

Manitoba 

Budget Paper E

**THE
MANITOBA
ADVANTAGE**

THE MANITOBA ADVANTAGE

Contents

THE MANITOBA ADVANTAGE	1
THE MANITOBA ARTS AND CULTURE ADVANTAGE	9
Appendix 1: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING	12
Appendix 2: 2006 INTERPROVINCIAL COMPARISON OF ANNUAL PERSONAL COSTS AND TAXES	19

■ THE MANITOBA ADVANTAGE

Manitobans have confidence in their province. This confidence is rooted in rising incomes, a diversified and stable economy, and our continued success in meeting challenges and winning markets both in Canada and around the world.

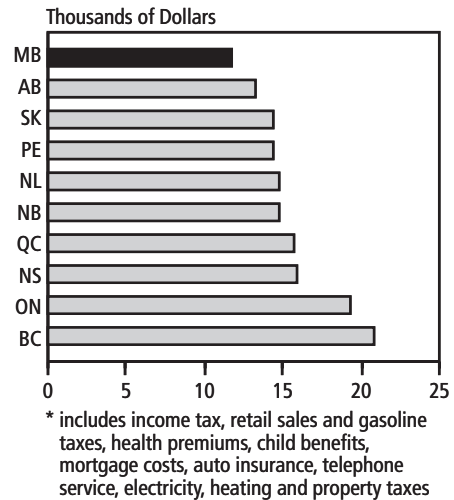
This confidence is reflected in the exceptional growth in the record of consumer spending in the province since 2000. Retail sales in Manitoba have grown by about \$3.1 billion over the past five years. This 33% increase in retail spending is one of the highest growth rates in Canada.

Another way Manitobans are showing their confidence is through investment in the province. For many Manitobans, their investment is in their homes. Single family home construction in Manitoba has outpaced Canada's growth in four of the last five years. According to Canada Mortgage and Housing Corporation (CMHC), Manitoba is the only province in Canada which will see continued growth in single-detached starts in 2006 and 2007.

Manitoba's total new housing starts construction, including apartments and condominiums, has increased by 85% over the past five years, significantly stronger than Canada's increase and one of the best increases among provinces. This record of increasing levels of home construction will continue. CMHC forecasts that almost 10,000 more housing units will be built in Manitoba over the next two years.

For others, investing in Manitoba means investing in machinery and equipment, offices and commercial buildings. A number of major capital investments have been made in Manitoba over the past several years, including the MTS Centre, major capital investments in the chemicals industry by Albchem Industries Ltd. and Nexen Inc., the J.R. Simplot potato processing plant in Portage la Prairie, major expenditures in mining by companies like Inco Ltd. and HudBay Minerals Inc., and a number of major investments in life sciences industries by companies like Biovail and Cangene Corporation.

2006 COMPARISON OF ANNUAL PERSONAL COSTS AND TAXES: ONE-EARNER FAMILY OF FOUR EARNING \$40,000*



Manitoba Credit Ratings, February 2006

	Credit Rating
Moody's Investors Service	Aa2
Standard & Poor's	AA-
DBRS	A(high)

Moody's - reaffirmed July 2005
 Standard & Poor's - reaffirmed July 2005
 DBRS - confirmed May 2005

Average House Price Senior Executive

Vancouver	\$908,286
Toronto	883,558
Calgary.....	625,400
Montréal	528,570
Halifax.....	396,667
Saint John	396,000
St. John's.....	278,000
Regina.....	277,500
Winnipeg	276,000
Charlottetown.....	260,000

Source: Royal LePage Survey of Canadian House Prices,
Fourth Quarter 2005

Average House Price Standard Townhouse

Vancouver	\$374,333
Toronto	287,624
Calgary.....	197,322
Montréal	182,250
Halifax.....	161,167
Regina.....	125,500
Saint John	118,900
Charlottetown.....	105,000
St. John's.....	104,667
Winnipeg	100,813

Source: Royal LePage Survey of Canadian House Prices,
Fourth Quarter 2005

Investment in machinery and equipment (M&E) is a crucial element of economic performance. That is because investment enhances an economy's productive capacity, and leads to greater productivity and growing incomes. M&E investment lays the foundation for future growth and competitiveness. According to Statistics Canada, the level of real (after inflation) investment in M&E grew by 30% in Manitoba between 1999 and 2004. This is one of the strongest growth rates among provinces and almost double the rate of growth for Canada overall.

Overall capital investment growth is expected to continue, with Manitoba leading all provinces in 2006. According to Statistics Canada, capital investment is expected to rise 15% this year, with private capital investment climbing by 10%, double the national rate of increase.

What makes Manitoba an attractive place to invest? The province offers investors a competitive business environment – an environment built upon a unique combination of factors we call The Manitoba Advantage:

- a productive, well-educated and multilingual labour force
- an extremely favourable business cost environment, including competitive office and land costs, low construction costs and affordable taxes
- one of North America's lowest electricity costs with highly reliable, renewable and environmentally responsible hydro-electricity
- 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 in Canada
- reliable and accessible public services, including quality universal public health care and education
- safe communities, affordable child care, a dynamic cultural and artistic community, and an attractive natural environment – all of which contribute to an unsurpassed quality of life

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

What is the Manitoba Advantage?

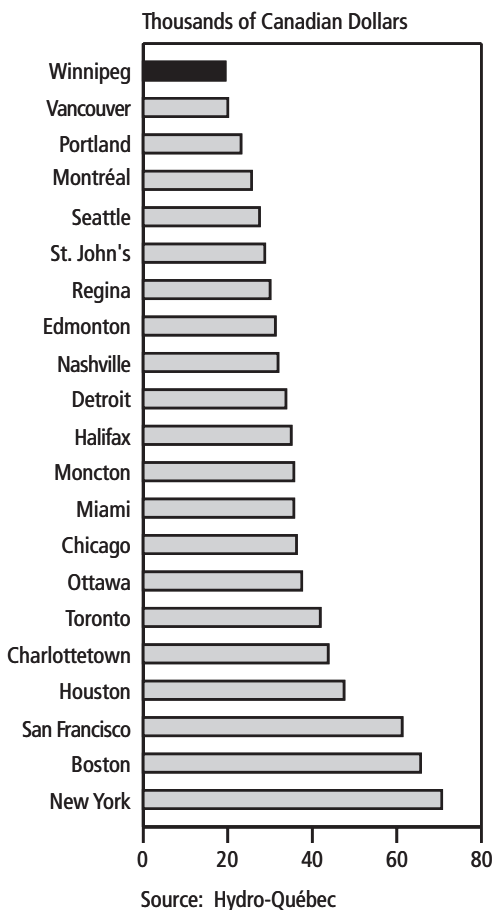
Manitoba has one of Canada's most diverse economies. It is home to a number of major industries including aerospace, bus manufacturing, food processing, health products and research, financial services, cultural industries, electricity, chemicals, agriculture and transportation. While the province has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

Provincial economic diversity adds stability to the overall economy. Manitoba's real Gross Domestic Product (GDP) growth has been one of the most consistent among the provinces over the last five years. This economic certainty contributes to a more stable work force 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, with tremendous potential for future growth. Virtually all of the province's electricity is generated by clean, reliable and environmentally desirable water-powered facilities. In addition, in 2006 a new 99 MW wind

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**Monthly Electricity Cost
Commercial/Industrial Customer
1,000 kW and 400,000 kW h, 2005**



farm will be fully operational, adding even more clean energy supply to Manitoba's electricity portfolio.

