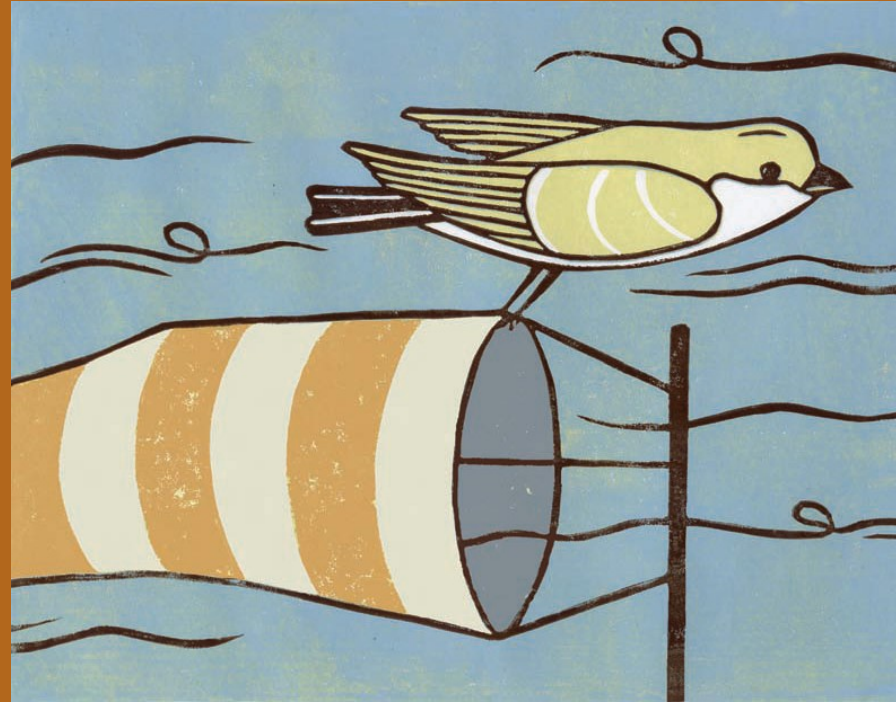


Leaning into the wind

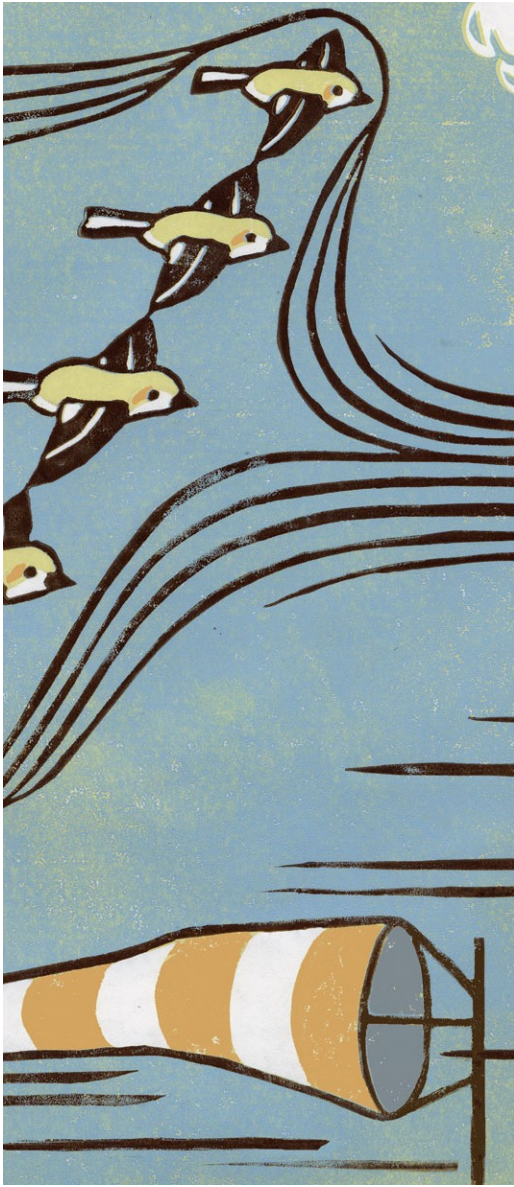
Task Force on Competitiveness, Productivity and Economic Progress



Presentation to City of Toronto Economic Development Committee

Roger L. Martin

January 15, 2009

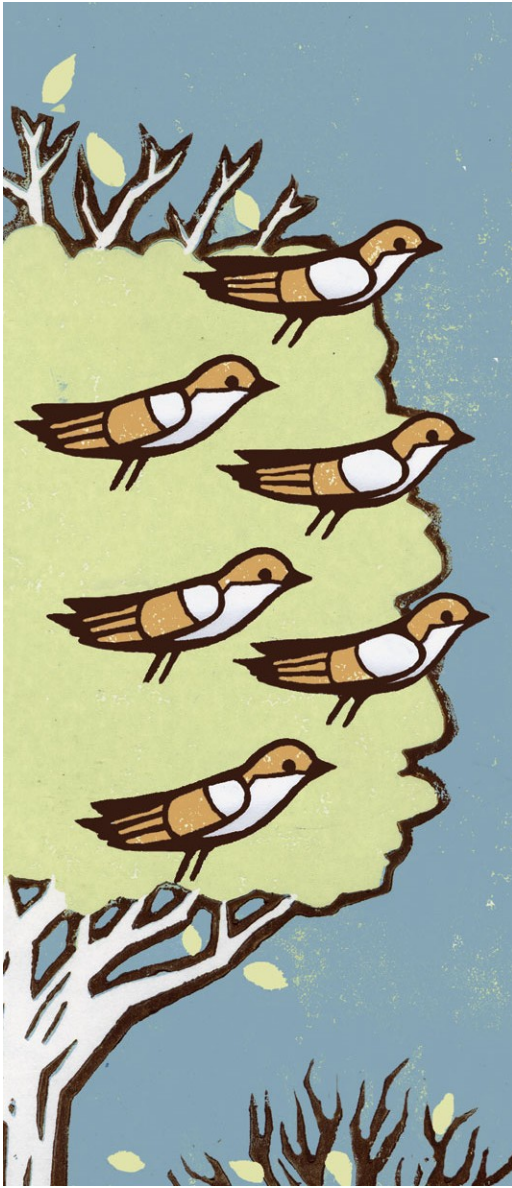


- **Leaning into the wind**
- **Our prosperity gap**
- **AIMS and a prosperity eco-system**
- **2020 Prosperity Agenda**



Task Force Mandate

To measure and monitor Ontario's competitiveness, productivity, and economic progress compared to other provinces and US states and to report to the public on a regular basis



Chairman

Roger L. Martin Joseph L. Rotman School of Management

Members

Jim Balsillie Research in Motion Ltd.

