



Budget Paper D

**THE MANITOBA
ADVANTAGE**

THE MANITOBA ADVANTAGE

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THE MANITOBA ADVANTAGE

Did you know that the following are all true statements about Manitoba?

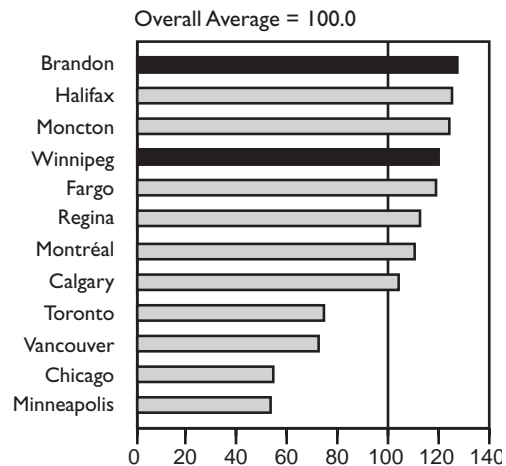
- Its largest category of export goods is motor vehicles.
- Its international airport is closer by air to Tokyo than is Los Angeles.
- It has the lowest published electricity rates in North America.
- Its world-class performing arts companies enjoy the highest per capita revenue from ticket sales, donations and public support in Canada.
- It will celebrate the end of the millennium by hosting the third-largest multi-sport event ever held in North America.
- Its highly diverse landscape is a study in contrasts, including a sandy desert, the 13th largest lake in the world, some of the flattest prairie anywhere, and an ocean coastline populated by polar bears and beluga whales.

Yes, these are all features of Manitoba. Chances are, you are surprised by at least some of them. Every year, more and more people are discovering the advantages of living and working in Canada's central province, including an unsurpassed quality of life, affordable housing, low costs and a stable, competitive tax structure. For these and many other reasons, Manitoba's economy is dynamic and thriving: it is currently the only province to enjoy six consecutive years of rising private sector investment, and its exports to the US have increased two and a half times since 1990—well above the national increase.

So, if you want to know what types of motor vehicles we sell to the world, and what sporting event will be bringing the world to Manitoba—read on!

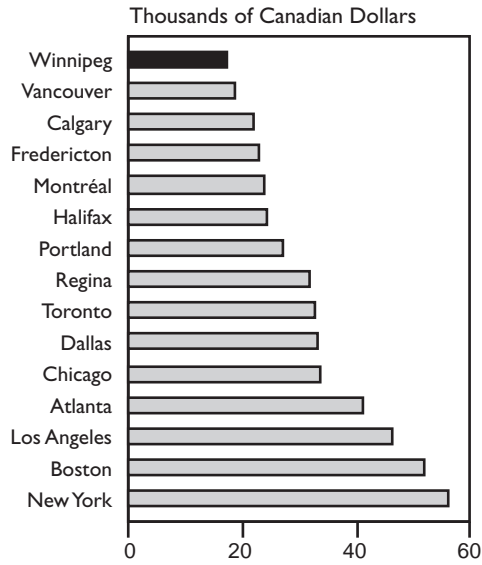
The Manitoba Advantage has many aspects, but the low cost of doing business is key among them. Energy, office space, industrial land . . . all are available at prices that are well below average. Tax costs are much more competitive, thanks to ten Budgets with no increases in major taxes, and to targeted tax incentives such as the Manufacturing Investment Tax Credit and the Research and Development Tax Credit.

Internal Rates of Return Small Manufacturing Firm



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

Monthly Industrial Electric Bills 400,000 Kilowatt Hours



Source: Ontario Hydro, July 1996

Manitoba's published electricity rates are the lowest in North America.

■ Manitoba has the most diversified manufacturing sector in Western Canada. The wide range of products includes countless food and beverage products from french fries to premium whiskey; tractors and other farm equipment; municipal and interurban buses; security printing products such as lottery tickets; specialty steel products; computers and computer components; aerospace components; chemicals; plastics; furniture; and much more. This diversity means that manufacturers can source many of their inputs from other firms, and draw on a large pool of skilled labour.

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

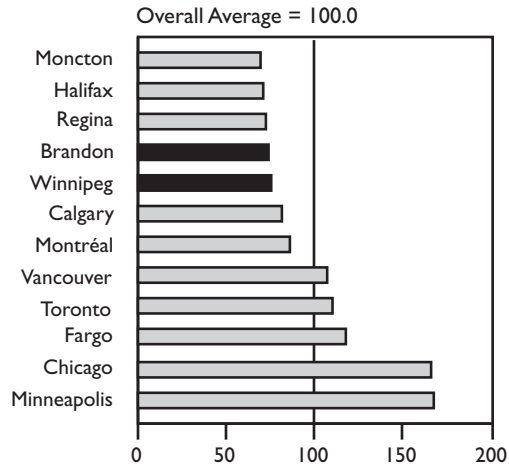
■ Thanks to its location at the northern end of a trade corridor running through the Midwest US to Mexico, Manitoba can take full advantage of the virtual elimination of tariffs under the Canada-US Free Trade Agreement, which took effect in 1989. Manitoba's exports to the US have increased two and a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

■ Manitoba's transportation links are unsurpassed.

