

■ Appendix 2: THE MANITOBA ADVANTAGE

Manitoba is a diversified economy where no single industry dominates the industrial base. Manitoba has been quick to adjust to the changing global market conditions. With emerging markets increasingly driving global growth, Manitoba has expanded its sales to Asia, the Middle East and Africa.

Diversity has provided Manitoba with balance, stability and measured growth over the long term. It has helped generate the best record for consistent growth in capital investment of all provinces, and supported the largest increase in population in 40 years.

Manitoba provides businesses and residents with a unique set of benefits that we call “The Manitoba Advantage:”

- a productive, well-educated and multilingual labour force that consistently generates among the lowest unemployment rate and the highest overall labour force participation rate in Canada;
- a favourable business cost environment, including competitive office and land costs, reasonable construction costs and affordable taxes;
- a supportive capital investment information network for new and expanding business includes Manitoba Business Gateways, Yes! Winnipeg and CentrePort Canada, among others;
- an extensive network of R&D facilities and communication infrastructure supporting innovation and productivity;
- a convenient mid-continent location with cost-effective transportation links and intermodal facilities providing shipping by road, rail, air and sea, enhanced by CentrePort Canada, the country’s first foreign trade zone and inland port;
- a favourable cost of living, including among the lowest electricity costs in North America; reliable and accessible public services, including quality universal public health care and education;
- a dynamic cultural and artistic community with a strong background of caring, high level of charitable giving and volunteering; and an attractive natural environment with plenty of opportunities for recreation and relaxation which further enhance Manitobans’ quality of life.

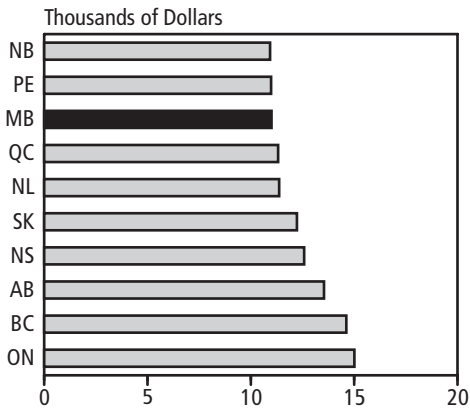
To show Manitoba’s cost competitiveness in more detail, several analyses are provided. The interprovincial comparison of annual personal costs and taxes, net of credits and rebates, compares provinces’ living costs and tax levels for a variety of family types (see p. C22) and graduate students (see p. C26).

Manitoba’s Competitive Environment for Manufacturing, provides a detailed comparison of the taxes and costs faced by representative manufacturers in various Canadian and U.S. cities (see p. C30).

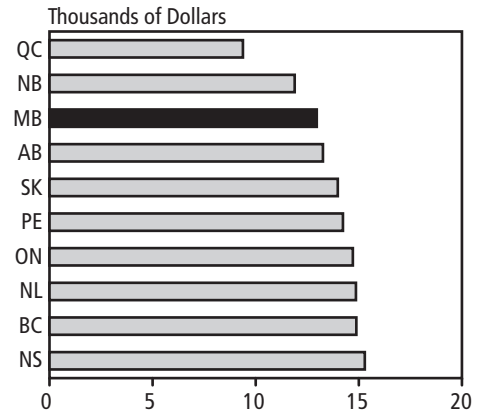
Since 1999, Manitoba’s overall provincial rankings for personal costs and taxes have been among the best in Canada. For 2012, Manitoba’s performance remains favourable. Interprovincial comparison of provincial taxes, utilities and housing costs for five representative family types continues to leave Manitoba ranking in the top three most affordable provinces in which to live and work.