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

A flexible and convenient air transportation system is vital to business success. Winnipeg International Airport is one of the few major North American airports that operates 24 hours a day. The airport offers a broad range of services, including international carriers, commuter airlines, jet freight, and extensive cargo and courier facilities. In 2005, it served a record high 3.2 million passengers, an increase of 6.5% from 2004, and moved over 150 million kilograms of air cargo. Also in 2005, the Winnipeg Airports Authority embarked on an extensive, multi-year capital improvement program with planned investment of \$560 million over the next four years, including the construction of a new air terminal building.

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

Manitoba has an abundance of natural resources. The mining industry extracts and processes a diverse mix of minerals including nickel, zinc, copper, gold,

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

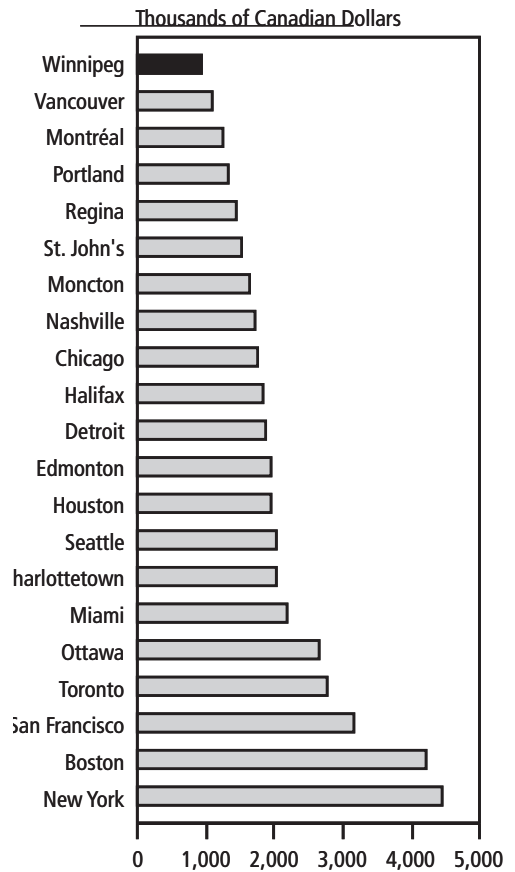
Manitobans enjoy advanced connectivity through a comprehensive telecommunications infrastructure. Broadband services are widely available and the extensive cellular network covers virtually all the province's population.

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

Manitoba remains committed to providing quality public services such as health care. There are no premiums or personal charges for medical services in Manitoba for either employers or individual Manitobans. This is a major advantage over U.S. locations for both businesses and residents. In the U.S., employers offering benefits paid an average of more than US\$8,000 per employee for family health care insurance in 2005.

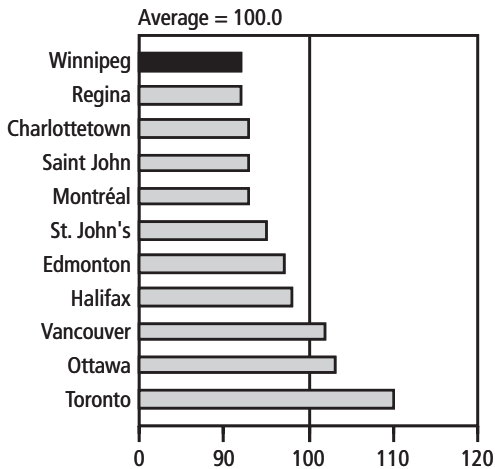
Having the skills and knowledge to take on the challenges of the 21st century is a prerequisite for a prosperous and growing economy. Manitobans enjoy a quality public education system, including affordable, high-quality post-secondary education opportunities in several universities and colleges. Higher education continues to be affordable in Manitoba, with undergraduate tuition among the most affordable in Canada. About 21,000 students

**Monthly Electricity Cost
Commercial/Industrial Customer
50,000 kW and 30,600,000 kW h, 2005**



Source: Hydro-Québec

Intercity Index of Retail Price Differentials, October 2004



Source: Statistics Canada

attend the University of Manitoba, the largest of Manitoba's five universities, on a full-time basis, with another 16,000 attending part-time. The University offers a wide range of post-secondary programs, including a diverse selection of graduate programs, sciences and arts, medicine, law, architecture, fine arts, engineering and agriculture. Another 17,000 students are enrolled in full- or part-time study at Manitoba's four other universities. As well as university study, over 15,000 students are enrolled in full- or part-time study at Manitoba's four community colleges.

Competitive operating costs and taxes have made Manitoba one of the least expensive provinces in Canada to do business. More details on Manitoba's business cost advantage can be found in Appendix I, Manitoba's Competitive Environment for Manufacturing (see page 12).

Manitoba's Quality of Life Advantage

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 less than six kilometres, the lowest of any Canadian city with population over 500,000.

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

Manitobans care. The rate of volunteerism in the province is consistently among the highest in the nation. Moreover, Manitobans have the highest proportion of charitable giving of any province. This reflects Manitobans' community spirit and long tradition of helping others. The Government of Manitoba also provides indirect contributions to culture through tax credits on charitable donations. In 2003 over \$658 million was donated

to all registered charities in the province, including \$310 million from individuals. Through income tax deductions and credits, the government of Manitoba supported charitable donations in the amount of \$105 million in 2003, including \$49 million in tax credits to individuals.

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 fascinating mosaic of cultural and artistic accomplishments. For more details, see The Manitoba Arts and Culture Advantage, page 9.

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 2005, an entertainment industry survey showed that the Centre had become one of the top ticket venues in North America. In 2007, the MTS Centre will be the site of the Women's World Hockey Championships. The location of this state-of-the-art facility in downtown Winnipeg is also acting as a catalyst for further development of Winnipeg's downtown district, which is already the site of many major capital projects this year.

Manitoba has a long sporting tradition. There are professional sports teams in the Canadian Football League, American Hockey League and the Northern Baseball League. With more than 120 golf courses, Manitoba has one of the highest ratios of golf courses to golfers in Canada, as well as one of the highest golfing participation rates in Canada. More than one in four Manitobans tee off in the province each year. In 2006, football fans from across Canada will

Manitoba's diverse population has created a rich and fascinating mosaic of cultural and artistic accomplishments.

*Manitobans enjoy their
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Beaches, lakes, rivers and
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converge in Winnipeg in the fall as we play host to the CFL Grey Cup Championship game.