- Winnipeg is the only city in Western Canada served by three continental railways: CN, CP and Burlington Northern.
- Manitoba's central position in North America makes it an ideal trucking centre. Many of the leading interprovincial and transborder trucking firms are headquartered here.

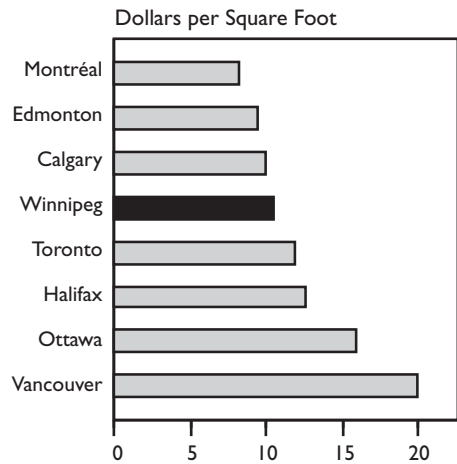
- CN, CP and Burlington Northern railways all operate intermodal terminals in Winnipeg, so shippers enjoy the economies of rail transport in combination with the flexibility of highway transport.
 - Winnipeg International Airport is one of the few major North American airports which operates 24 hours a day. Generally favourable weather allows the airport to be usable 99% of the time on an annual basis, and it is uncongested. Since it is also closer to Tokyo than is Los Angeles, and about the same distance from Amsterdam as Chicago, it can be more cost-effective to fly goods from Asia and Europe to Winnipeg, and tranship to final markets throughout the Midwest and beyond by rail and truck. To build on these strategic advantages, a consortium of Manitoba companies has formed Winnport, which is in the process of developing Winnipeg into a sophisticated intermodal cargo transportation and distribution centre.
 - Churchill is not only a major tourist site, but Manitoba's northern seaport. Already a long-established export route for agricultural and mineral commodities, it has great potential as a trading port for markets in northern and eastern Europe, and Latin America. A private company is planning to reopen Churchill's rocket launching facilities, formerly used for scientific purposes, as a launch site for commercial communications satellites.
- Manitoba has a vast, dependable supply of clean, economical hydro-electric power—and the lowest published electricity rates in North America. Current generating capacity amounts to some 5,000 megawatts. A further 4,000 megawatts of potential capacity is available to be developed at a reasonable cost. This is enough to meet our energy requirements today and in the future.

Effective Tax Rates Small Manufacturing Firm



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

Average Office Rental Rates



Source: Royal LePage Market Survey 1997

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

■ Manitoba's vast stores of natural resources offer great potential for expanded production and further processing. The value of mineral production, which includes nickel, copper, zinc, gold, industrial minerals and petroleum, exceeds \$1 billion. Some \$170 million was spent on mineral exploration over the past five years, and four new mines entered production in late 1995 and 1996.

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

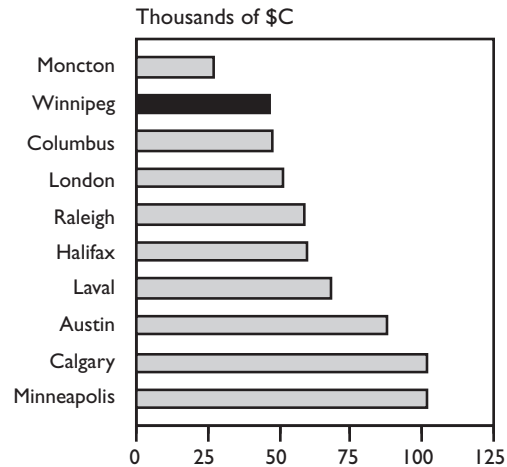
■ Medical research is an important part of the Manitoba economy. Building on a base of two teaching hospitals, the province boasts a variety of research facilities including Health Canada's Centre for Disease Control (a level four laboratory) and the National Research Council's Institute for Biodiagnostics.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

are now over 100 companies in Manitoba producing health-care products and services.

- Manitoba is equally strong in other areas of R&D, boasting such major research facilities as the Manitoba Industrial Technology Centre, the Food Development Centre, Telecommunications Research Laboratories (TRLabs), and Atomic Energy of Canada's Whiteshell Laboratories. A 1994 study showed that Manitoba has among the best R&D tax environments in Canada, whose overall R&D climate is better than any other G7 country. Manitoba's record is bolstered by such measures as the 15% R&D provincial tax credit.
- A key component of Manitoba's economic development strategy is responsible financial stewardship. Since 1988, the Government has worked steadily to reduce unnecessary expenditures, while developing innovative and more effective means of delivering services. As a result, Manitoba has the most efficient government in Canada: total per capita expenditures are the lowest among the ten provinces. This has made it possible to freeze major tax rates for ten years, introduce targeted tax reductions which enhance the competitiveness of Manitoba firms, and still bring down three consecutive balanced budgets.