2012 Comparison of Personal Costs and Taxes

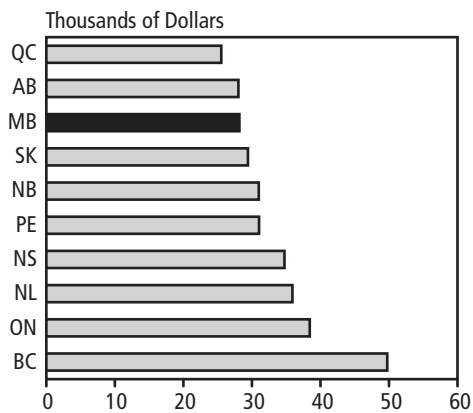
Single Person Earning \$30,000



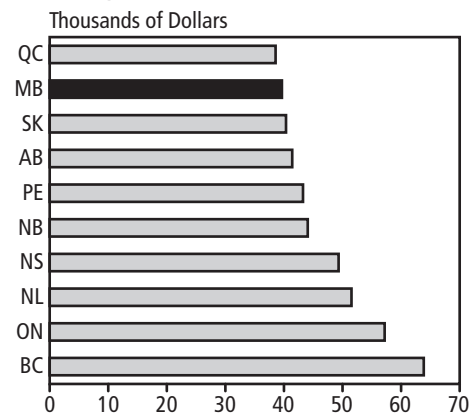
Single Parent Earning \$30,000



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



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



2012 Comparison of Personal Costs and Taxes

Single Person: \$30,000	BC	AB	SK	MB	ON
Provincial Income Tax	833	1,086	1,245	1,407	427
Health Premiums	768	0	0	0	300
<u>Subtotal PIT and Premiums</u>	<u>1,601</u>	<u>1,086</u>	<u>1,245</u>	<u>1,407</u>	<u>727</u>
Provincial Sales Tax	326	0	139	288	491
Carbon Tax Credit	(116)	0	0	0	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>1,811</u>	<u>1,086</u>	<u>1,383</u>	<u>1,695</u>	<u>1,218</u>
Rent	11,568	10,788	9,444	8,136	11,724
Utilities	316	652	606	341	629
Public Transit	923	1,015	801	824	1,436
<u>Total Living Costs</u>	<u>12,807</u>	<u>12,455</u>	<u>10,851</u>	<u>9,301</u>	<u>13,789</u>
Total Personal Costs and Taxes	<u>14,618</u>	<u>13,541</u>	<u>12,234</u>	<u>10,996</u>	<u>15,007</u>

Single Parent, One Child: \$30,000	BC	AB	SK	MB	ON
Provincial Income Tax	(154)	0	(446)	(70)	(809)
Health Premiums	835	0	0	0	300
<u>Subtotal PIT and Premiums</u>	<u>681</u>	<u>0</u>	<u>(446)</u>	<u>(70)</u>	<u>(509)</u>
Family/Employment Tax Credits	0	(715)	0	0	0
Child Benefits	0	0	0	0	(210)
Provincial Sales Tax	423	0	180	374	639
Carbon Tax Credit	(231)	0	0	0	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>873</u>	<u>(715)</u>	<u>(266)</u>	<u>305</u>	<u>(80)</u>
Rent	11,568	10,788	9,444	8,136	11,724
Child Care	1,200	1,524	3,396	3,358	1,000
Utilities	316	652	606	341	629
Public Transit	923	1,015	801	824	1,436
<u>Total Living Costs</u>	<u>14,007</u>	<u>13,979</u>	<u>14,247</u>	<u>12,659</u>	<u>14,789</u>
Total Personal Costs and Taxes	<u>14,880</u>	<u>13,264</u>	<u>13,981</u>	<u>12,964</u>	<u>14,708</u>

Sums may not add due to rounding.

QC	NB	NS	PE	NL		Single Person: \$30,000
1,145	1,602	1,508	2,002	1,532		Provincial Income Tax
949	0	0	0	0		Health Premiums
<u>2,094</u>	<u>1,602</u>	<u>1,508</u>	<u>2,002</u>	<u>1,532</u>		<u>Subtotal PIT and Premiums</u>
511	472	631	378	519		Provincial Sales Tax
0	0	0	0	0		Carbon Tax Credit
<u>2,605</u>	<u>2,074</u>	<u>2,139</u>	<u>2,380</u>	<u>2,051</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
7,692	7,644	9,036	7,224	7,992		Rent
326	508	637	723	554		Utilities
698	709	766	649	775		Public Transit
<u>8,716</u>	<u>8,861</u>	<u>10,439</u>	<u>8,596</u>	<u>9,321</u>		<u>Total Living Costs</u>
<u>11,321</u>	<u>10,935</u>	<u>12,578</u>	<u>10,977</u>	<u>11,373</u>		<u>Total Personal Costs and Taxes</u>

QC	NB	NS	PE	NL		Single Parent, One Child: \$30,000
1,171	44	497	1,039	0		Provincial Income Tax
620	0	0	0	0		Health Premiums
<u>1,791</u>	<u>44</u>	<u>497</u>	<u>1,039</u>	<u>0</u>		<u>Subtotal PIT and Premiums</u>
(551)	(250)	0	0	0		Family/Employment Tax Credits
(3,056)	(67)	0	0	0		Child Benefits
664	613	820	491	674		Provincial Sales Tax
0	0	0	0	0		Carbon Tax Credit
<u>(1,152)</u>	<u>340</u>	<u>1,317</u>	<u>1,531</u>	<u>674</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
7,692	7,644	9,036	7,224	7,992		Rent
1,820	2,686	3,531	4,104	4,860		Child Care
326	508	637	723	554		Utilities
698	709	766	649	775		Public Transit
<u>10,536</u>	<u>11,547</u>	<u>13,970</u>	<u>12,700</u>	<u>14,181</u>		<u>Total Living Costs</u>
<u>9,385</u>	<u>11,887</u>	<u>15,287</u>	<u>14,231</u>	<u>14,856</u>		<u>Total Personal Costs and Taxes</u>

Sums may not add due to rounding.