Timothy Dattels Newbridge Capital

Lisa de Wilde TVOntario

David Folk Jefferson Partners

Suzanne Fortier Natural Sciences and Engineering Research Council

Gordon Homer Gordon J. Homer Advisory Services

David Johnston University of Waterloo

David Keddie National Compressed Air

Mark Mullins Fraser Institute

Tim Penner Procter & Gamble Inc.

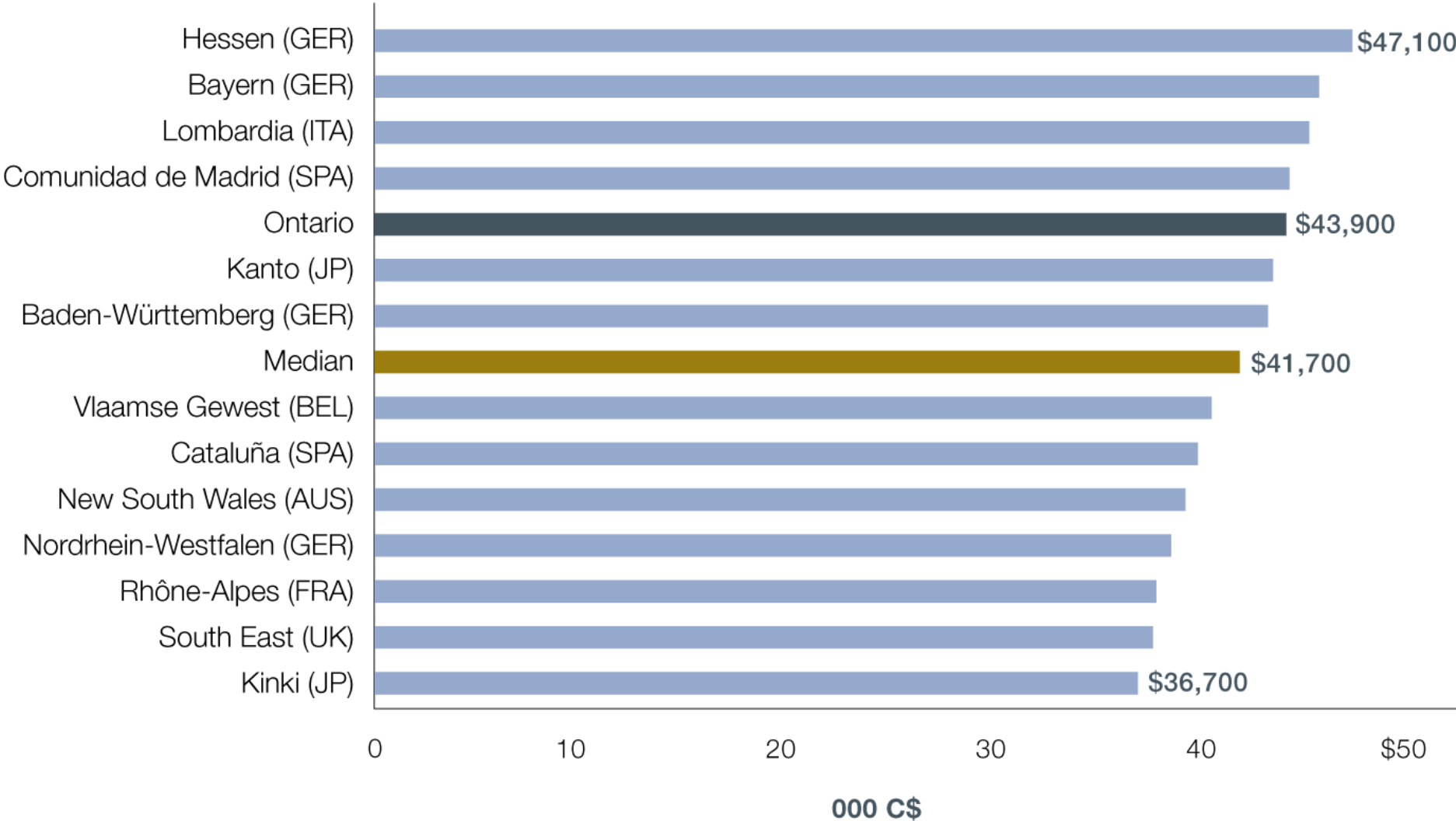
Daniel Trefler University of Toronto



