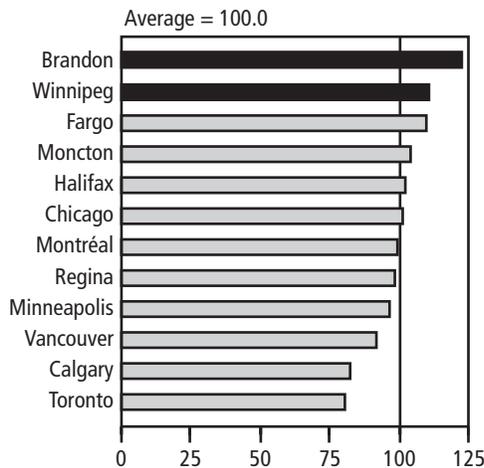
The model calculates pre-tax net income by subtracting from a common level of revenue the following location-sensitive operating costs:

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

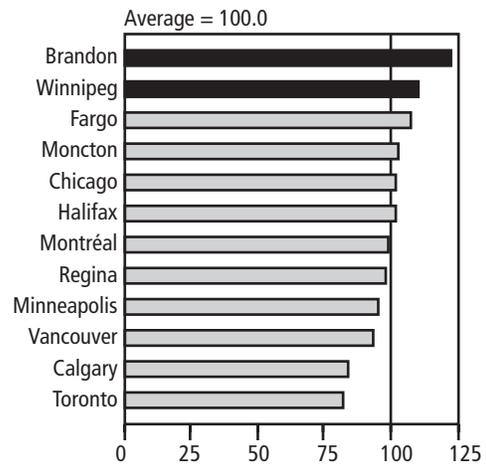
Pre-tax net income is used to compare Manitoba's cost competitiveness to the other locations. A higher pre-tax income indicates lower operating costs relative to another jurisdiction. The sales figures used in the simulation model are fixed across the cities, \$4 million for the small firm and \$45 million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

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

Pre-Tax Net Income Small Manufacturing Firm



Pre-Tax Net Income Larger Manufacturing Firm



Effective Tax Rates

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

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

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

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

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

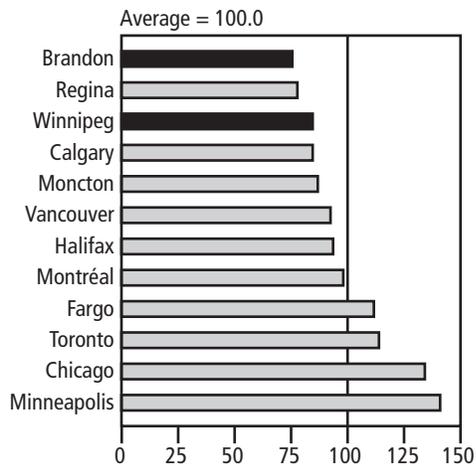
For both the small and larger manufacturing firm, Manitoba's effective tax rates are below both the overall average and the Canadian city average.

Overall Competitiveness

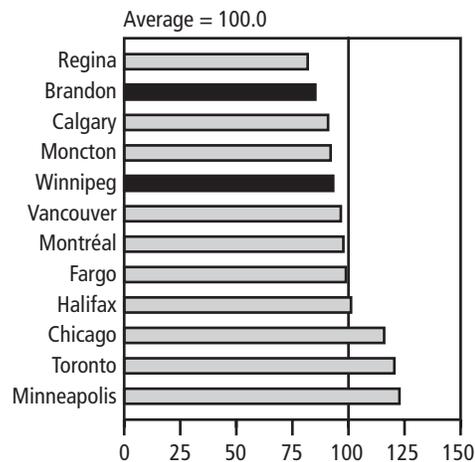
Overall competitiveness is compared by calculating internal rates of return. The internal rate of return is commonly used for business investment and location decision making. It measures the expected profitability of an investment. The higher the internal rate of return, the more attractive the investment.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

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

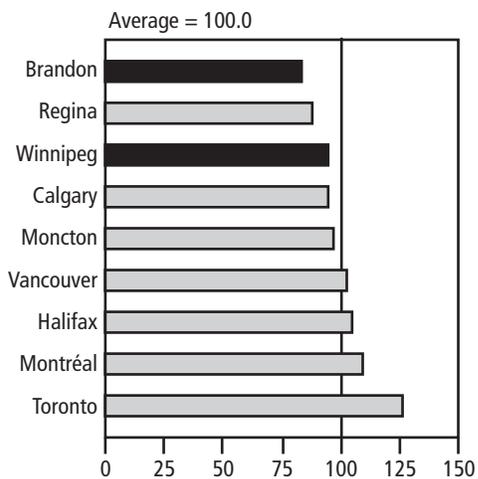
**Effective Tax Rates
Small Manufacturing Firm**