2012 Comparison of Personal Costs and Taxes

Two-Earner Family of 4: \$60,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,132	1,645	483	3,046	679
Health Premiums	1,536	0	0	0	300
<u>Subtotal PIT and Premiums</u>	<u>2,668</u>	<u>1,645</u>	<u>483</u>	<u>3,046</u>	<u>979</u>
Family/Employment Tax Credits	0	(1,365)	0	0	0
Child Benefits	0	0	0	0	0
Property Taxes	3,291	2,114	2,684	2,728	2,999
Property Tax Credits	(570)	0	0	(700)	0
Provincial Sales Tax	1,103	0	695	1,106	1,824
Gasoline Tax	650	270	450	420	441
Carbon Tax Credit	(72)	0	0	0	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>7,071</u>	<u>2,664</u>	<u>4,312</u>	<u>6,600</u>	<u>6,243</u>
Mortgage Costs	23,471	11,807	9,837	8,267	13,231
Child Care	14,880	8,868	11,352	9,776	7,999
Utilities	1,661	2,024	1,972	1,599	2,065
Auto Insurance	2,719	2,664	1,949	1,885	8,666
<u>Total Living Costs</u>	<u>42,731</u>	<u>25,363</u>	<u>25,110</u>	<u>21,527</u>	<u>31,961</u>
Total Personal Costs and Taxes	<u>49,802</u>	<u>28,027</u>	<u>29,422</u>	<u>28,172</u>	<u>38,204</u>
Two-Earner Family of 5: \$75,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,768	2,484	1,297	4,142	1,445
Health Premiums	1,536	0	0	0	516
<u>Subtotal PIT and Premiums</u>	<u>3,304</u>	<u>2,484</u>	<u>1,297</u>	<u>4,142</u>	<u>1,961</u>
Family/Employment Tax Credits	0	(1,755)	0	0	0
Child Benefits	0	0	0	0	0
Property Taxes	3,655	2,950	3,671	3,596	5,151
Property Tax Credits	(570)	0	0	(700)	0
Provincial Sales Tax	1,387	0	565	1,301	2,308
Gasoline Tax	650	270	450	420	441
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>8,426</u>	<u>3,949</u>	<u>5,983</u>	<u>8,759</u>	<u>9,861</u>
Mortgage Costs	26,610	16,479	13,455	11,804	22,723
Child Care	23,400	14,940	15,678	14,495	12,500
Home Heating	2,768	3,373	3,286	2,665	3,442
Auto Insurance	2,719	2,664	1,949	1,885	8,666
<u>Total Living Costs</u>	<u>55,497</u>	<u>37,456</u>	<u>34,368</u>	<u>30,849</u>	<u>47,331</u>
Total Personal Costs and Taxes	<u>63,923</u>	<u>41,405</u>	<u>40,351</u>	<u>39,608</u>	<u>57,192</u>

Sums may not add due to rounding.

QC	NB	NS	PE	NL	Two-Earner Family of 4: \$60,000	
4,589	2,335	2,620	2,989	2,390		Provincial Income Tax
1,698	0	0	0	0		Health Premiums
<u>6,288</u>	<u>2,335</u>	<u>2,620</u>	<u>2,989</u>	<u>2,390</u>		<u>Subtotal PIT and Premiums</u>
0	(250)	0	0	0		Family/Employment Tax Credits
(2,698)	0	0	0	0		Child Benefits
3,083	2,790	2,332	2,600	1,545		Property Taxes
0	0	0	0	0		Property Tax Credits
1,979	1,751	2,274	1,263	1,923		Provincial Sales Tax
546	408	465	495	474		Gasoline Tax
0	0	0	0	0		Carbon Tax Credit
<u>9,198</u>	<u>7,034</u>	<u>7,691</u>	<u>7,347</u>	<u>6,333</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
8,280	6,010	7,744	6,010	7,694		Mortgage Costs
3,640	12,802	14,217	12,000	15,120		Child Care
2,149	2,879	2,704	3,974	3,641		Utilities
1,988	2,022	2,069	1,733	2,839		Auto Insurance
<u>16,057</u>	<u>23,713</u>	<u>26,734</u>	<u>23,717</u>	<u>29,294</u>		<u>Total Living Costs</u>
<u>25,255</u>	<u>30,747</u>	<u>34,425</u>	<u>31,064</u>	<u>35,627</u>		Total Personal Costs and Taxes