Manitobans enjoy their natural environment. Beaches, lakes, rivers and parks are an integral part of Manitoba's quality of life. Manitoba is a province of 100,000 lakes – you're never far from an opportunity to participate in water sports like canoeing, kayaking, 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 homeownership 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 2006 builds on Manitoba's considerable advantages. To show Manitoba's cost competitiveness in more detail, two Appendices are attached. The first, Manitoba's Competitive Environment for Manufacturing, provides a detailed comparison of the taxes and costs faced by representative manufacturers in various Canadian and U.S. cities (see page 12). The second is an Interprovincial Comparison of Annual Personal Costs and Taxes (see page 19).

■ THE MANITOBA ARTS AND CULTURE ADVANTAGE

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

The Manitoba Arts and Culture Scene

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

Our Aboriginal communities are among the largest and most creative in Canada, and new initiatives by the government of Manitoba continue to enrich our communities. The Aboriginal Cultural Initiatives Program, the Aboriginal Arts Education Program and the Aboriginal Music Program help to bring the creative genius of our Aboriginal community together to the benefit of all Manitobans. In November, Manitoba will host the 2006 Canadian Aboriginal Music Awards and launch the new Manito Ahbee Festival. The weekend-long event will be an exciting celebration of Manitoba's dynamic Aboriginal culture and heritage.

Manitoba's cultural industries continue to enjoy a high degree of profile, success and recognition on national and international stages. In the fall of 2005, local novelist David Bergen was awarded the 2005 Giller Prize for his book *The Time in Between*. The Giller Prize is Canada's top literary award and Mr. Bergen was the first Manitoban to ever receive this important award. The locally shot feature film *Capote* has been nominated for five 2006 Academy Awards® – including Best Picture. This marks the first time a Manitoba-made feature film has received such prestigious Academy Awards® nominations. Eight Manitobans have also recently received 2006 Juno Award nominations – the second year in a row that Manitoba has garnered eight nominations for the country's highest music industry awards.

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

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

Many of Canada's premier cultural attractions are found in Manitoba. The world famous Royal Winnipeg Ballet was one of the first dance companies to be established in Canada and performs

around the world. The Manitoba Theatre Centre, the Winnipeg Symphony Orchestra, the Manitoba Opera, the Winnipeg Art Gallery, the Costume Museum of Canada, and sites like Lower Fort Garry and The Forks, are only a small sample of the many attractions found throughout the province. The Manitoba Museum is a highlight for visitors to the province, and has achieved the Michelin Guide three-star rating.

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

There are also exceptional 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 one of the busiest ticket venue locations in North America. The MTS Centre is just one of many new investments in Winnipeg's downtown district.

Manitoba boasts many world-class festivals throughout the year. In winter, the Festival du Voyageur 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. In 2006, visitors to the Fair will enjoy the benefits of Brandon's new agriculture centre of excellence venue.

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, boasted a total paid attendance of over 66,000 in the summer of 2005. The Winnipeg Folk Festival attracts over 55,000 attendees and contributes more than \$16 million to the provincial economy. Other important festivals include the Jazz Winnipeg Festival, Canada's National Ukrainian Festival in Dauphin and the 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.

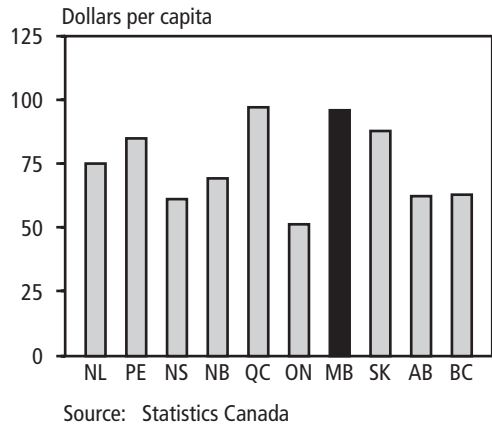
Provincial Support for Arts and Culture

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

Culture and the arts are actively supported by the Manitoba government, which 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 has the second-highest provincial per capita spending on culture. In addition, the province provides substantial support to cultural organizations in Manitoba through tax credits on charitable contributions to these organizations.

The video and film production industry is rapidly expanding in the province with production budgets of almost \$100 million last year. Through the Manitoba Film and Video Production Tax Credit, direct equity financing and other programs, the Manitoba government provided over \$18.2 million in direct support for this industry in 2005/06. In 2005, Manitoba announced that it will strengthen its support for film production in the province through enhancements to the Film Tax Credit program.

Provincial Government Per Capita Expenditures on Culture, 2003/04



■ Appendix 1: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

Manufacturing is Manitoba's largest economic sector, accounting for approximately 13% 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.

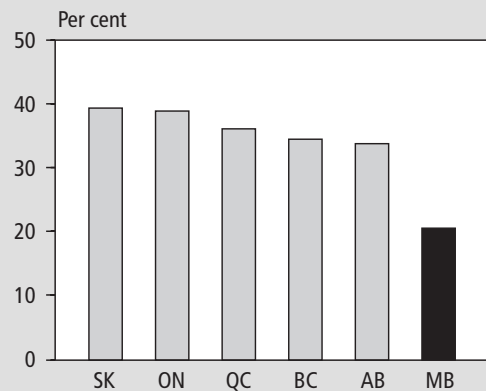
In 2005, manufacturing industries employed 69,000 people, or one in eight Manitoba workers. Only in Quebec and Ontario does manufacturing account for a greater share of total employment. Many more Manitobans work in industries that depend on manufacturing activities.

Manitoba's Marginal Effective Tax Rate for Manufacturing

The Marginal Effective Tax Rate (METR) is an alternative and increasingly common tool for comparing the impact of taxes on investment decisions. The results of the METR analysis are broadly consistent with the results of the Manitoba manufacturing competitiveness model. Recent reports by the C.D. Howe Institute¹ and the federal Department of Finance² have shown that Manitoba has the lowest METR for manufacturing west of New Brunswick. (The METR in the Atlantic Provinces is lower because of the federal Atlantic Investment Tax Credit. Assessed solely on provincial taxes, Manitoba has the lowest METR for manufacturing among all the provinces.)

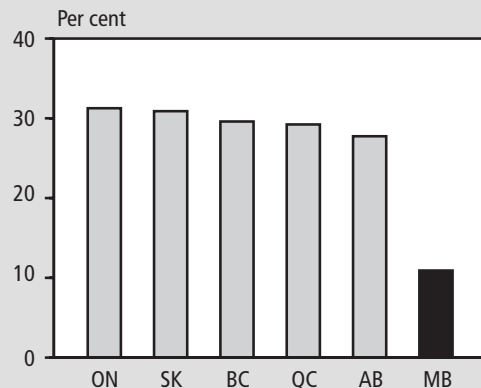
The charts to the right show the calculated manufacturing METR for the six non-Atlantic provinces from the C.D. Howe and Finance Canada studies. Due to differences in methodology, and the use of two different tax years, 2005 and 2010, respectively, the two studies report different values for METRs. Manitoba has the best ranking in both.