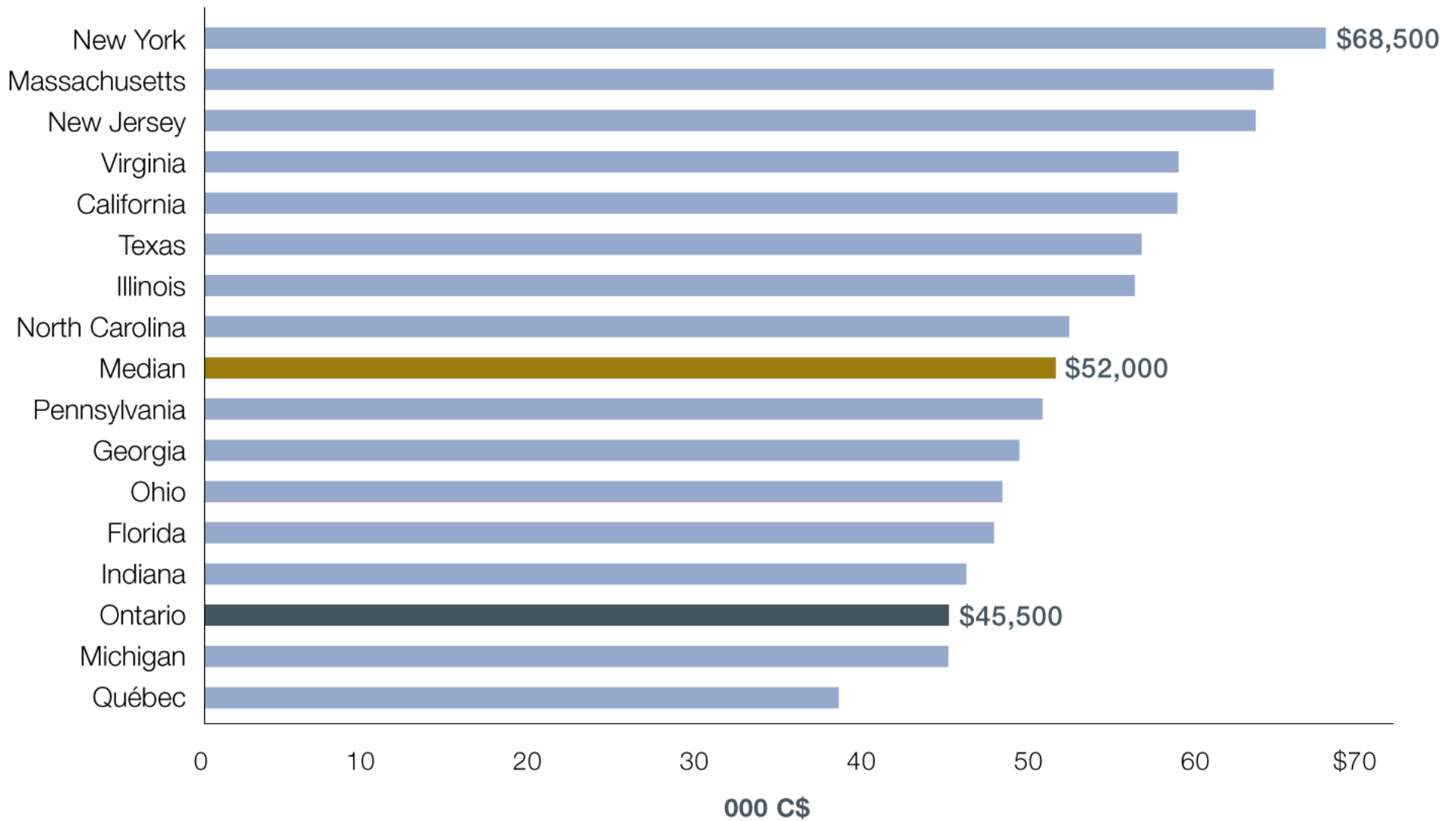
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THE GOAL	Current	Target 2020
Close the prosperity gap	14th in peer group in 2007	At the median – 8th by 2020
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Motivations	Unwise taxation	Smart taxation
Structures	Preserve status quo	Encourage creativity and growth

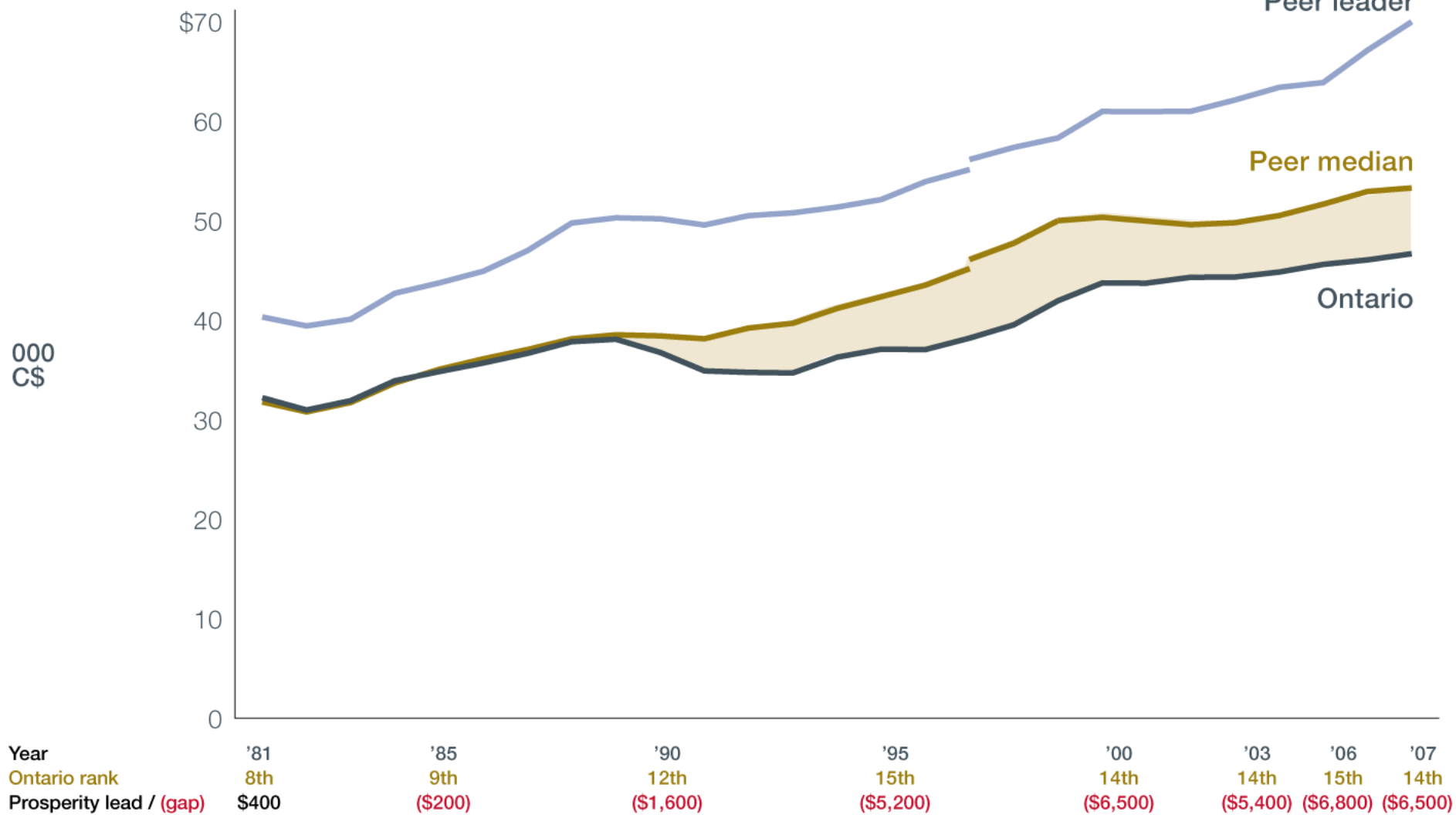
**GDP per capita, C\$ (2006)
Ontario and international peers**