QC	NB	NS	PE	NL	Two-Earner Family of 5: \$75,000	
7,028	3,503	3,906	4,131	3,429		Provincial Income Tax
1,782	0	0	0	0		Health Premiums
<u>8,810</u>	<u>3,503</u>	<u>3,906</u>	<u>4,131</u>	<u>3,429</u>		<u>Subtotal PIT and Premiums</u>
0	(250)	0	0	0		Family/Employment Tax Credits
(3,200)	0	0	0	0		Child Benefits
5,152	3,859	3,196	3,299	2,306		Property Taxes
0	0	0	0	0		Property Tax Credits
2,396	2,204	2,781	1,367	2,232		Provincial Sales Tax
546	408	465	495	474		Gasoline Tax
<u>13,704</u>	<u>9,724</u>	<u>10,348</u>	<u>9,293</u>	<u>8,441</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
13,836	8,312	10,614	7,624	11,481		Mortgage Costs
5,460	19,203	21,793	18,000	22,680		Child Care
3,582	4,798	4,507	6,623	6,068		Home Heating
1,988	2,022	2,069	1,733	2,839		Auto Insurance
<u>24,866</u>	<u>34,335</u>	<u>38,983</u>	<u>33,980</u>	<u>43,068</u>		<u>Total Living Costs</u>
<u>38,570</u>	<u>44,059</u>	<u>49,331</u>	<u>43,273</u>	<u>51,509</u>		Total Personal Costs and Taxes

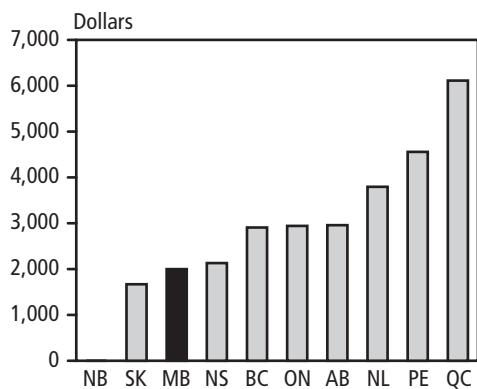
Sums may not add due to rounding.

2012 Comparison of Personal Costs and Taxes Net of Graduate Credits and Tuition Rebates

Single Person: \$50,000	BC	AB	SK	MB	ON
Provincial Income Tax	2,139	2,958	3,669	4,499	2,342
Graduate Tuition Credit/Rebate	0	0	(2,000)	(2,500)	0
Health Premiums	768	0	0	0	600
Subtotal PIT, Credit and Premiums	2,907	2,958	1,669	1,999	2,942
Property Taxes	3,291	2,114	2,684	2,728	2,999
Property Tax Credits	(570)	0	0	(700)	0
Provincial Sales Tax	479	0	260	470	777
Gasoline Tax	433	180	300	280	294
Total Provincial Taxes, Credits and Premiums	6,541	5,252	4,913	4,776	7,012
Mortgage Costs	23,471	11,807	9,837	8,267	13,231
Utilities	1,661	2,024	1,972	1,599	2,065
Auto Insurance	1,286	1,233	877	893	4,268
Total Living Costs	26,418	15,064	12,686	10,759	19,564
Total Personal Costs and Taxes	32,959	20,316	17,599	15,535	26,576

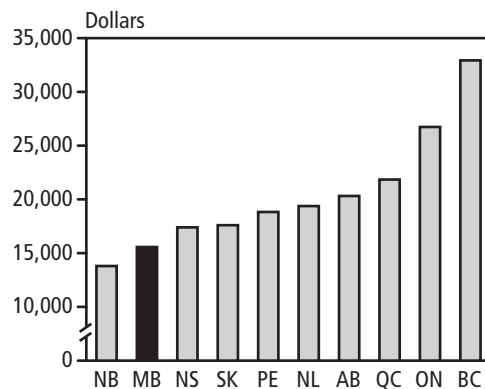
Sums may not add due to rounding.

Income Tax and Health Premiums, Net of Graduate Credits and Tuition Rebates



Source: Manitoba Finance

Personal Costs and Taxes - Graduate Earning \$50,000



Source: Manitoba Finance

QC	NB	NS	PE	NL	
5,051	3,781	4,631	4,557	3,795	Single Person: \$50,000
0	(3,781)	(2,500)	0	0	Provincial Income Tax
1,061	0	0	0	0	Graduate Tuition Credit/Rebate
<u>6,112</u>	<u>0</u>	<u>2,131</u>	<u>4,557</u>	<u>3,795</u>	Health Premiums
					<u>Subtotal PIT, Credit and Premiums</u>
3,083	2,790	2,332	2,600	1,545	Property Taxes
0	0	0	0	0	Property Tax Credits
852	741	978	558	818	Provincial Sales Tax
364	272	310	330	316	Gasoline Tax
<u>10,411</u>	<u>3,803</u>	<u>5,751</u>	<u>8,045</u>	<u>6,474</u>	<u>Total Provincial Taxes, Credits and Premiums</u>
8,280	6,010	7,744	6,010	7,694	Mortgage Costs
2,149	2,879	2,704	3,974	3,641	Utilities
816	942	983	813	1,377	Auto Insurance
<u>11,245</u>	<u>9,831</u>	<u>11,431</u>	<u>10,797</u>	<u>12,712</u>	<u>Total Living Costs</u>
<u>21,656</u>	<u>13,634</u>	<u>17,182</u>	<u>18,842</u>	<u>19,186</u>	Total Personal Costs and Taxes

Sums may not add due to rounding.

