



MEDIA Release

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CA Study Says Manitoba's Investment Climate is Looking Up **Challenges ahead despite Manitoba's performance during economic slowdown in 2001**

WINNIPEG – A new study on Manitoba's investment climate by the Chartered Accountants of Manitoba shows that real business investment has increased in Manitoba over the past decade, although there was a slight economic downturn in 2001. During 2000-2001, however, Manitoba witnessed either improvement or stability in four out of five key indicators, which suggests that Manitoba's investment climate remained relatively buoyant during a difficult year for the North American economy. The *MB Check-Up, Edition 2002* concludes that general corporate tax reductions are needed to keep pace with the rest of the country and to place Manitoba in a better position to attract investment.

The *MB Check-Up* shows that since the mid-1990s, there has been an aggressive regime of small business corporate tax reductions phased in by the Manitoba government. Only BC has shown greater rate reductions.

"The small business corporate tax reductions make Manitoba very competitive with the other provinces," said Gary Hannaford, FCA, CEO of the Chartered Accountants of Manitoba. "However, we have not seen the same aggressiveness in reductions to the general corporate tax rate."

The *MB Check-Up* shows that Manitoba also lowered its general corporate tax rate from 17% to 16.5% earlier this year and is planning further reductions reaching 15% in 2005. In contrast, British Columbia reduced its general corporate tax rate from 16.5% to 13.5% in mid-2001, matching Alberta's rate, although Alberta reduced its rate to 13% in April 2002. The Ontario general corporate rate was 14% in 2001 and in 2002 was reduced to 12.5%.

"The Manitoba government is doing the right thing in reducing business tax rates, but we want to avoid a case of too little, too late," said Hannaford. "Our improved performance over the past year has laid a solid foundation, but the *MB Check-Up* report clearly shows that Manitoba lagged behind Alberta, BC, and Ontario in 2001 and the disparity will increase dramatically in the general rate in 2002, as those three provinces have announced rate reductions."

Other key findings of the *MB Check-Up, Edition 2002* include:

- Manitoba had the best relative performance in the key Invest indicators in 2001 over Saskatchewan, Alberta, British Columbia, Ontario, and the national average.
- From 1992 to 2001 the key Invest indicators showed mixed results – the profits-to-GDP ratio, export prices, and provincial debt showed improvement while non-residential construction costs and unit labour costs rose.
- The provincial debt burden has shrunk since 1994/95 and the level of debt since 1995/96 has remained relatively stable, while debt-servicing charges have declined significantly over the same period.
- Manitoba has consistently had the lowest ratio of corporate profits to private sector GDP when compared with Saskatchewan, Alberta, BC, Ontario, and the national average between 1992 and 2001.

Today's release of the investment study is the first of three studies on the province. Next week, the CAs will release their assessment of Manitoba as a place to live, and the week after that, Manitoba as a place to work. The report is available on the Internet at www.cacheckup.com.

The 2,700 CAs and over 200 CA students in Manitoba provide expert advice to a variety of small and large businesses; are key members of management teams; or consult to private industry and the private sector. As members of the Institute of Chartered Accountants of Manitoba, they adhere to a strictly enforced code of conduct and ongoing professional development.

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