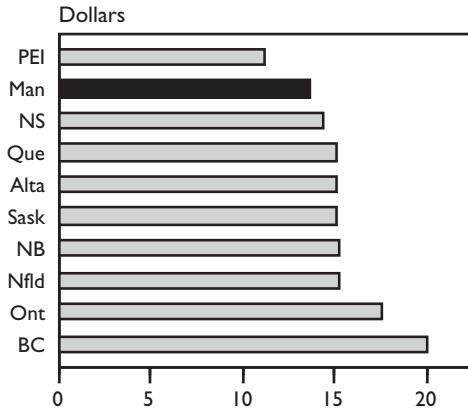
The Province has written its commitment to balanced budgets into law. *The Balanced Budget, Debt Repayment and Taxpayer Protection Act*, passed in 1995, requires that Manitoba not incur budget deficits, subject to personal financial penalties for Cabinet Ministers. The Act also requires prior voter approval of any increases in the rates of major taxes, and sets out a plan for repayment of Manitoba's general purpose debt in 30 years or less, starting in 1997/98.

Industrial Land Costs, 1995 Cost per \$1000 Acre



Source: KPMG

Average Hourly Earnings, Manufacturing – 1996



Source: Statistics Canada

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

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

- There are professional sports teams in the International Hockey League, the Canadian Football League, the Northern Baseball League and the International Basketball Association. In recent years, the province has very successfully played host to sporting events such as the Grey Cup and the World Curling Championships. It will host the Canada Summer Games in 1997, and the Pan American Games in 1999. The Pan Am Games will be the biggest multi-sport event ever held in Canada, and the third largest ever held in North America, after the Atlanta and Los Angeles Olympic Games.
- Winnipeg has an active theatre scene, the Winnipeg Art Gallery, the Manitoba Museum of Man and Nature, the Winnipeg Symphony Orchestra and the Manitoba Opera Company. The famous Royal Winnipeg Ballet performs around the world. The enthusiastic support of Manitobans for the arts is evident in Statistics Canada data, which show that Manitoba's performing arts companies enjoyed the highest per capita revenue in Canada, including revenue from ticket sales, public grants and fund raising. Manitoba ranked first or second in each of these categories individually.
- Manitoba's many cultural festivals include: Folklorama, the world's largest multi-cultural festival; the Brandon Royal Winter Fair; Northern Manitoba's Trappers' Festival in The Pas; the Winnipeg Folk Festival, one of the largest in North America; the Festival du

Voyageur, a celebration of Manitoba's French-Canadian heritage; and Canada's National Ukrainian Festival in Dauphin.

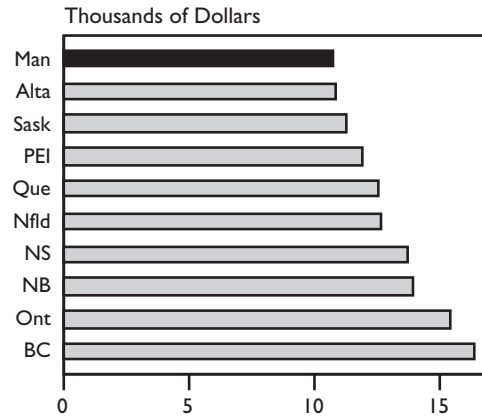
- There are 2.5 million acres of parkland and more than 100 golf courses in the province. You can fish in one of our 100,000 pristine lakes, hike over the sand dunes in the desert near Carberry, or stroll along the many long, sandy beaches. In fact, Grand Beach on Lake Winnipeg is one of the best in North America. You can watch the polar bear migration at Churchill, view the huge and varied flocks of birds from the boardwalks at Oak Hammock Marsh, and visit the Stampede at Morris. The choices are almost endless. Best of all, there are so many great outdoor locations and activities that it is easy to get away from the crowds.

■ Manitoba's citizens share a strong work ethic—a point often noted by companies with operations both here and elsewhere. They are also well-trained. The three universities, three community colleges and various technical training facilities provide a rich pool of skills and talent. Some companies, such as those operating call centres, have been attracted to Manitoba by the ready availability of employees who speak French and many other languages.



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

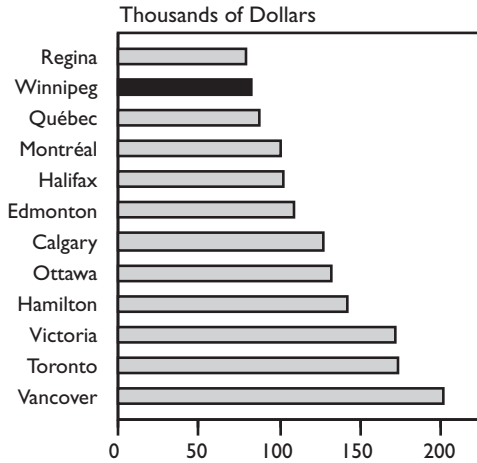
Annual Personal Costs and Taxes* For a Family of Four Earning \$40,000



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

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

Average Price of a Starter House, July-December, 1996



Source: CMHC, Canadian Housing Market Report.