NOTES

Provincial taxes, credits and premiums are based on information available prior to April 1, 2012, (except for Manitoba, which includes Budget 2012 changes) for the following major urban centres in each province: Vancouver, Calgary, Saskatoon, Winnipeg, Toronto, Montréal, Saint John, Halifax, Charlottetown and St. John's.

Auto insurance coverage includes \$2 million Third Party Liability, a \$500 All Perils Deductible, accident benefits and \$2 million Standard Policy Form #44 family protection coverage for those jurisdictions without no-fault injury coverage, and La Société de l'Assurance Automobile du Québec injury protection in Montréal. Rates were provided by the Insurance Corporation of British Columbia for British Columbia, SGI Canada for Saskatchewan, and Manitoba Public Insurance (MPI) for Manitoba. Rates for other cities are the average of the quotes from 10 private insurers providing coverage in those provinces. Discounts for second or multiple vehicles, where available, are not included in the auto insurance calculations. Rebates issued by MPI or other insurers are also excluded. Auto insurance for the 2010 Dodge Grand Caravan SE and the 2003 Chevrolet Malibu are used in these examples, two of the more common vehicles driven in Manitoba.

Child-care costs are based on annual parent fees paid, less subsidies, for preschool aged children, typically over two years of age and under six years of age, for 260 days or 12 months per year. Manitoba and Quebec are the only provinces with regulated maximum parent fees. Fees for other provinces are those obtained from provincial offices, online and/or in a survey conducted in the first quarter of 2011.

Gasoline Tax is based on the annual consumption of 3,000 litres. The Gasoline Tax includes all provincial levies on gas, including carbon tax and sales tax where applicable.

Health premiums are annual premiums for hospital insurance and medical services in provinces which levy them. Quebec's Prescription Drug Plan, Parental Insurance Plan and health contribution are included.

Mortgage costs are based on average home prices for a detached bungalow for the family with \$60,000 of income and for the graduate with \$50,000 of income, and on an executive detached two-storey for a family with \$75,000 of income, from the "Royal LePage Fourth Quarter 2011 Survey of Canadian House Prices," with one-half of the home price being financed over 25 years at a one-year closed mortgage rate of 3.48%.

Net child benefits represent provincial programs comparable to the Canada Child Tax Benefit for families with children. Provincial child benefit measures are available in British Columbia (Family Bonus and the Earned Income Benefit), Alberta (Family Employment Tax Credit), Manitoba (Child Benefit), Ontario (Trillium Benefit), Quebec (Child Assistance Payments), New Brunswick (Child Tax Benefit and the Working Income Supplement), Nova Scotia (Child Benefit), and Newfoundland and Labrador (Child Benefit).

Property taxes for the family with \$60,000 and the graduate with \$50,000 of income are based on the estimated taxes for a sample detached bungalow from the City of Edmonton "2010 Residential Property Taxes and Utility Charges Survey" with the exception of Charlottetown whose property tax estimate is based on the Saskatchewan 2012 Budget Paper "2012 Intercity Comparison of Taxes, Utilities and Housing." Property taxes for the detached bungalow have been proportionally adjusted for a family with \$75,000 of income to reflect the taxes paid for an executive detached two storey.

Provincial income tax is calculated for a single renter with \$30,000 earned income, a single parent with one preschool child who rents and has \$30,000 in earned income, and the two family profiles with \$60,000 and \$75,000 of earned income, respectively. These incomes are before receipt of the Universal Child Care Benefit (UCCB), but the UCCB is used in the calculation of income tax. For the single parent, UCCB is treated as taxable income of the dependant child. Family profiles include two income earners (one spouse earns 60% of the family income while the other spouse earns 40%) and two preschool

children; or three preschool children. Personal non-refundable credits used include the CPP/QPP and EI contribution credits. For the single parent, child-care costs less subsidies for each province have been deducted from income. For two-earner families, eligible 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 for federal income tax. Refundable sales tax credits and provincial tax reductions and rebates have been deducted from income tax payable. Property tax credits for renters are included in income tax, but property tax credits for homeowners are shown separately.

Rent is from Canada Mortgage and Housing Corporation's Rental Market Survey, October 2011, and is based on the average one-bedroom apartment rent for each urban centre.

Provincial sales tax is based upon an average expenditure basket at the total income levels from the "2009 Survey of Household Spending" (Statistics Canada), inflated to 2012 values using each province's Consumer Price Index.

Transit fares are based on adult monthly pass rates in effect in January 2012. The impact of the federal non-refundable public transit tax credit has reduced the cost of transit fees shown for the single individual and single parent with one child examples.

Utilities are based on the Saskatchewan 2012 Budget Paper "2012 Intercity Comparison of Taxes, Utilities and Housing."