METR, C.D. Howe, 2005



Source: The 2005 Tax Competitiveness Report: Unleashing the Canadian Tiger

METR, Finance Canada, 2010



Source: Tax Expenditures and Evaluations, 2005

1 www.cdhowe.org/pdf/commentary_216.pdf

2 www.fin.gc.ca/taxexp/2005/taxexp2005_e.pdf

Manitoba's manufacturing sector is highly diversified, producing a broad range of industrial and consumer goods. Major manufactured goods include urban and intercity buses, aerospace equipment, chemicals and fertilizers, machinery, pharmaceuticals, processed meats, processed vegetables and grain products, furniture, apparel, newsprint, plastic products, 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 other major metropolitan centres, and Manitoba's published 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 governments. The representative firms' profiles have been updated using the most recent data available from Statistics Canada, local economic development boards and other public information sources.

Interjurisdiction Competitiveness

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

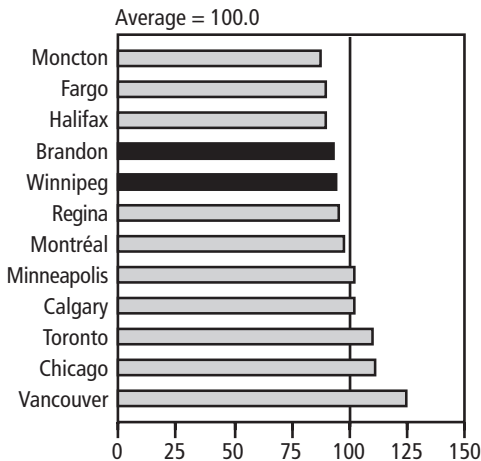
- net cost of investment, or start-up costs (including applicable taxes)
- pre-tax net income
- effective tax rates
- internal rates of return

This analysis uses a variable cost model and calculates net revenue and cash flow, including 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.

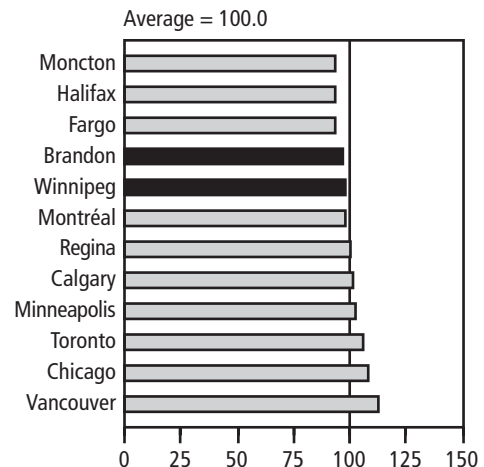
Net Cost of Investment

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. The net cost of investment for larger metropolitan centres tends to be higher than the overall average, primarily because of the cost of land and construction labour costs. The results presented are consistent with those of previous years.

Net Cost of Investment Small Manufacturing Firm



Net Cost of Investment Larger Manufacturing Firm



Pre-Tax Net Income

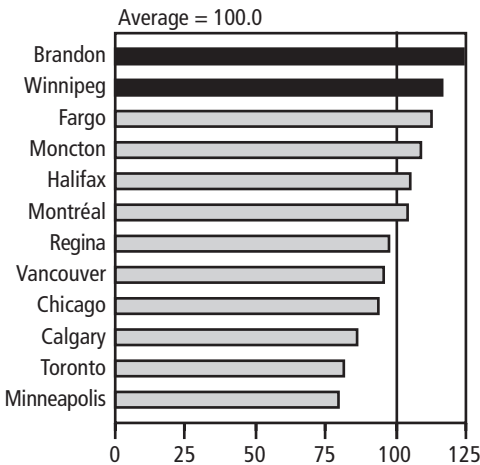
The model calculates pre-tax net income by subtracting from a common level of revenue the following location-sensitive operating costs:

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

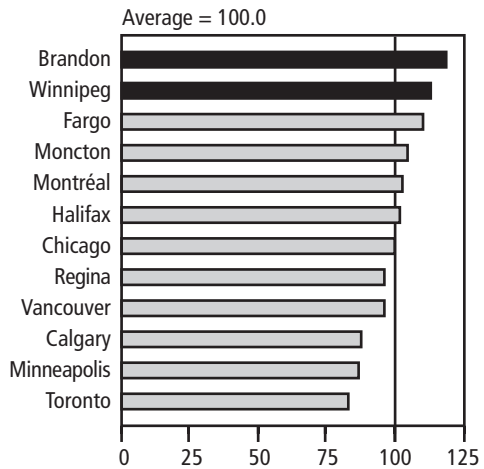
Pre-tax net income is used to compare Manitoba's cost competitiveness to the other locations. A higher pre-tax income indicates lower operating costs in a given jurisdiction. The sales figures used in the simulation model are fixed across the cities, \$4 million for the small firm and \$45 million for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

Brandon 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
- tax holidays
- accelerated capital cost allowances
- preferential tax rates

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

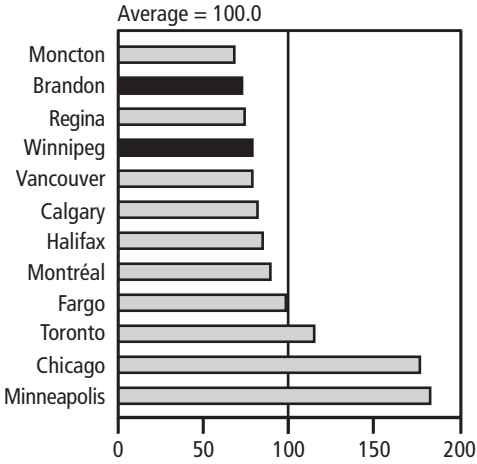
The effective tax rates in Manitoba are well below the overall average. Among Canadian cities, Manitoba cities have lower than average effective tax rates for small manufacturing firms. They are average for larger firms.

