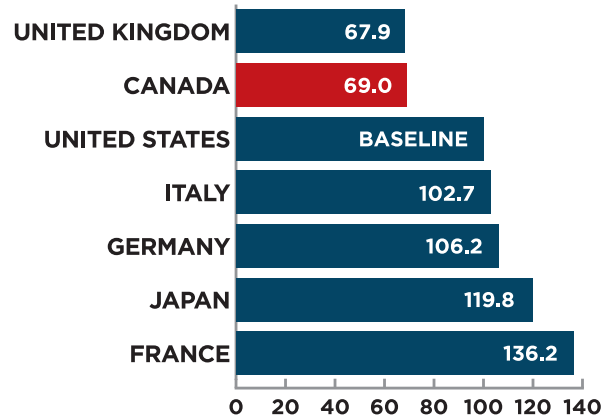


## AUTO PARTS MANUFACTURING TOTAL TAX INDEX<sup>3</sup>, G-7 RESULTS (U.S. = 100.0)



## LOW-COST HOT SPOTS

### Business cost index of select Canadian cities (U.S. = 100):

<b>A</b>	City of Québec	96.4
<b>B</b>	Montréal	96.8
<b>C</b>	Niagara Region	96.9
<b>D</b>	Halifax	97.0
<b>E</b>	Toronto	97.1

## CANADA'S TAX HIGHLIGHTS<sup>2</sup>

- This production-oriented auto parts firm makes modest investments in both product and process-related R & D. Canada's generous R & D tax credits cause its effective rate of corporate income tax to drop to 15.0 percent, the second lowest rate in the G-7.
- Canada's costs for statutory labour costs and other corporate taxes are also relatively low, ranking below the G-7 average in both of these tax categories.
- Overall, Canada's total tax index for the model automotive firm is 69.0 - the second lowest among the G-7 countries and reflecting total tax costs 31 percent lower than in the United States.

## SUMMARY OF OPERATING PARAMETERS

BUSINESS OPERATION: AIRCRAFT PARTS MANUFACTURING	
<b>Facilities requirements</b>	
Leased industrial site (24,281 m <sup>2</sup> )	6 acres
Size of factory (9,290 m <sup>2</sup> )	100,000 ft <sup>2</sup>
<b>Workforce</b>	
Management	4
Sales and administration	15
Production/non-dedicated product development	
• Professional, technical	27
• Operators	35
• Unskilled labourers	14
Other	5
Total employees	100
<b>Other initial investment requirements</b>	
Machinery and equipment - U.S. \$'000	\$13,000
Office equipment - U.S. \$'000	\$500
R & D equipment - U.S. \$'000	\$75
Inventory - U.S. \$'000	\$2,500
Equity financing - % of project costs	50%
<b>Energy requirements</b>	
Electricity: monthly consumption	352,500 kWh
Gas: monthly consumption (37,663 m <sup>3</sup> )	13,295 CCF
<b>Other annual operating characteristics</b>	
Sales at full production - U.S. \$'000	\$41,500
Materials and other direct costs - % of sales	55%
Other operating costs - % of sales	6%
Investment in tax-eligible R & D - % of sales	2.4%

<sup>2</sup> Calculations by MMK Consulting Inc. based on detailed data from *Competitive Alternatives, Special Report: Focus on Tax* as that report only published sector-level tax results.

<sup>3</sup> Calculations by MMK Consulting Inc. based on detailed data from *Competitive Alternatives, Special Report: Focus on Tax* as that report only published sector-level tax results.