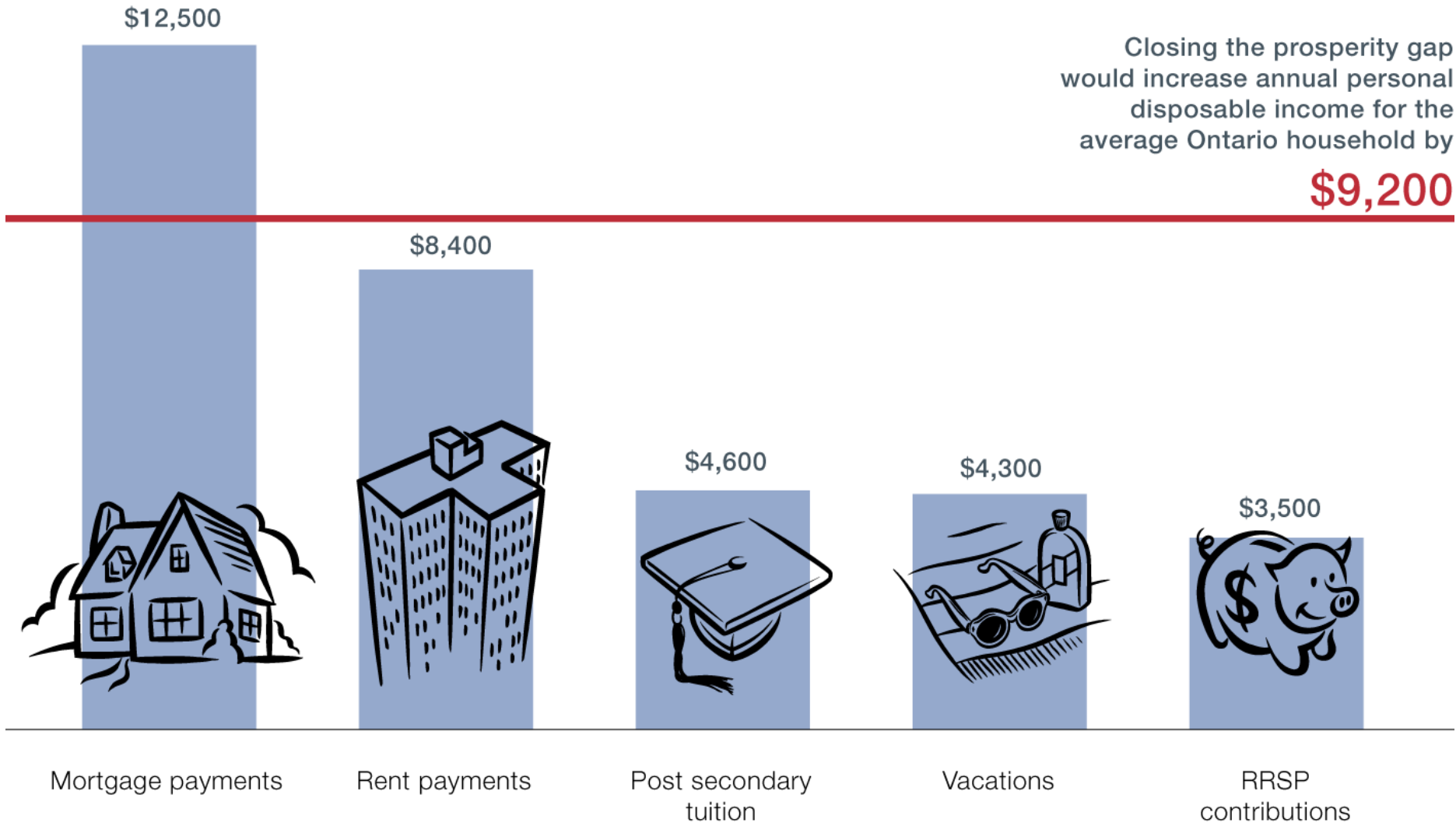
GDP per capita, C\$ (2007)