Overall Competitiveness

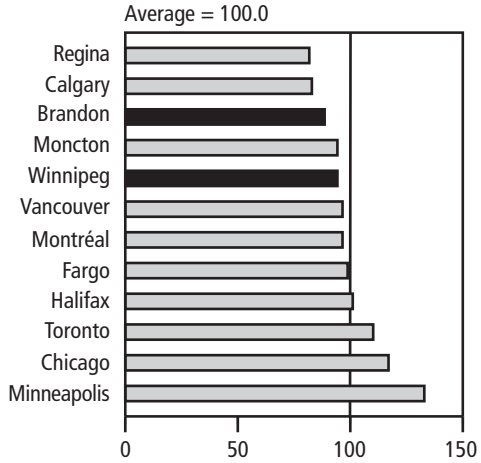
Overall competitiveness is compared by calculating internal rates of return. The internal rate of return is commonly used for business investment and location decision making. The following charts illustrate the combined effect of taxes and costs on the internal rates of return for the representative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

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

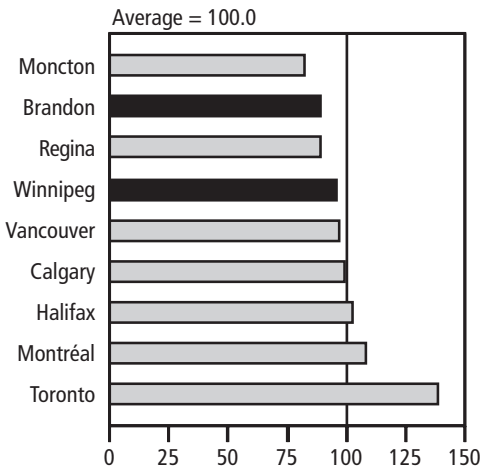
Effective Tax Rates Small Manufacturing Firm



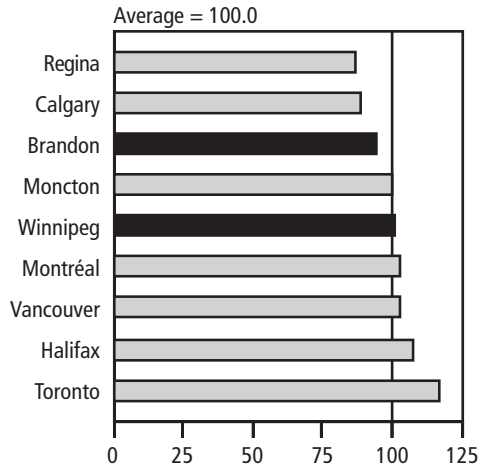
Effective Tax Rates Larger Manufacturing Firm



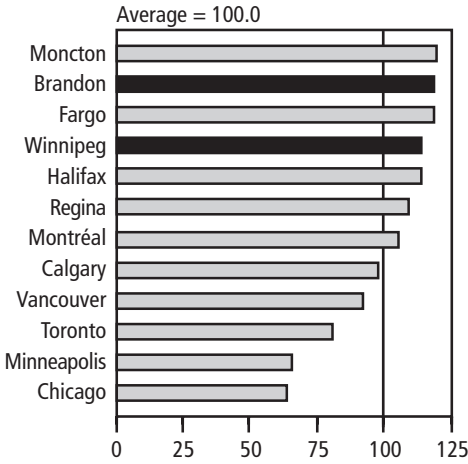
Effective Tax Rates Small Manufacturing Firm Canadian Cities



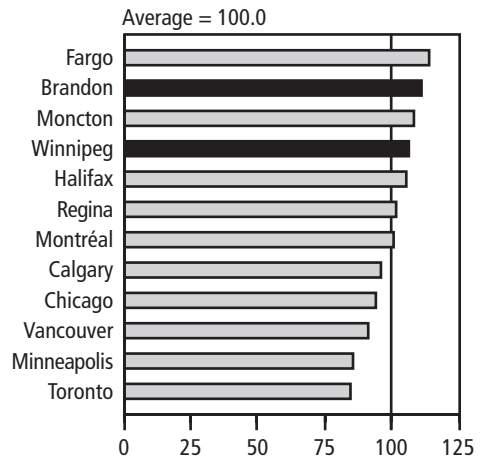
Effective Tax Rates Larger Manufacturing Firm Canadian Cities



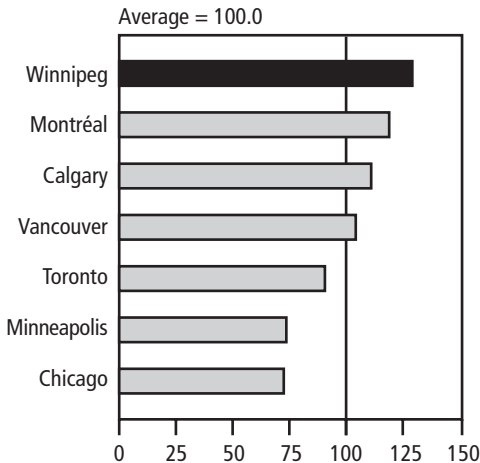
**Internal Rates of Return
Small Manufacturing Firm**



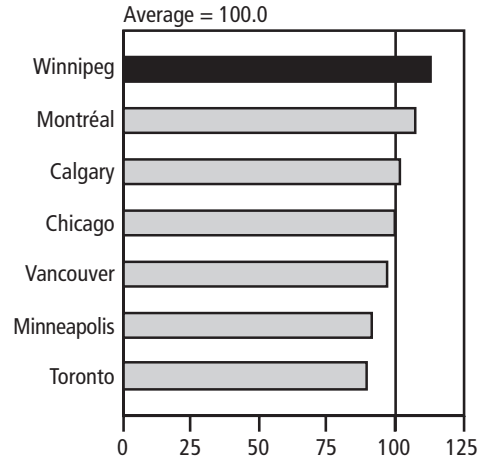
**Internal Rates of Return
Larger Manufacturing Firm**



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



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



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

CONCLUSION

The above results are comparable to those shown in previous budgets. Manitoba continues to maintain a highly competitive cost and taxation environment for both small and larger firms engaged in manufacturing and processing. Changes in the outcomes for other cities in the model are in part explained by adjustments to income tax rates in several jurisdictions, appreciation in the Canadian dollar relative to the U.S., and the differential between Canadian and U.S. interest rates.

■ Appendix 2: 2006 INTERPROVINCIAL COMPARISON OF ANNUAL PERSONAL COSTS AND TAXES

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

For 2006, Manitoba ranks first, second or third best in total costs among the six representative households.

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.

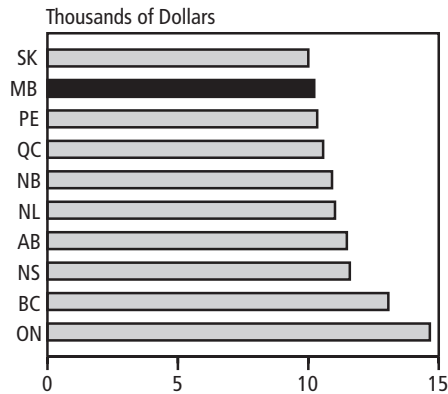
The combination of modest taxation levels and low living costs¹ means Manitobans enjoy a high standard of living. This makes Manitoba a more competitive and attractive location for both new and expanding businesses.