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

In short, there are many reasons to do business in Manitoba. Low costs and a high quality work force are among the most important of these. Herein lies the Manitoba Advantage.

APPENDIX I: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

■ Introduction

Manufacturing is a driving force behind Manitoba's economy. In developing a pro-active economic development strategy to sustain the strength of manufacturing in the province, a number of taxation and other financial incentives for businesses expanding or relocating operations in Manitoba have been introduced over the past decade.

The strength and pace of manufacturing investments, employment growth, lower unemployment rates, interprovincial in-migration, improved construction activity, and other macroeconomic indicators for Manitoba provide real economic evidence that the efforts undertaken since 1988 are producing positive results. Manitoba is well positioned to ensure its competitive advantage as we near the end of the current century and prepare to enter a new millennium.

Taxation is an effective tool that can be used to advance economic growth and development. Tax measures can be designed to encourage business expansion, job creation, capital investment, and provide other economic stimulants to the economy. Unlike other business factors – such as the quality of the labour pool and infrastructure, the degree of over-regulation, the general standard of living – business operating costs and the tax environment are quantifiable and, consequently, more readily subject to analysis.

The use of models to simulate a representative manufacturing firm's profits over a period of time provides a basis for evaluating the impact of a jurisdiction's overall tax structure and cost environment relative to other jurisdictions. The 1992, 1994 and 1995 Manitoba Budgets included comparisons of the costs and taxes of small- and larger-sized manufacturing firms in Winnipeg and Brandon with similar operations in selected cities in Canada and the United States.

The current study is an update of the previous research, and incorporates the same approach to complete the comparative taxation and costing of factor inputs analyses. Not only has the economic data used in the profiles been updated, but the financial profiles of the representative model firms have been changed based on the most recent data available from Statistics Canada on the manufacturing industry. The purpose of this study then is to reassess the validity of past conclusions in light of some of the significant changes that have been made to the tax systems in some of the jurisdictions considered, particularly with respect to the Harmonized Sales Tax in the Atlantic Provinces.

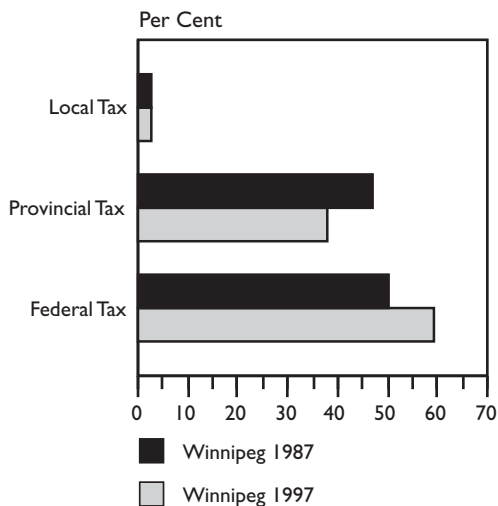
■ Business Taxation in Manitoba: 1987 and 1997

Since 1988, a number of tax reductions, incentives and other changes have reduced the tax burden of businesses operating in Manitoba.

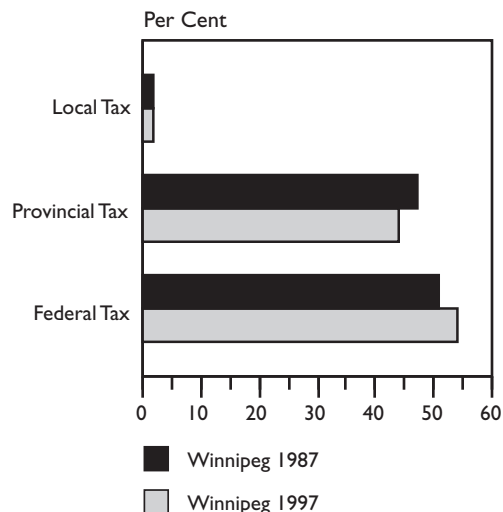
- The payroll tax exemption was increased from \$100,000 to \$1,000,000.
- The payroll tax for international and interprovincial trucking was eliminated.
- The capital tax exemption was increased from \$1 million to \$3 million.
- The Corporate Income Tax rate for small businesses was reduced from 10% to 9%.
- The 10% Manufacturing Investment Tax Credit was introduced in 1992.
- The 15% Research and Development Tax Credit was introduced in 1992.
- The Retail Sales Tax has, since 1991, been applied alongside of the federal Goods and Services Tax instead of on top, as had been the practice and as is the case in some provinces.
- Telephone charges on 1-800 toll numbers were exempted from the sales tax.
- Electricity used in mining and manufacturing activities were exempted from the sales tax.
- The types of direct agents used in manufacturing and mining exploration activity exempted from the sales tax were broadened.

These measures serve not only to reduce directly the tax costs absorbed by businesses in Manitoba, but also affect economic and noneconomic factors of production. For example, capital taxes may affect the flow of capital and payroll taxes may influence human capital development within a given jurisdiction over the longer term.