- **Home heating** charges are based on an annual consumption level of 2,800 cubic metres of natural gas for a detached bungalow for the family with \$60,000 of income and the graduate with \$50,000 of income. Annual consumption for the detached bungalow has been proportionally adjusted for the executive detached two storey. For the Atlantic provinces, the figures represent the BTU equivalent consumption of fuel oil.
- **Electricity charges** are based on the annual consumption of 8,100 kWh for a detached bungalow for the family with \$60,000 of income and the graduate with \$50,000 of income and 13,500 kWh for the family at \$75,000. Annual consumption of 4,500 kWh is used for the single person and single-parent renters. Rates do not include municipal taxes.

■ APPENDIX 3: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

Competitive operating costs and taxes have made Manitoba one of the least expensive provinces in Canada to do business. Among representative North American cities, both smaller and larger manufacturers in Brandon and Winnipeg rank at or near the best on start-up costs, net income, overall taxes and return on investment. Manitoba's competitive business environment continues to position Manitoba as an ideal manufacturing location due to:

- its central location and excellent transportation links to the rest of North America, including CentrePort Canada
- low industrial and commercial land costs
- electricity costs which are among the lowest in the world
- a skilled, well-educated and affordable work force
- one of the best R&D tax credit regimes
- low taxes on capital investments.

Manitoba Finance's competitiveness model compares the tax structure and cost environment for representative smaller and larger manufacturing firms relative to several other North American cities.

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

Payroll-related Levies

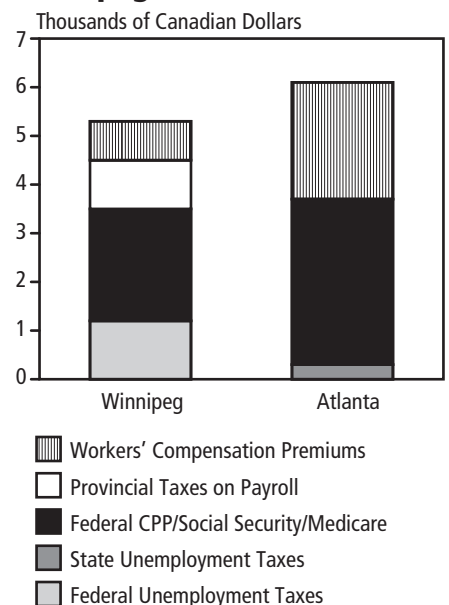
U.S. employers pay federal and state unemployment taxes, social security tax and medicare tax and are also required to provide workers' compensation coverage. Canadian employers do not pay provincial unemployment or federal medicare taxes, though some provinces have taxes on payroll. For example, at the same wage level, a firm in Atlanta will have higher payroll-related taxes and levies than in Winnipeg.

Interjurisdictional Competitiveness

The following indicators are used to assess cost and tax competitiveness for both a smaller and a larger manufacturing firm:

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

Payroll-Related Taxes and Levies per Employee, Larger Manufacturing Firm Winnipeg and Atlanta, 2012



Source: Manitoba Finance

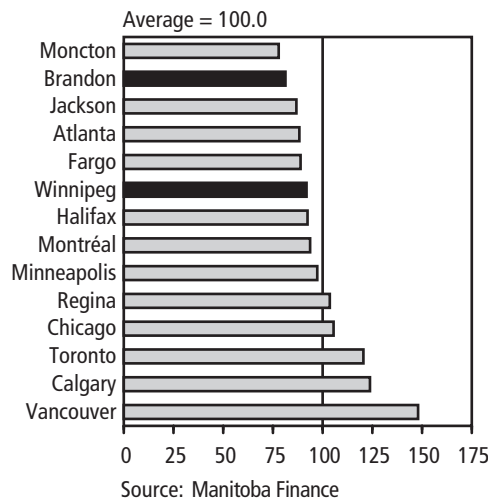
The model uses actual costs for each city and calculates net revenue and cash flow, including start-up costs, based on the operating costs in each location.¹ The results for each city are compared to the overall average of all cities (100.0) for each of the indicators and presented in the charts that follow.

Net Cost of Investment

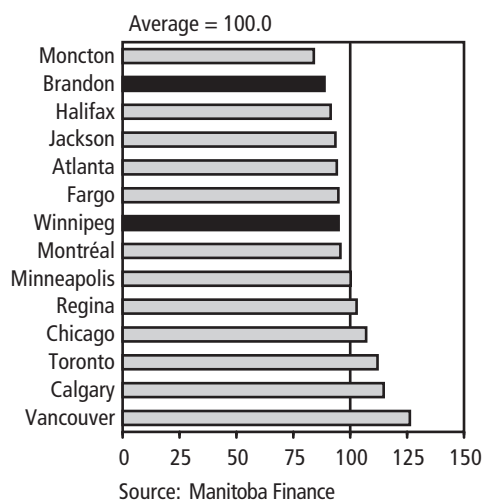
The costs of starting a manufacturing plant (land, buildings, and machinery and equipment) in Manitoba cities are among the lowest of all cities. Investment tax credits on capital asset purchases reduce the net cost of investment. Start-up costs in larger cities tend to be higher due to the cost of land and construction labour wages and salaries.