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

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

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

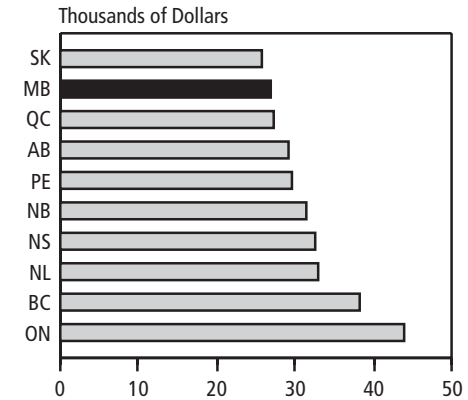
- second-lowest combined taxes and living costs in the country
- fourth-lowest provincial levies**



* includes income tax, retail sales tax, health premiums, rent, public transit costs, telephone service, electricity and heating

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

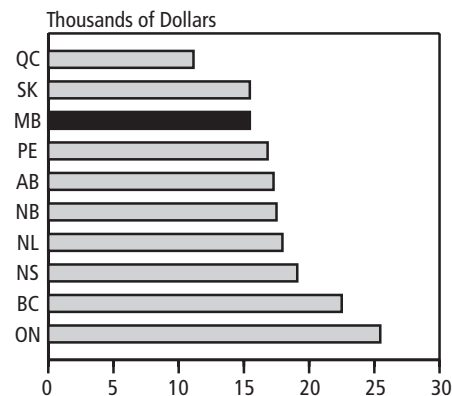
- second-lowest combined taxes and living costs in the country
- fourth-lowest provincial levies**



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

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

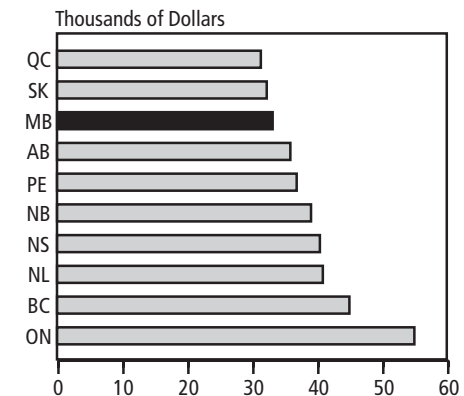
- third-lowest combined taxes and living costs in the country
- fourth-lowest provincial levies**



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

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

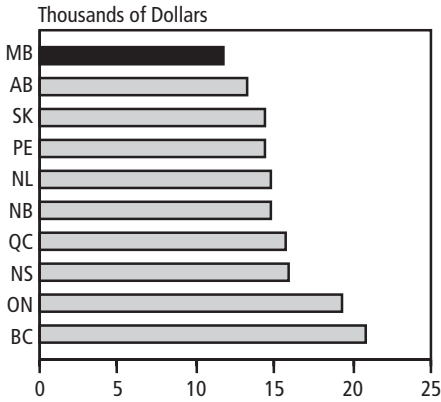
- third-lowest combined taxes and living costs in the country
- fifth-lowest provincial levies**



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

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

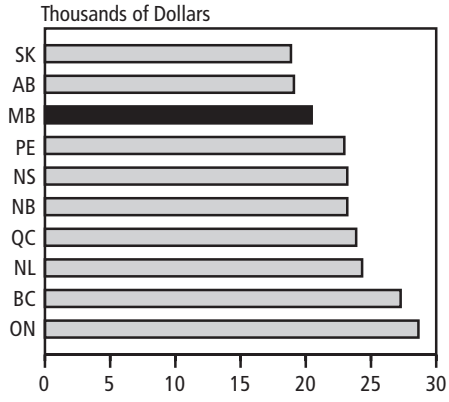
- lowest combined taxes and living costs in the country
- **third-lowest provincial levies****



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

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

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



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

2006 Comparison of Annual Personal Costs and Taxes

Single Person: \$30,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,091	1,333	2,047	1,823	1,152
Health Premiums	648	528	0	0	300
<u>PIT and Premiums</u>	<u>1,739</u>	<u>1,861</u>	<u>2,047</u>	<u>1,823</u>	<u>1,452</u>
Retail Sales Tax	344	0	384	378	450
<u>Provincial Levies</u>	<u>2,083</u>	<u>1,861</u>	<u>2,431</u>	<u>2,201</u>	<u>1,902</u>
Rent	9,456	7,992	6,060	6,468	10,656
Electricity	316	491	577	332	617
Public Transit	828	840	648	855	1,185
Telephone	319	285	264	300	271
<u>Living Costs</u>	<u>10,918</u>	<u>9,608</u>	<u>7,549</u>	<u>7,955</u>	<u>12,729</u>
Total Costs	<u>13,001</u>	<u>11,469</u>	<u>9,981</u>	<u>10,156</u>	<u>14,631</u>
Single Parent One Child: \$30,000	BC	AB	SK	MB	ON
Provincial Income Tax	149	0	566	296	(222)
Health Premiums	461	0	0	0	180
<u>PIT and Premiums</u>	<u>610</u>	<u>0</u>	<u>566</u>	<u>296</u>	<u>(42)</u>
Family/Employment Tax Credits	0	(537)	0	0	0
Child Benefits	0	0	0	0	(1,070)
Retail Sales Tax	448	0	500	491	585
Gasoline Tax	410	180	300	230	294
<u>Provincial Levies</u>	<u>1,468</u>	<u>(357)</u>	<u>1,366</u>	<u>1,017</u>	<u>(233)</u>
Rent	12,528	9,696	7,284	8,196	12,624
Child Care	6,494	5,650	4,903	4,579	9,178
Electricity	407	617	712	417	773
Auto Insurance	1,313	1,294	906	1,045	2,304
Telephone	319	285	264	300	271
<u>Living Costs</u>	<u>21,060</u>	<u>17,542</u>	<u>14,069</u>	<u>14,536</u>	<u>25,150</u>
Total Costs	<u>22,528</u>	<u>17,185</u>	<u>15,435</u>	<u>15,553</u>	<u>24,917</u>

Sums may not add due to rounding.

QC	NB	NS	PE	NL	Single Person: \$30,000
1,606	1,942	1,862	2,030	2,213	Provincial Income Tax
507	0	0	0	0	Health Premiums
<u>2,113</u>	<u>1,942</u>	<u>1,862</u>	<u>2,030</u>	<u>2,213</u>	<u>PIT and Premiums</u>
337	721	706	627	753	Retail Sales Tax
<u>2,450</u>	<u>2,664</u>	<u>2,568</u>	<u>2,657</u>	<u>2,966</u>	<u>Provincial Levies</u>
6,744	6,708	7,512	5,832	6,468	Rent
374	590	517	723	569	Electricity
756	672	720	816	756	Public Transit
271	264	300	293	263	Telephone
<u>8,145</u>	<u>8,234</u>	<u>9,049</u>	<u>7,665</u>	<u>8,056</u>	<u>Living Costs</u>
<u>10,596</u>	<u>10,897</u>	<u>11,617</u>	<u>10,322</u>	<u>11,022</u>	<u>Total Costs</u>
QC	NB	NS	PE	NL	Single Parent One Child: \$30,000
1,769	344	622	929	976	Provincial Income Tax
507	0	0	0	0	Health Premiums
<u>2,276</u>	<u>344</u>	<u>622</u>	<u>929</u>	<u>976</u>	<u>PIT and Premiums</u>
(166)	0	0	0	0	Family/Employment Tax Credits
(2,700)	(149)	0	0	0	Child Benefits
504	938	917	815	979	Retail Sales Tax
334	290	310	414	330	Gasoline Tax
<u>248</u>	<u>1,423</u>	<u>1,850</u>	<u>2,158</u>	<u>2,285</u>	<u>Provincial Levies</u>
7,392	8,100	9,144	7,404	7,608	Rent
1,820	5,962	5,980	4,940	5,425	Child Care
450	715	647	878	696	Electricity
1,063	1,049	1,233	1,095	1,586	Auto Insurance
271	264	300	293	263	Telephone
<u>10,996</u>	<u>16,090</u>	<u>17,304</u>	<u>14,611</u>	<u>15,578</u>	<u>Living Costs</u>
<u>11,244</u>	<u>17,513</u>	<u>19,153</u>	<u>16,769</u>	<u>17,863</u>	<u>Total Costs</u>