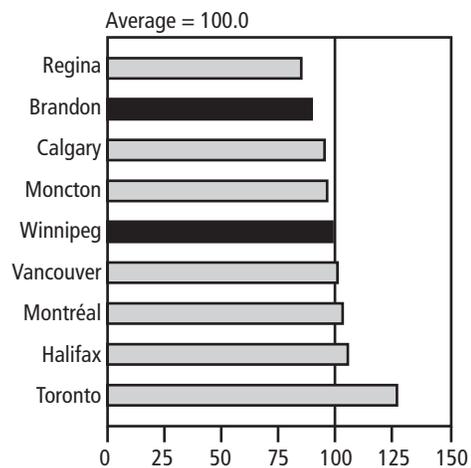
**Effective Tax Rates
Larger Manufacturing Firm**



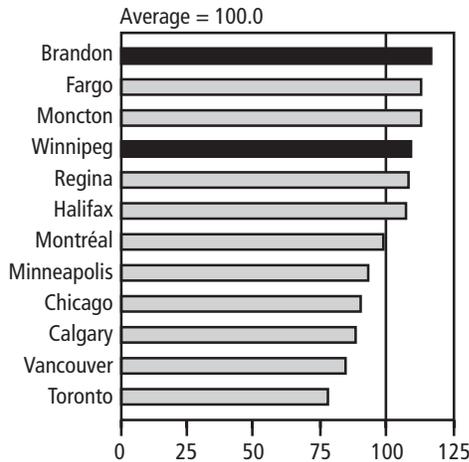
**Effective Tax Rates
Small Manufacturing Firm
Canadian Cities**



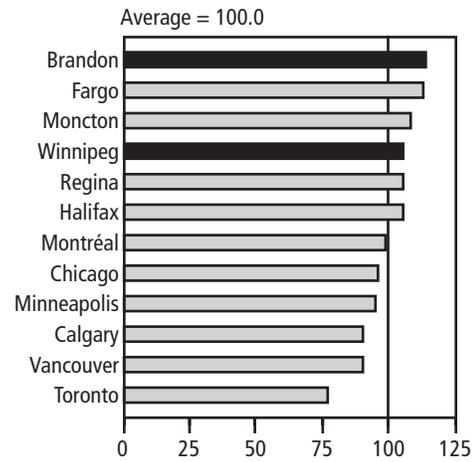
**Effective Tax Rates
Larger Manufacturing Firm
Canadian Cities**



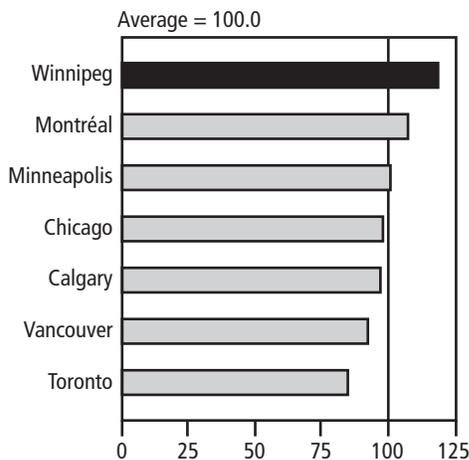
Internal Rates of Return Small Manufacturing Firm



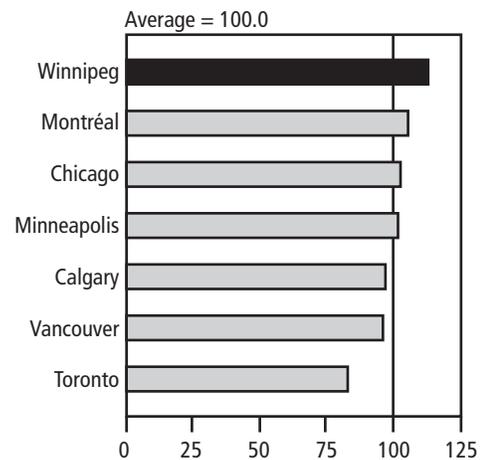
Internal Rates of Return Larger Manufacturing Firm



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



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



CONCLUSION

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