**Federal, Provincial & Local Shares of Total Taxes
Small Manufacturing Firm**



**Federal, Provincial & Local Shares of Total Taxes
Larger Manufacturing Firm**



The charts above show the impact of changes made to Manitoba's provincial business tax environment between 1987 and 1997 based on the simulation results for the representative small and larger manufacturing firm models. Holding local and federal tax regimes constant, the provincial tax burden has noticeably decreased between 1987 and 1997, particularly for small businesses.

■ Interjurisdictional Competitiveness

The following indices, as was the case in past studies, are used to assess cost and tax competitiveness:

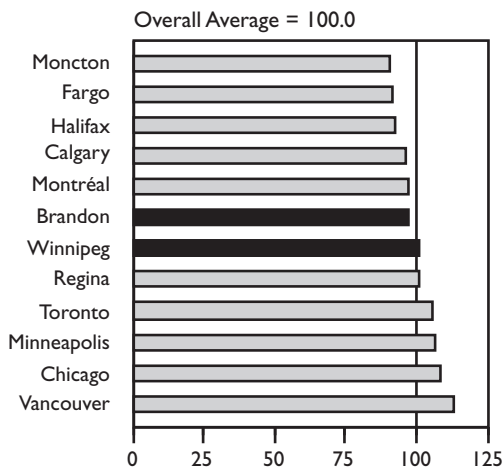
- net cost of investment, or start-up (including tax) costs;
- pre-tax net income;
- effective tax rates; and
- internal rates of return.

The simulation results for each city are compared to the overall average of all cities for each of the indices, and are presented in the charts that follow.

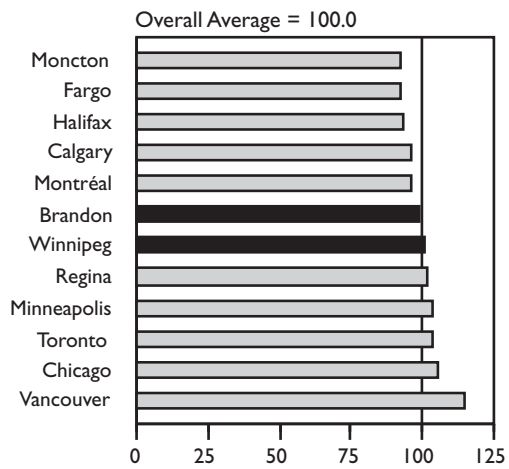
Start-up costs

The costs of starting a manufacturing plant in Manitoba are near the average for all cities.

Net Cost of Investment Small Manufacturing Firm



Net Cost of Investment Larger Manufacturing Firm



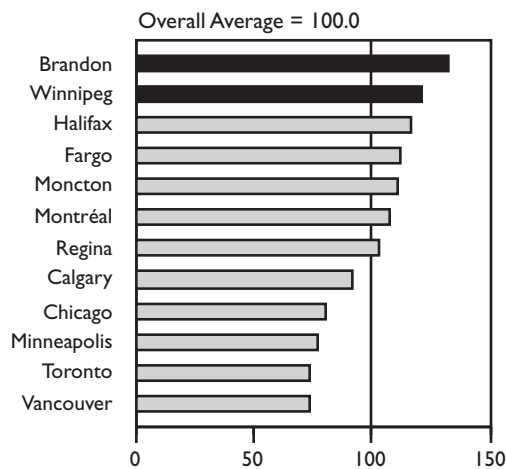
The net cost of investment for the larger metropolitan centres, except Montréal, are all above the overall average, primarily because of the higher cost of land in those areas.

Operating costs, taxes and net income

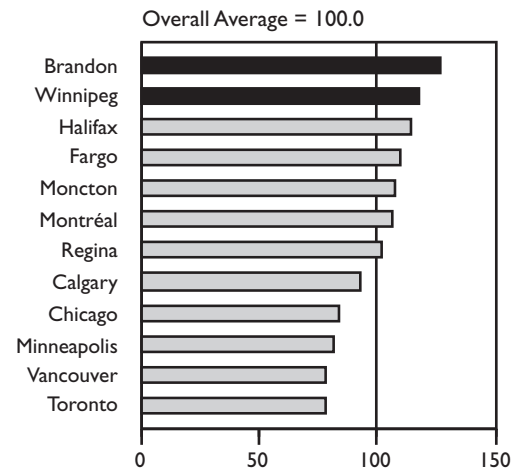
The models incorporate a number of locationally sensitive operating costs: (weighted) average manufacturing wages, basic local utility charges (electricity and telephone), interest costs, fixed production material costs and capital cost allowances. Local property taxes, corporation capital and US franchise taxes, payroll taxes, workers' compensation premiums, statutory pension and unemployment insurance premiums, and employer-paid health premiums represent the operating taxes included in the study. Investment tax credits, tax holidays, accelerated capital cost allowances and preferential tax rates that target the manufacturing sector are considered. Enterprise zones, grants and other forms of governmental and third-party financial assistance are not included in the models.