Pre-Tax Net Income

Net Cost of Investment Smaller Manufacturing Firm



Net Cost of Investment Larger Manufacturing Firm



Pre-tax net income compares Manitoba's business cost competitiveness to other jurisdictions. It is calculated by deducting production material costs and location-specific costs from fixed annual sales figures. Annual sales are uniform for all locations and are ramped up through the first four years of operation then fixed across the cities at \$4 million for the smaller firm and \$45 million for the larger firm for years five to twenty. Annual production material costs are equal to 46% of sales in a given year.

The following location-specific costs are also deducted from annual sales:

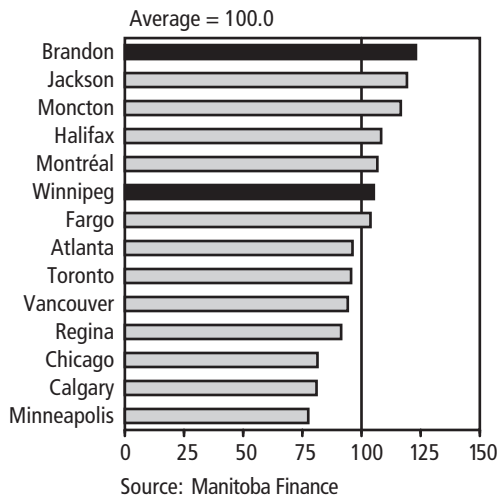
- average manufacturing wages
- local utility costs for electricity
- interest charges on debt used to finance construction of the manufacturing plants

¹ For comparison purposes, U.S. data is converted to Canadian dollars at an exchange rate of C\$0.9919 (March 16, 2012 rate).

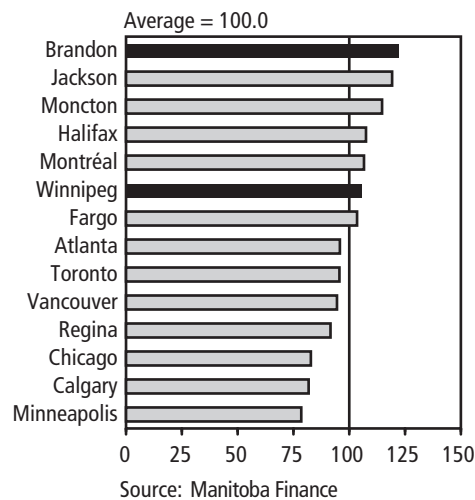
- depreciation of capital assets: buildings costs (which vary by city based on local construction wages) and machinery and equipment (which are assumed to be the same across all cities)
- employer-paid health premiums.

Brandon yields the highest pre-tax net income for both the smaller and larger manufacturing firms, while Winnipeg has the sixth-highest pre-tax net income for both model firms, which is still above the overall average for all cities.

Pre-Tax Net Income Smaller 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 annual taxes are taken into account:

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

For U.S. firms, employer-paid health premiums are also included.

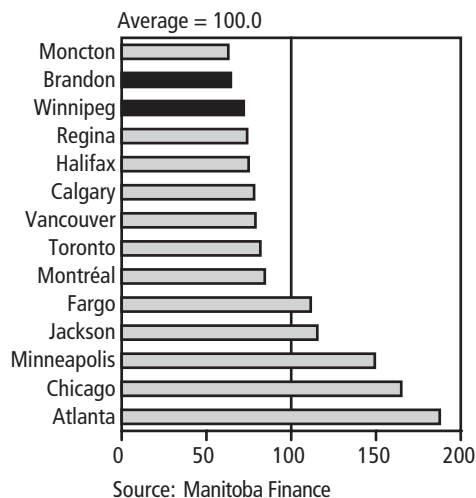
The following tax expenditures that benefit the manufacturing sector are also taken into account:

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

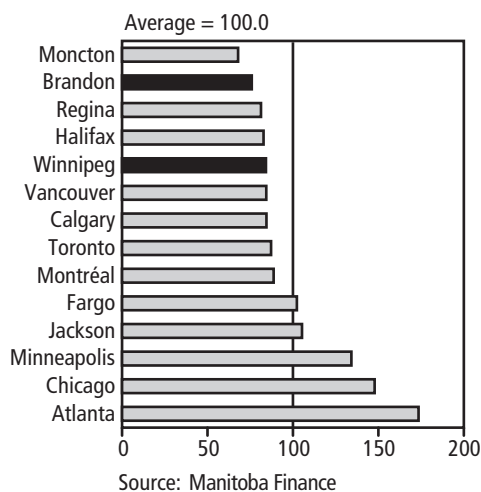
Not included are enterprise zones, grants, and other forms of governmental and third-party financial assistance programs that are subject to an approval process.

For both the smaller and larger manufacturing firms, both Winnipeg's and Brandon's effective tax rates are well below the overall average (100.0).