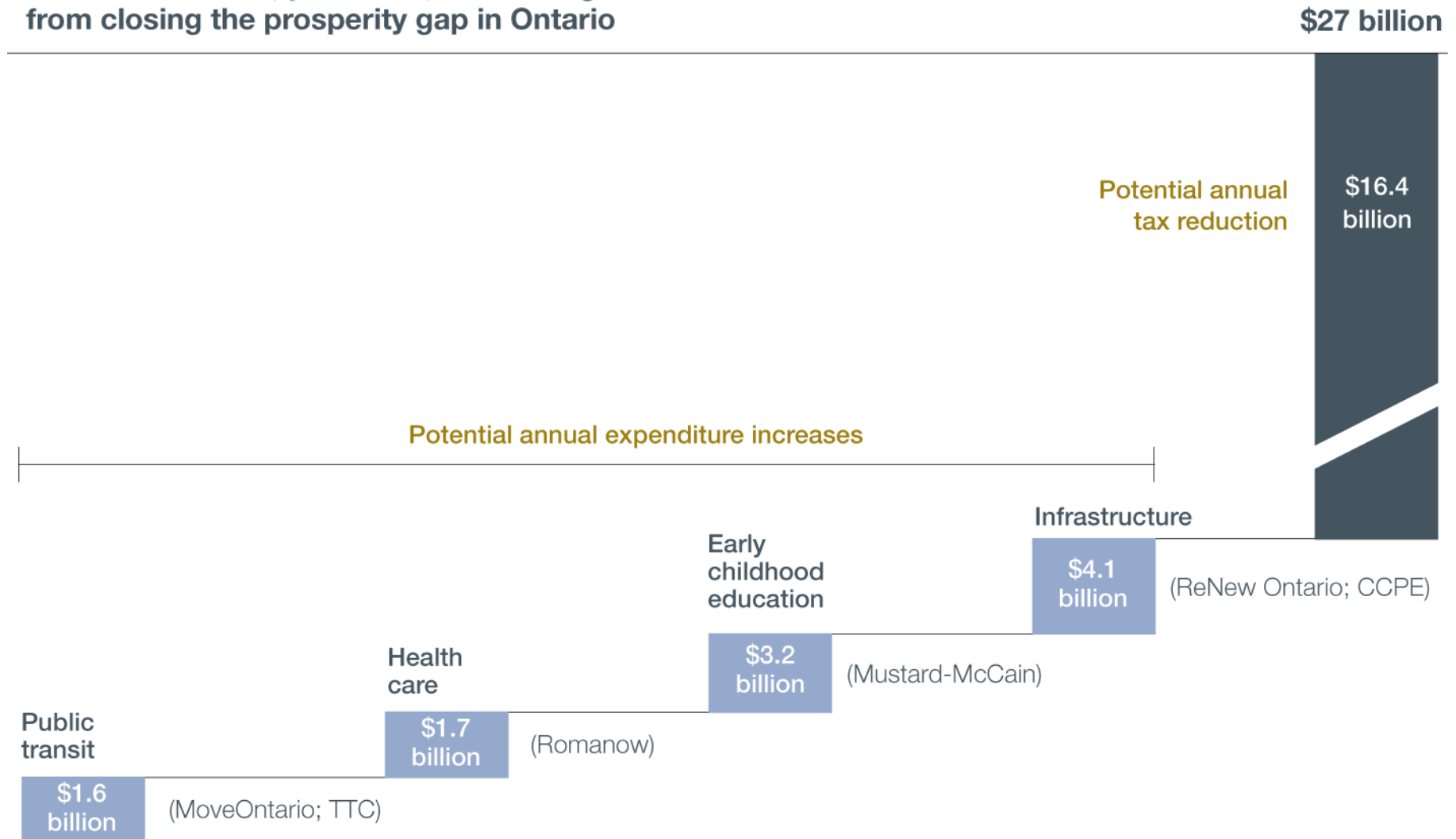
GDP per capita, C\$ (2007) 1981-2007



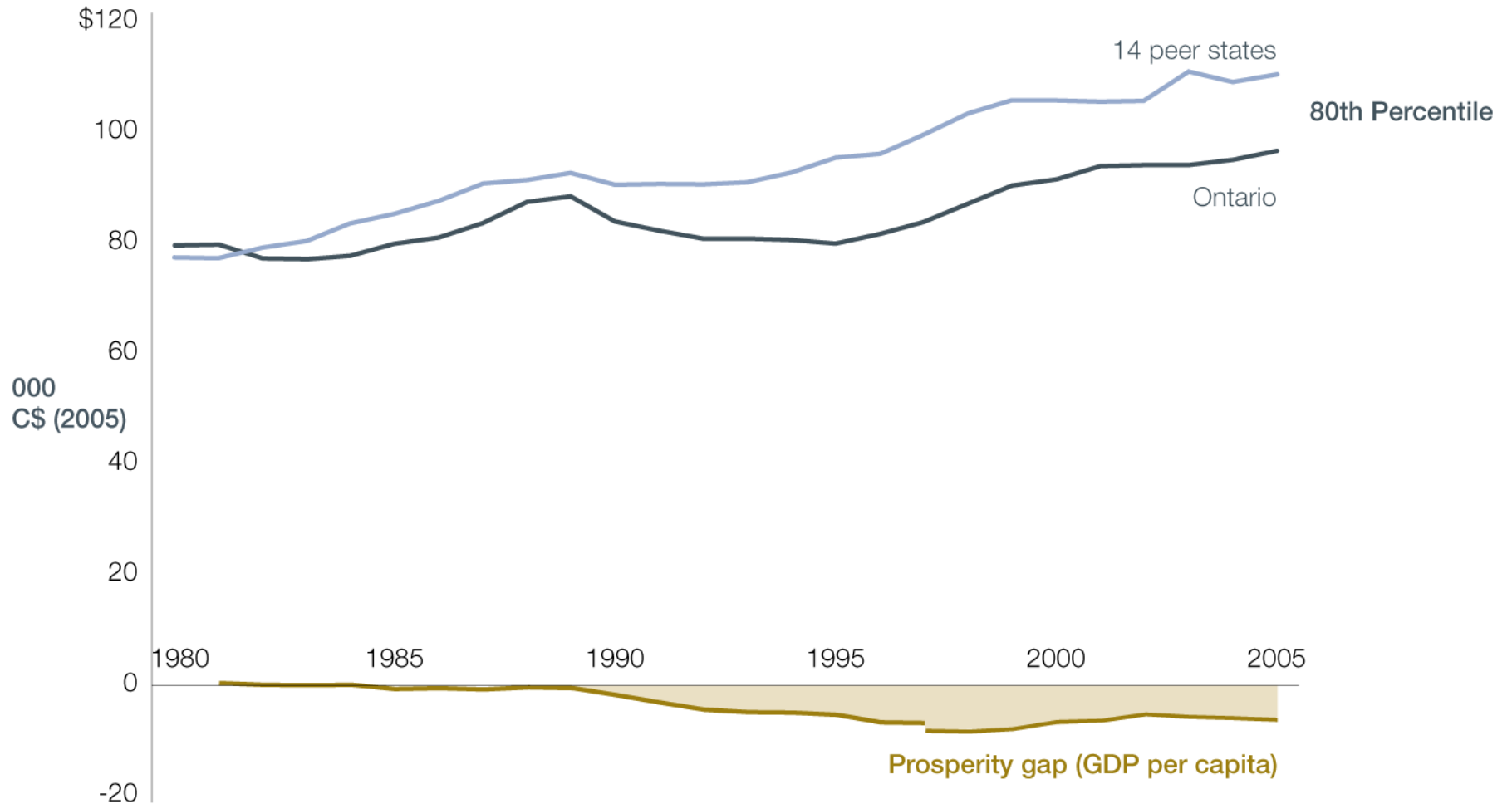
Average annual household spending in Ontario, 2006
C\$ (2007)