Pre-tax net income is used to compare Manitoba's cost competitiveness to the other locations. Since the sales figures used in the simulation models are fixed (\$3 million for the small firm and \$35 million for the larger firm) a higher pre-tax income indicates lower operating costs in a given jurisdiction.

**Pre-Tax Net Income
Small Manufacturing Firm**



**Pre-Tax Net Income
Larger Manufacturing Firm**

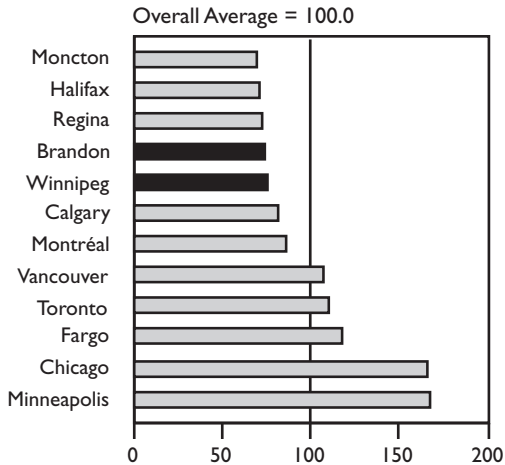


Brandon and Winnipeg have the highest pre-tax net incomes for both the small and larger manufacturing firms. Competitive wages and one of the lowest published utility costs in North America are responsible for the cost advantages of operating a manufacturing plant in Manitoba.

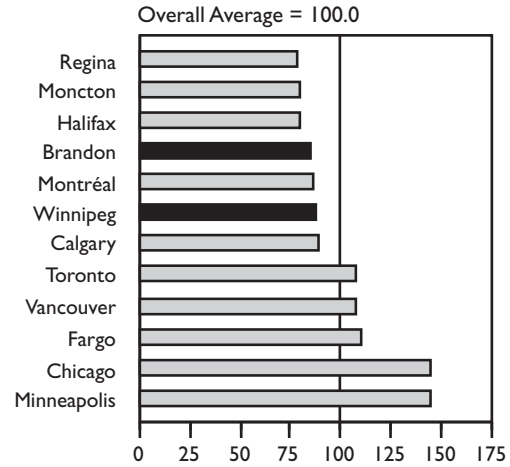
Effective tax rates are used to evaluate the economic tax rates that are generated by computing gross taxes as a proportion of pre-tax net income over the 20-year cash-flow period.

Consistent with the results obtained in past simulations, the effective tax rates in Manitoba are lower than most cities except for smaller Canadian cities such as Moncton, Halifax and Regina. The Harmonized Sales Tax in the Atlantic cities, and the Saskatchewan M&P Profits Deduction account for the lower effective tax rates in those centres.

Effective Tax Rates Small Manufacturing Firm



Effective Tax Rates Larger Manufacturing Firm

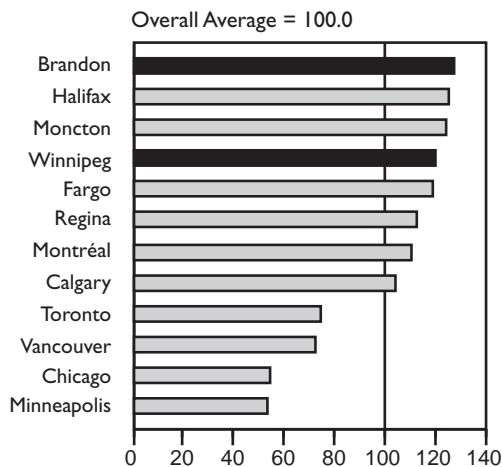


Overall competitiveness

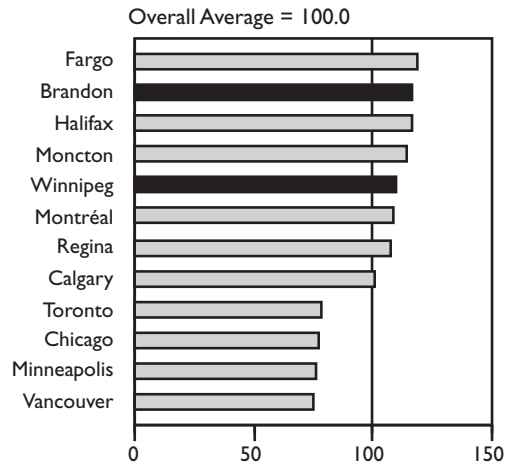
The following charts illustrate the combined effects of taxes and costs on the after-tax internal rates of return for the representative small and larger manufacturing corporations in the selected jurisdictions. The internal rate of return is often used for business investment and location decision making.

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

Internal Rates of Return Small Manufacturing Firm



Internal Rates of Return Larger Manufacturing Firm



Brandon has the highest rate of return for the small manufacturing firm, and also has a competitive rate of return for the larger manufacturing firm. Winnipeg has the highest rate of return for both firms among the cities with populations over 500,000.