**Effective Tax Rates
Smaller Manufacturing Firm**



**Effective Tax Rates
Larger Manufacturing Firm**



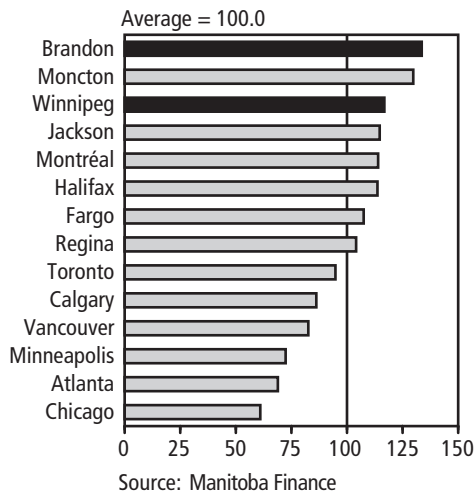
Overall Competitiveness

Overall competitiveness is compared by calculating internal rates of return, which are commonly used by business in making investment and location decisions. A higher internal rate of return indicates a city is more competitive than others. Internal rates of return for each city are calculated using start-up costs and cash flow over a 20-year period, specific to a smaller and a larger manufacturing firm, then discounted using applicable Canadian and U.S. commercial interest rates. The following charts illustrate the combined impact of taxes and costs on the internal rates of return for the representative smaller and larger manufacturing corporations in the selected jurisdictions.

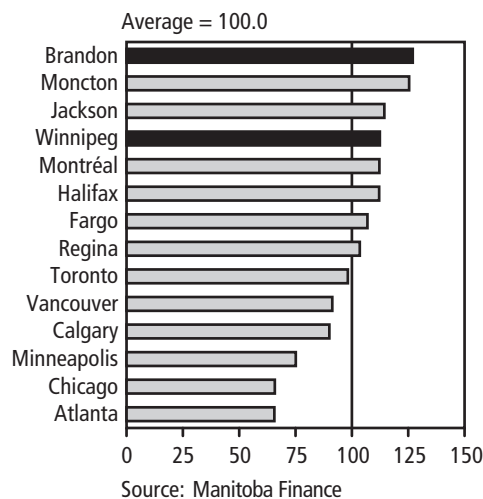
The internal rates of return for both Winnipeg and Brandon are above the overall average of the cities included in the study. Brandon has the highest internal rate of return. Winnipeg has the third-highest internal rate of return for the smaller manufacturing firm and the fourth-highest internal rate of return for the larger manufacturing firm.

Among cities with populations over 500,000, Winnipeg has the highest internal rate of return for both smaller and larger manufacturing firms.

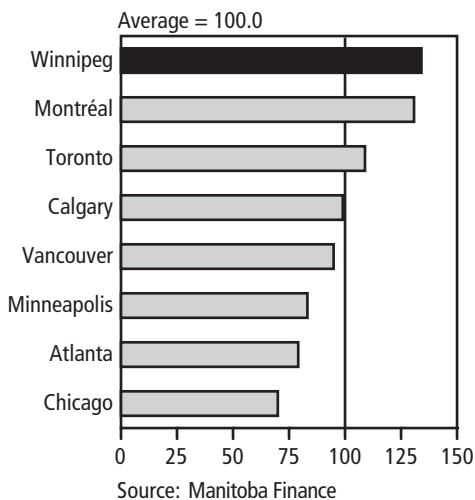
Internal Rates of Return Smaller Manufacturing Firm



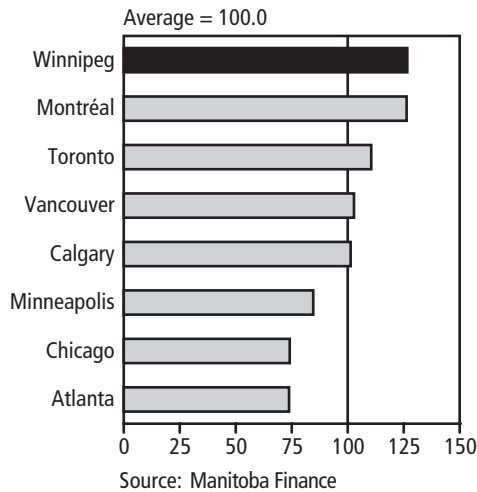
Internal Rates of Return Larger Manufacturing Firm



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



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



CONCLUSION

Manitoba continues to maintain a highly competitive overall business cost and tax environment for both smaller and larger firms engaged in manufacturing and processing.

Manitoba Finance's findings are consistent with the recently published "Competitive Alternatives 2012: KPMG's Guide to International Business Location Costs," which analyzes business costs and other competitiveness factors of more than 110 cities in 14 countries. In the KPMG study, Winnipeg once again ranked as the most competitive among 25 larger North American mid-western cities. When smaller centres are included, Brandon ranked third and Winnipeg's rank moves to fifth most competitive of 32 cities. Manitoba's most cost-effective industries were in the R&D, digital and corporate services sectors (biotechnology, clinical trials, electronic product testing, digital entertainment, software design, professional services and support services).