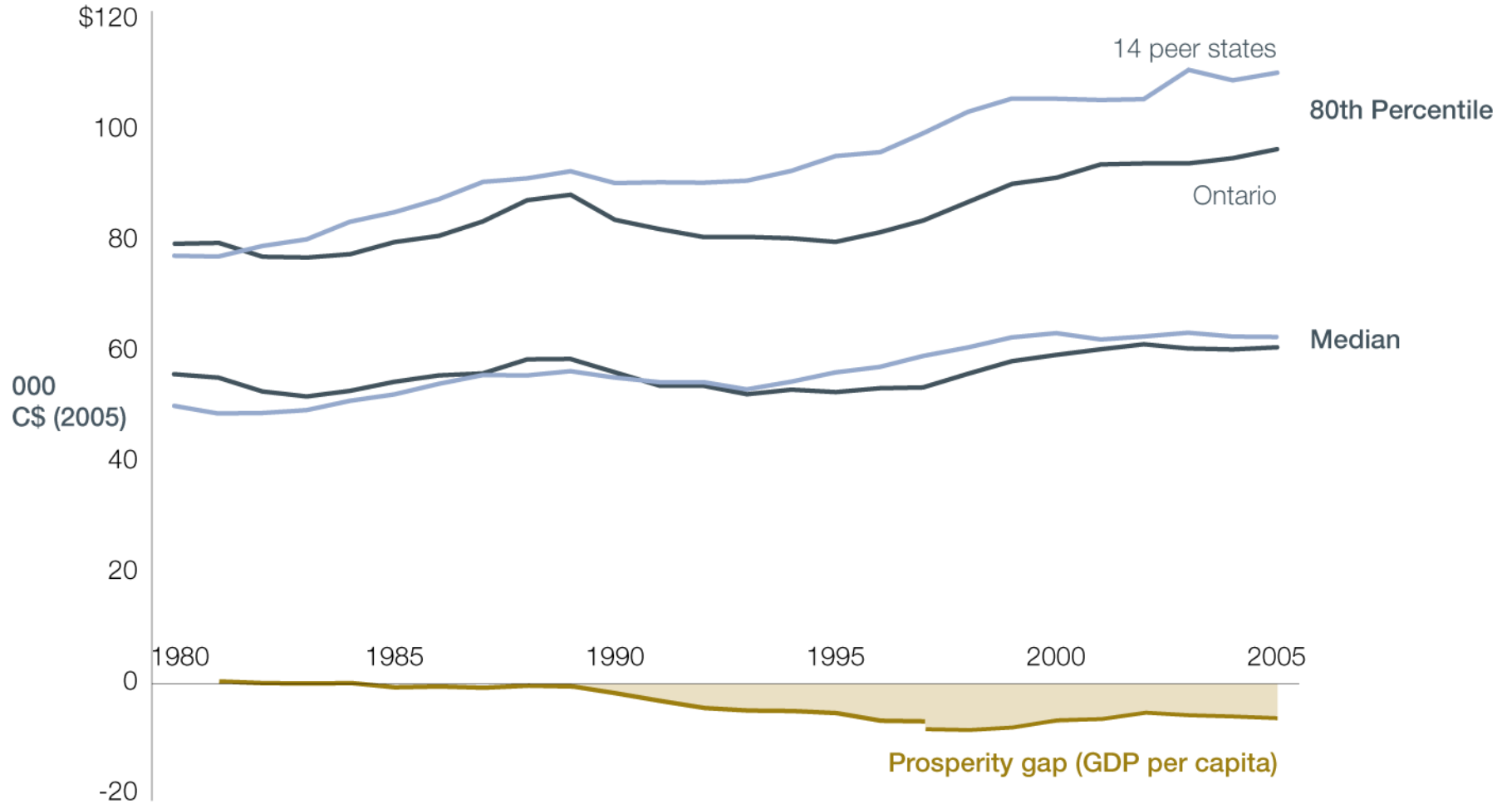
Increased federal, provincial, and local government revenue from closing the prosperity gap in Ontario



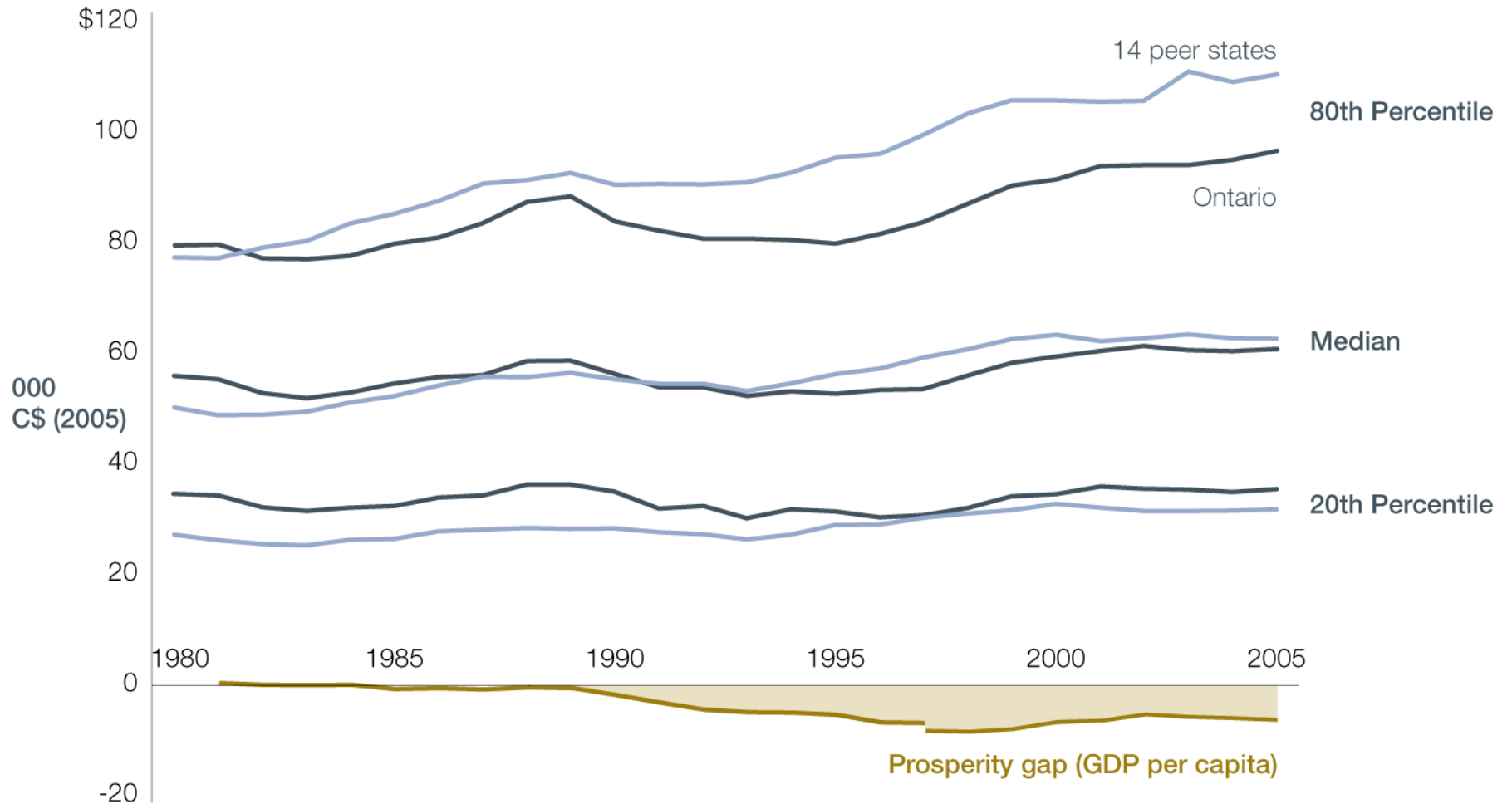
After-tax income of economic families of 2 or more, by selected percentiles
Ontario and peer states, 1980–2005