■ Conclusion

Location-sensitive costs are generally lower in Manitoba than elsewhere, which provides a considerable locational advantage relative to the other centres included in the study.

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

Manitoba has one of the best overall business environments for manufacturing.

APPENDIX 2:

1997 Interprovincial Comparison of Annual Personal Costs and Taxes

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

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

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

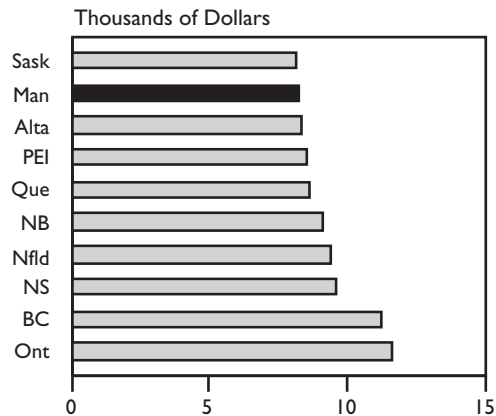
A family of four with \$60,000 earned income, has the third lowest combined taxes and living costs in the country.

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

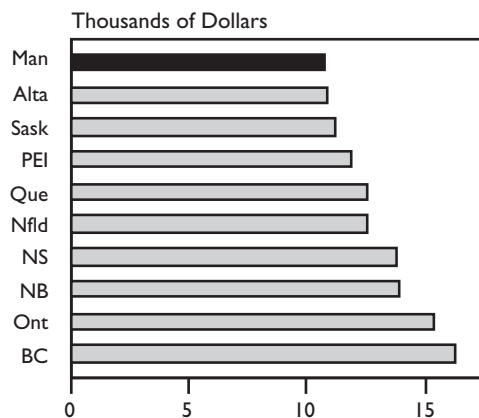
Low living costs and personal taxes mean that all Manitobans are able to enjoy a high standard of living in relation to other parts of the country. This makes Manitoba a more competitive and attractive location for businesses to locate activity or expand their operations.

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

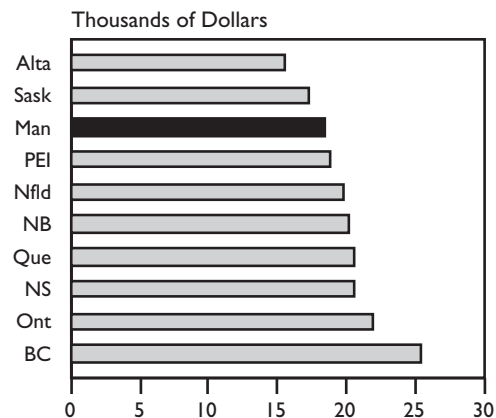
Single Person Earning \$20,000*



Family of Four Earning \$40,000*



Family of Four Earning \$60,000*



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

1997 Comparison of Annual Personal Costs and Taxes

Single Person: \$20,000	BC	Alta	Sask	Man	Ont
Provincial Income Tax	1,082	1,065	1,461	1,148	1,039
Retail Sales Tax	635	0	750	629	756
Health Premiums	432	408	0	0	0
Provincial Levies	2,149	1,473	2,211	1,777	1,795
Rent	7,932	5,676	4,872	5,292	8,100
Electricity	301	382	434	315	494
Transit Fares	648	576	480	647	996
Telephone	252	251	184	211	243
Living Costs	9,133	6,885	5,970	6,465	9,833
Total Costs	11,282	8,358	8,181	8,242	11,628
Family of 4: \$40,000	BC	Alta	Sask	Man	Ont
Provincial Income Tax	2,739	2,644	3,534	3,113	2,632
Retail Sales Tax	1,122	0	1,327	1,112	1,242
Gasoline Tax	300	180	300	230	294
Health Premiums	864	816	0	0	0
Provincial Levies	5,025	3,640	5,161	4,455	4,168
Mortgage Costs	7,788	3,642	2,446	2,619	6,252
Property Tax	999	975	1,350	1,241	1,800
Home Heating	451	561	611	795	645
Auto Insurance	1,258	1,129	709	882	1,411
Electricity	561	658	749	540	862
Telephone	252	251	184	211	243
Living Costs	11,309	7,216	6,049	6,288	11,213
Total Costs	16,334	10,856	11,210	10,743	15,381
Family of 4: \$60,000	BC	Alta	Sask	Man	Ont
Provincial Income Tax	5,404	5,227	7,222	7,060	5,300
Retail Sales Tax	1,400	0	1,647	1,387	1,580
Gasoline Tax	300	180	300	230	294
Health Premiums	864	816	0	0	0
Provincial Levies	7,968	6,223	9,169	8,677	7,174
Mortgage Costs	12,900	5,256	3,993	4,582	8,775
Property Tax	1,743	1,360	1,725	2,575	2,600
Home Heating	451	561	611	795	645
Auto Insurance	1,258	1,129	709	882	1,411
Electricity	734	842	960	691	1,108
Telephone	252	251	184	211	243
Living Costs	17,338	9,399	8,182	9,736	14,782
Total Costs	25,306	15,622	17,351	18,413	21,956