2006 Comparison of Annual Personal Costs and Taxes

One-Earner

Family of 4: \$40,000

	BC	AB	SK	MB	ON
Provincial Income Tax	1,315	787	1,689	2,100	1,139
Health Premiums	1,296	1,056	0	0	450
PIT and Premiums	2,611	1,843	1,689	2,100	1,589
Family/Employment Tax Credits	0	(450)	0	0	0
Child Benefits	0	0	0	0	0
Property Tax Credits	(570)	0	0	(400)	(42)
Retail Sales Tax	798	0	1,031	964	1,194
Gasoline Tax	410	180	300	230	294
Provincial Levies	3,249	1,573	3,020	2,894	3,035
Mortgage Costs	11,838	6,439	4,643	3,510	9,132
Property Taxes	1,996	1,747	3,338	2,379	2,306
Home Heating	1,219	1,045	968	1,132	1,411
Electricity	588	869	982	587	1,084
Auto Insurance	1,421	1,376	1,078	1,006	1,982
Telephone	319	285	264	300	271
Living Costs	17,381	11,761	11,272	8,913	16,186
Total Costs	20,630	13,334	14,293	11,807	19,221

One-Earner

Family of 4: \$60,000

	BC	AB	SK	MB	ON
Provincial Income Tax	3,139	2,776	4,278	5,019	3,316
Health Premiums	1,296	1,056	0	0	600
PIT and Premiums	4,435	3,832	4,278	5,019	3,916
Child Benefits	0	0	0	0	0
Property Tax Credits	(570)	0	0	(400)	0
Retail Sales Tax	1,024	0	1,320	1,333	1,594
Gasoline Tax	410	180	300	230	294
Provincial Levies	5,299	4,012	5,898	6,182	5,804
Mortgage Costs	15,234	8,932	5,310	6,539	13,831
Property Taxes	2,569	2,424	3,817	4,431	3,493
Home Heating	1,475	839	1,262	1,229	1,696
Electricity	770	1,121	1,252	756	1,396
Auto Insurance	1,421	1,376	1,078	1,006	1,982
Telephone	319	285	264	300	271
Living Costs	21,787	14,977	12,983	14,260	22,669
Total Costs	27,086	18,989	18,881	20,442	28,472

Sums may not add due to rounding.

QC	NB	NS	PE	NL	
2,510	2,520	2,759	2,698	3,119	One-Earner
1,014	0	0	0	0	Family of 4: \$40,000
<u>3,524</u>	<u>2,520</u>	<u>2,759</u>	<u>2,698</u>	<u>3,119</u>	Provincial Income Tax
(280)	0	0	0	0	Health Premiums
(3,073)	0	0	0	0	<u>PIT and Premiums</u>
(195)	0	0	0	0	Family/Employment Tax Credits
1,422	1,789	1,776	1,411	1,994	Child Benefits
334	290	310	414	330	Property Tax Credits
<u>1,732</u>	<u>4,599</u>	<u>4,845</u>	<u>4,523</u>	<u>5,443</u>	Retail Sales Tax
7,048	4,405	5,274	3,926	3,808	Gasoline Tax
3,008	1,968	1,568	1,690	1,512	<u>Provincial Levies</u>
1,636	1,531	1,675	1,542	1,076	Mortgage Costs
600	966	905	1,188	950	Property Taxes
1,342	1,048	1,247	1,136	1,663	Home Heating
271	264	300	293	263	Electricity
<u>13,905</u>	<u>10,182</u>	<u>10,969</u>	<u>9,776</u>	<u>9,272</u>	Auto Insurance
15,637	14,781	15,815	14,299	14,714	Telephone
					<u>Living Costs</u>
					Total Costs
QC	NB	NS	PE	NL	
5,984	5,474	5,754	5,473	6,355	One-Earner
1,014	0	0	0	0	Family of 4: \$60,000
<u>6,998</u>	<u>5,474</u>	<u>5,754</u>	<u>5,473</u>	<u>6,355</u>	Provincial Income Tax
(2,397)	0	0	0	0	Health Premiums
0	0	0	0	0	<u>PIT and Premiums</u>
1,993	2,581	2,305	1,975	2,605	Child Benefits
334	290	310	414	330	Property Tax Credits
<u>6,928</u>	<u>8,345</u>	<u>8,369</u>	<u>7,862</u>	<u>9,290</u>	Retail Sales Tax
8,834	7,332	7,146	6,871	7,460	Gasoline Tax
3,681	2,736	2,544	2,958	2,693	<u>Provincial Levies</u>
1,908	2,177	2,312	2,313	1,787	Mortgage Costs
751	1,217	1,163	1,498	1,203	Property Taxes
1,342	1,048	1,247	1,136	1,663	Home Heating
271	264	300	293	263	Electricity
<u>16,787</u>	<u>14,775</u>	<u>14,711</u>	<u>15,069</u>	<u>15,069</u>	Auto Insurance
23,715	23,120	23,080	22,931	24,359	Telephone
					<u>Living Costs</u>
					Total Costs

2006 Comparison of Annual Personal Costs and Taxes

Two-Earner

Family of 4: \$60,000

	BC	AB	SK	MB	ON
Provincial Income Tax	1,424	1,892	2,899	3,312	1,296
Health Premiums	1,296	1,056	0	0	300
<u>PIT and Premiums</u>	<u>2,720</u>	<u>2,948</u>	<u>2,899</u>	<u>3,312</u>	<u>1,596</u>
Child Benefits	0	0	0	0	0
Property Tax Credits	(570)	0	0	(400)	(65)
Retail Sales Tax	1,024	0	1,320	1,333	1,594
Gasoline Tax	615	270	450	345	441
<u>Provincial Levies</u>	<u>3,789</u>	<u>3,218</u>	<u>4,669</u>	<u>4,590</u>	<u>3,566</u>
Mortgage Costs	15,234	8,932	5,310	6,539	13,831
Property Taxes	2,569	2,424	3,817	4,431	3,493
Child Care	11,264	9,600	7,356	6,938	15,291
Home Heating	1,475	839	1,262	1,229	1,696
Electricity	770	1,121	1,252	756	1,396
Auto Insurance	2,734	2,670	1,984	2,051	4,286
Telephone	319	285	264	300	271
<u>Living Costs</u>	<u>34,364</u>	<u>25,871</u>	<u>21,245</u>	<u>22,243</u>	<u>40,264</u>
Total Costs	<u>38,152</u>	<u>29,089</u>	<u>25,914</u>	<u>26,833</u>	<u>43,830</u>