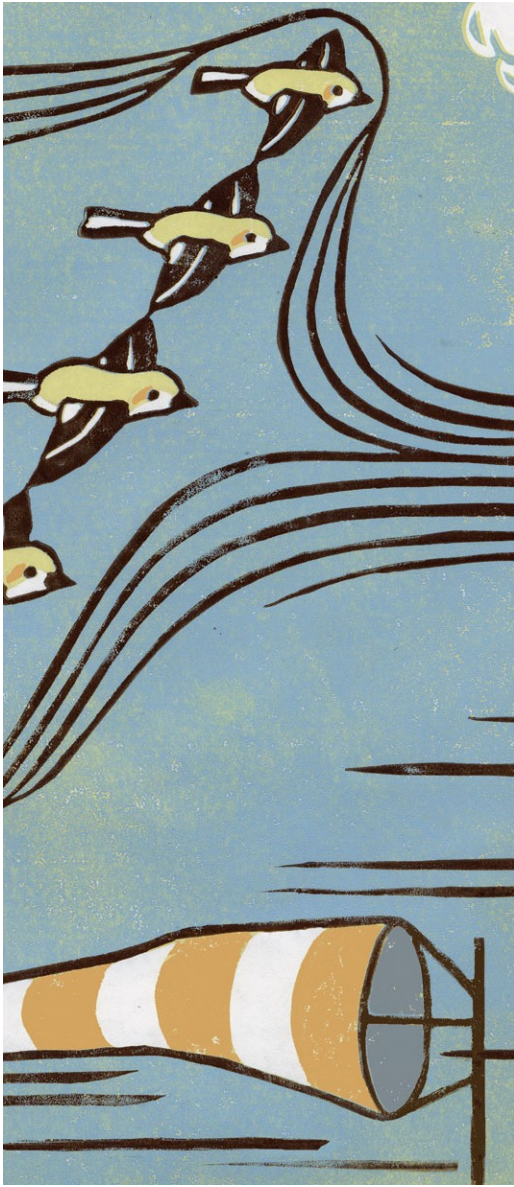


After-tax income of economic families of 2 or more, by selected percentiles
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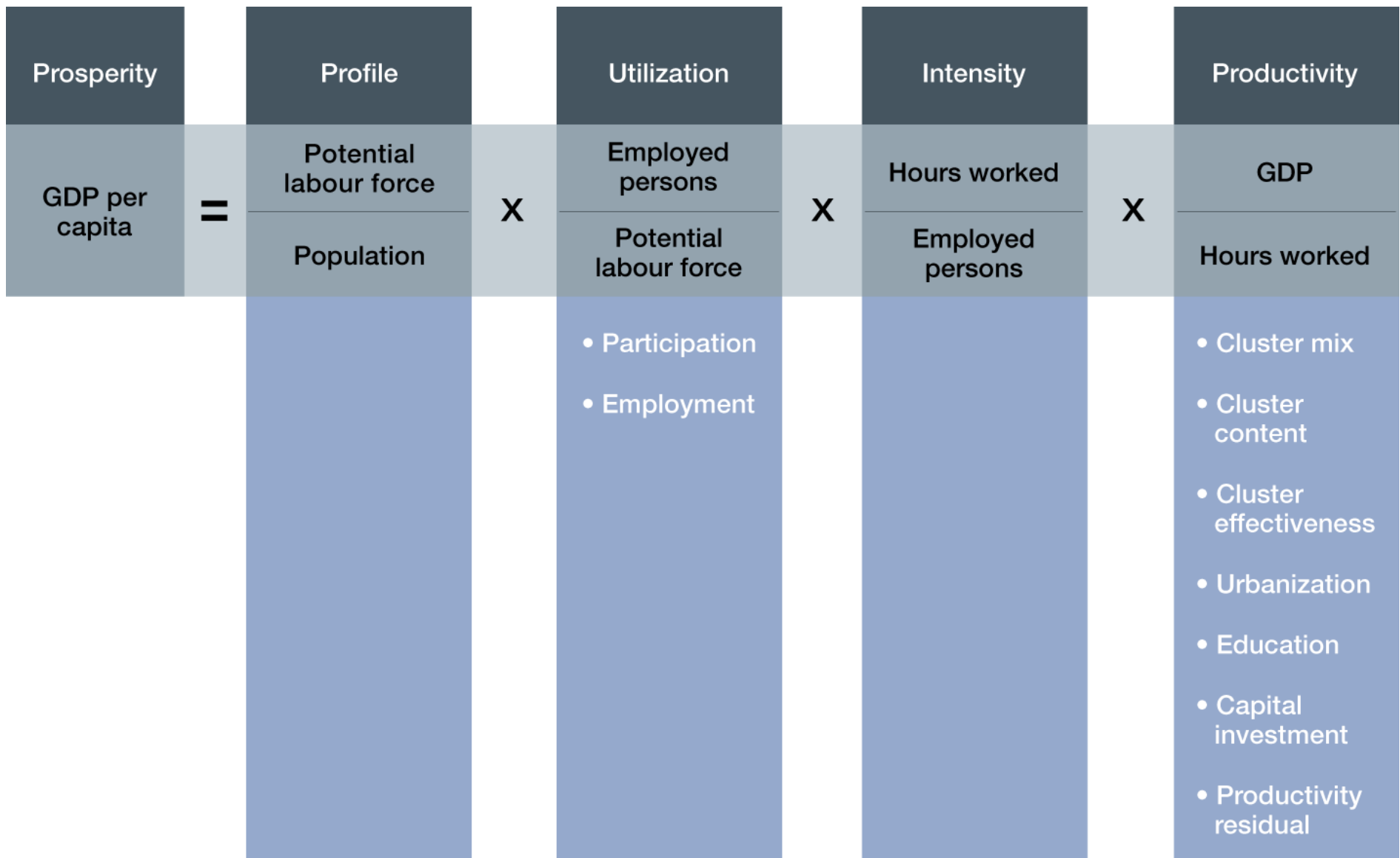