Que	NS	NB	PEI	Nfld	Single Person: \$20,000
1,600	1,241	1,336	1,262	1,464	Provincial Income Tax
719	1,003	999	831	915	Retail Sales Tax
0	0	0	0	0	Health Premiums
<u>2,319</u>	<u>2,244</u>	<u>2,335</u>	<u>2,093</u>	<u>2,379</u>	Provincial Levies
5,220	6,060	5,724	5,100	5,724	Rent
343	502	446	567	482	Electricity
540	588	456	560	600	Transit Fares
243	252	207	242	209	Telephone
<u>6,346</u>	<u>7,402</u>	<u>6,883</u>	<u>6,469</u>	<u>7,015</u>	Living Costs
<u>8,665</u>	<u>9,646</u>	<u>9,168</u>	<u>8,562</u>	<u>9,394</u>	Total Costs

Que	NS	NB	PEI	Nfld	Family of 4: \$40,000
2,366	3,142	3,384	3,196	3,706	Provincial Income Tax
1,298	1,709	1,699	1,478	1,630	Retail Sales Tax
399	270	214	240	330	Gasoline Tax
0	0	0	0	0	Health Premiums
<u>4,063</u>	<u>5,121</u>	<u>5,297</u>	<u>4,914</u>	<u>5,666</u>	Provincial Levies
3,510	4,344	4,190	2,940	2,896	Mortgage Costs
1,888	1,320	1,428	1,000	655	Property Tax
1,244	972	1,063	1,038	1,205	Home Heating
1,091	867	947	759	1,185	Auto Insurance
550	878	756	996	776	Electricity
243	252	207	242	209	Telephone
<u>8,526</u>	<u>8,633</u>	<u>8,591</u>	<u>6,975</u>	<u>6,926</u>	Living Costs
<u>12,589</u>	<u>13,754</u>	<u>13,888</u>	<u>11,889</u>	<u>12,592</u>	Total Costs

Que	NS	NB	PEI	Nfld	Family of 4: \$60,000
7,311	6,198	6,675	6,304	7,311	Provincial Income Tax
1,823	2,288	2,275	1,987	2,195	Retail Sales Tax
399	270	214	240	330	Gasoline Tax
0	0	0	0	0	Health Premiums
<u>9,533</u>	<u>8,756</u>	<u>9,164</u>	<u>8,531</u>	<u>9,836</u>	Provincial Levies
5,484	6,581	5,923	5,265	5,133	Mortgage Costs
2,300	2,245	1,859	1,800	1,164	Property Tax
1,244	972	1,063	1,038	1,205	Home Heating
1,091	867	947	759	1,185	Auto Insurance
702	1,128	943	1,281	987	Electricity
243	252	207	242	209	Telephone
<u>11,064</u>	<u>12,045</u>	<u>10,942</u>	<u>10,385</u>	<u>9,883</u>	Living Costs
<u>20,597</u>	<u>20,801</u>	<u>20,106</u>	<u>18,916</u>	<u>19,719</u>	Total Costs

Notes:

Taxes, charges and living costs are based on information available on February 1, 1997, for the following major urban centres in each province: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal, Halifax, Fredericton, Charlottetown and St. John's.

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

Retail Sales Tax is based upon an average expenditure basket at the selected gross income levels from the *Survey of Family Expenditures in 1992* (Statistics Canada). Figures also reflect harmonized sales tax in Nova Scotia, New Brunswick, and Newfoundland, effective April 1, 1997.

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

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

Mortgage Costs are based on one-half the average home prices for a standard townhouse for the family with \$40,000 of income, and a standard two-storey for the family with \$60,000 of income, per the *Royal LePage Fall 1996 Survey*, amortized over 25 years, at a five year interest of 7.25%.

Rent is from Canada Mortgage and Housing Corporation's Rental Market Survey, October 1996, and is based on average one-bedroom apartment rents for each urban centre.

1995 Taurus LX. Coverage includes \$1 million third party liability, \$500 deductible collision, and \$100 deductible comprehensive. The driver is married, age 30, has been accident-free for seven or more years; the auto is driven to work (15km, one way). Rates for British Columbia, Saskatchewan and Manitoba supplied by Manitoba Public Insurance; rates in other urban centres are the average of (10 or 12) larger insurers.

Transit Fares are based on adult (single zone) monthly pass rates in effect in January 1997. Fredericton and Charlottetown fares are based on adult tickets for 240 working days.

Home Heating charges are from Canada Mortgage and Housing Corporation's Canadian Housing Market, Third Quarter 1996, which uses the average starter homes in metropolitan areas.

Electricity charges are based on annual consumption of 9,000 kWh and 12,000 kWh respectively for the families, at \$40,000 and \$60,000 of income; 4,500 kWh of usage for the tenant. Rates do not include municipal taxes or charges, and are based on residential rates in effect from May 1996.

Telephone charges are the basic service rates for individual residences.