Two-Earner

Family of 5: \$75,000

	BC	AB	SK	MB	ON
Provincial Income Tax	2,225	2,756	3,758	4,390	2,212
Health Premiums	1,296	1,056	0	0	450
<u>PIT and Premiums</u>	<u>3,521</u>	<u>3,812</u>	<u>3,758</u>	<u>4,390</u>	<u>2,662</u>
Child Benefits	0	0	0	0	0
Property Tax Credits	(570)	0	0	(400)	0
Retail Sales Tax	1,279	0	1,894	1,779	1,890
Gasoline Tax	615	270	450	345	441
<u>Provincial Levies</u>	<u>4,845</u>	<u>4,082</u>	<u>6,102</u>	<u>6,115</u>	<u>4,993</u>
Mortgage Costs	15,234	8,932	5,310	6,539	13,831
Property Taxes	2,569	2,424	3,817	4,431	3,493
Child Care	16,793	15,570	12,443	11,618	24,951
Home Heating	1,475	839	1,262	1,229	1,696
Electricity	770	1,121	1,252	756	1,396
Auto Insurance	2,734	2,670	1,984	2,051	4,286
Telephone	319	285	264	300	271
<u>Living Costs</u>	<u>39,893</u>	<u>31,841</u>	<u>26,332</u>	<u>26,923</u>	<u>49,924</u>
Total Costs	<u>44,738</u>	<u>35,923</u>	<u>32,434</u>	<u>33,038</u>	<u>54,917</u>

Sums may not add due to rounding.

QC	NB	NS	PE	NL	Two-Earner Family of 4: \$60,000
4,857	3,117	3,146	3,554	3,905	Provincial Income Tax
1,014	0	0	0	0	Health Premiums
<u>5,871</u>	<u>3,117</u>	<u>3,146</u>	<u>3,554</u>	<u>3,905</u>	<u>PIT and Premiums</u>
(2,397)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,993	2,581	2,305	1,975	2,605	Retail Sales Tax
501	435	465	621	495	Gasoline Tax
<u>5,968</u>	<u>6,133</u>	<u>5,916</u>	<u>6,150</u>	<u>7,005</u>	<u>Provincial Levies</u>
8,834	7,332	7,146	6,871	7,460	Mortgage Costs
3,681	2,736	2,544	2,958	2,693	Property Taxes
3,437	9,283	10,496	7,306	9,300	Child Care
1,908	2,177	2,312	2,313	1,787	Home Heating
751	1,217	1,163	1,498	1,203	Electricity
2,405	2,097	2,480	2,231	3,249	Auto Insurance
271	264	300	293	263	Telephone
<u>21,287</u>	<u>25,107</u>	<u>26,440</u>	<u>23,470</u>	<u>25,955</u>	<u>Living Costs</u>
<u>27,255</u>	<u>31,240</u>	<u>32,356</u>	<u>29,620</u>	<u>32,961</u>	<u>Total Costs</u>

QC	NB	NS	PE	NL	Two-Earner Family of 5: \$75,000
6,981	4,379	4,426	4,825	5,386	Provincial Income Tax
1,014	0	0	0	0	Health Premiums
<u>7,995</u>	<u>4,379</u>	<u>4,426</u>	<u>4,825</u>	<u>5,386</u>	<u>PIT and Premiums</u>
(2,821)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
2,743	3,162	2,974	2,782	3,530	Retail Sales Tax
501	435	465	621	495	Gasoline Tax
<u>8,419</u>	<u>7,975</u>	<u>7,865</u>	<u>8,228</u>	<u>9,410</u>	<u>Provincial Levies</u>
8,834	7,332	7,146	6,871	7,460	Mortgage Costs
3,681	2,736	2,544	2,958	2,693	Property Taxes
5,257	15,263	16,476	12,246	14,725	Child Care
1,908	2,177	2,312	2,313	1,787	Home Heating
751	1,217	1,163	1,498	1,203	Electricity
2,405	2,097	2,480	2,231	3,249	Auto Insurance
271	264	300	293	263	Telephone
<u>23,107</u>	<u>31,087</u>	<u>32,420</u>	<u>28,410</u>	<u>31,380</u>	<u>Living Costs</u>
<u>31,526</u>	<u>39,062</u>	<u>40,284</u>	<u>36,638</u>	<u>40,791</u>	<u>Total Costs</u>

NOTES

Taxes¹, charges and living costs are based on information available on February 1, 2006, for the following major urban centres in each province: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal, Fredericton, Halifax, Charlottetown and St. John's.

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

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

Retail Sales Tax is based upon an average expenditure basket at the selected gross income levels from the *2000 Survey of Household Expenditures* (Statistics Canada), inflated to 2006 values and adjusted for family size.

Gasoline Tax is based on annual consumption of 2,000 litres for single-vehicle families and 3,000 litres for the two-earner family at \$60,000 and \$75,000; this includes the 6 cents and 1.5 cents per litre levy applied by Vancouver and Montréal, respectively. 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.

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 2005*, for a 25-year term, amortized over five years at an interest rate of 6.33%.

Property Taxes are calculated 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 2005*.

Rent is from Canada Mortgage and Housing Corporation's *Rental Market Survey*, October 2005, 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.

¹ Tables reflect 2006 budget changes only for British Columbia and Manitoba.

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

Auto Insurance for two-parent families is based on a 2003 Chevrolet Impala. Coverage includes \$1 million third-party liability, and \$200 all-perils deductible in Saskatchewan and Manitoba; \$250 all-perils deductible in Alberta, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador; \$300 all-perils deductible in British Columbia. The driver is married, age 35, has been accident-free for seven or more years; the auto is driven to work (15 kilometres one way). The two-earner families with \$60,000 and \$75,000 of income also insure a 2000 Chevrolet Cavalier, with identical coverage and driver risk rating as the Impala. The single-parent family is based on the 2000 Chevrolet Cavalier. Rates for British Columbia, Saskatchewan and Manitoba supplied by Manitoba Public Insurance; rates in other urban centres are the average of between 8 and 12 of the larger private insurers available in those provinces.

Transit Fares are based on adult (single zone) monthly pass rates in effect in February 2006. The Charlottetown fare is based on adult tickets for 240 working days.

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

Electricity charges are based on annual consumption of 9,000 kilowatt hours (kW h) for the two-parent family at \$40,000, and 12,000 kW h for the two-parent family at \$60,000 and \$75,000 of income; 6,000 kW h for the single-parent family; and 4,500 kW h of usage for the tenant. Rates do not include municipal taxes or charges, and are based on residential rates in effect February 1, 2006.

Telephone charges are the basic service rates for individual residences.