After-tax income of economic families of 2 or more, by selected percentiles
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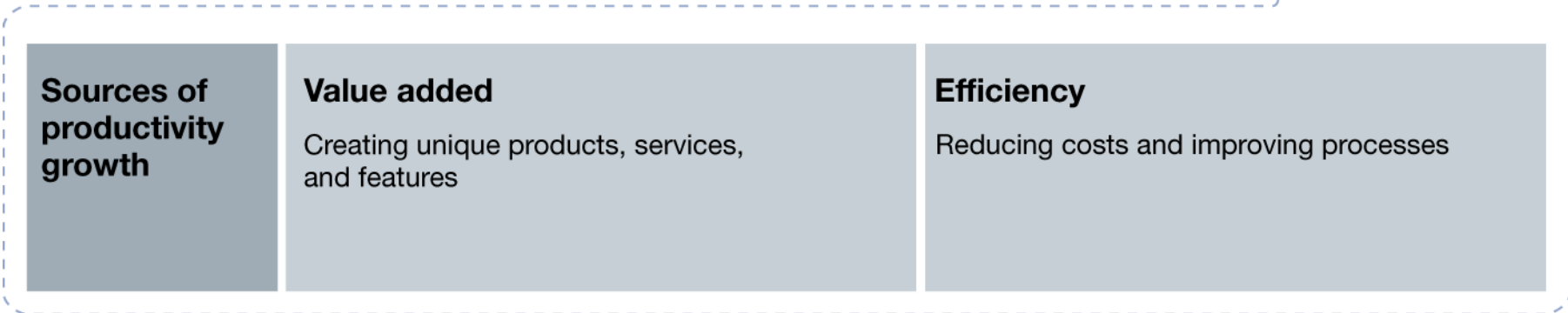
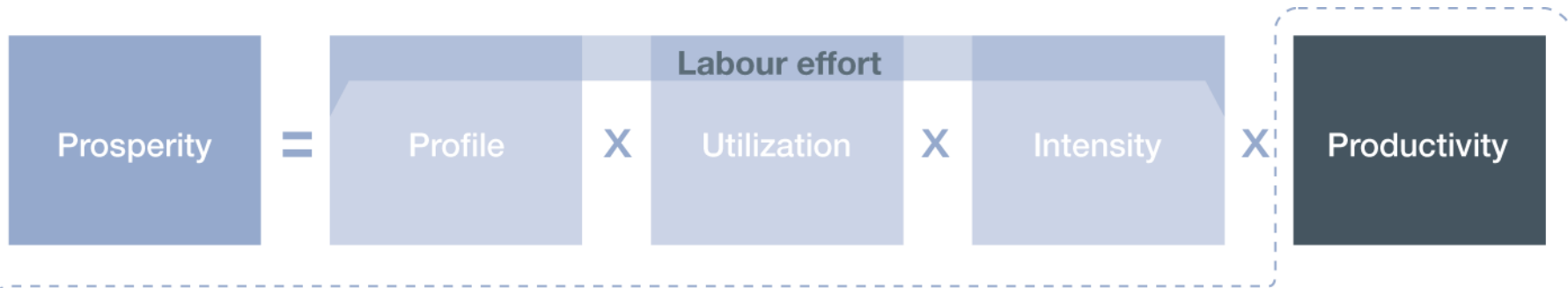


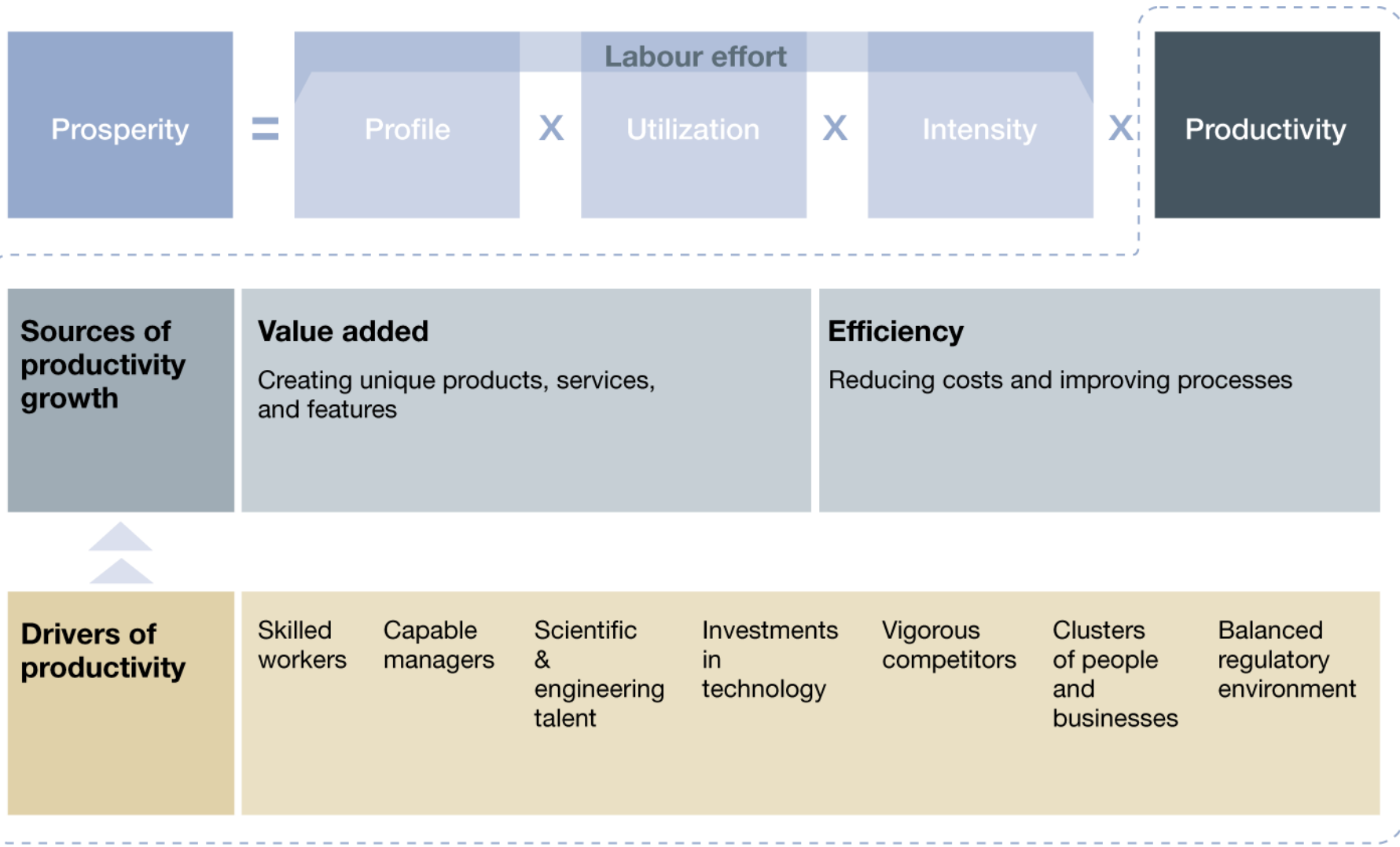


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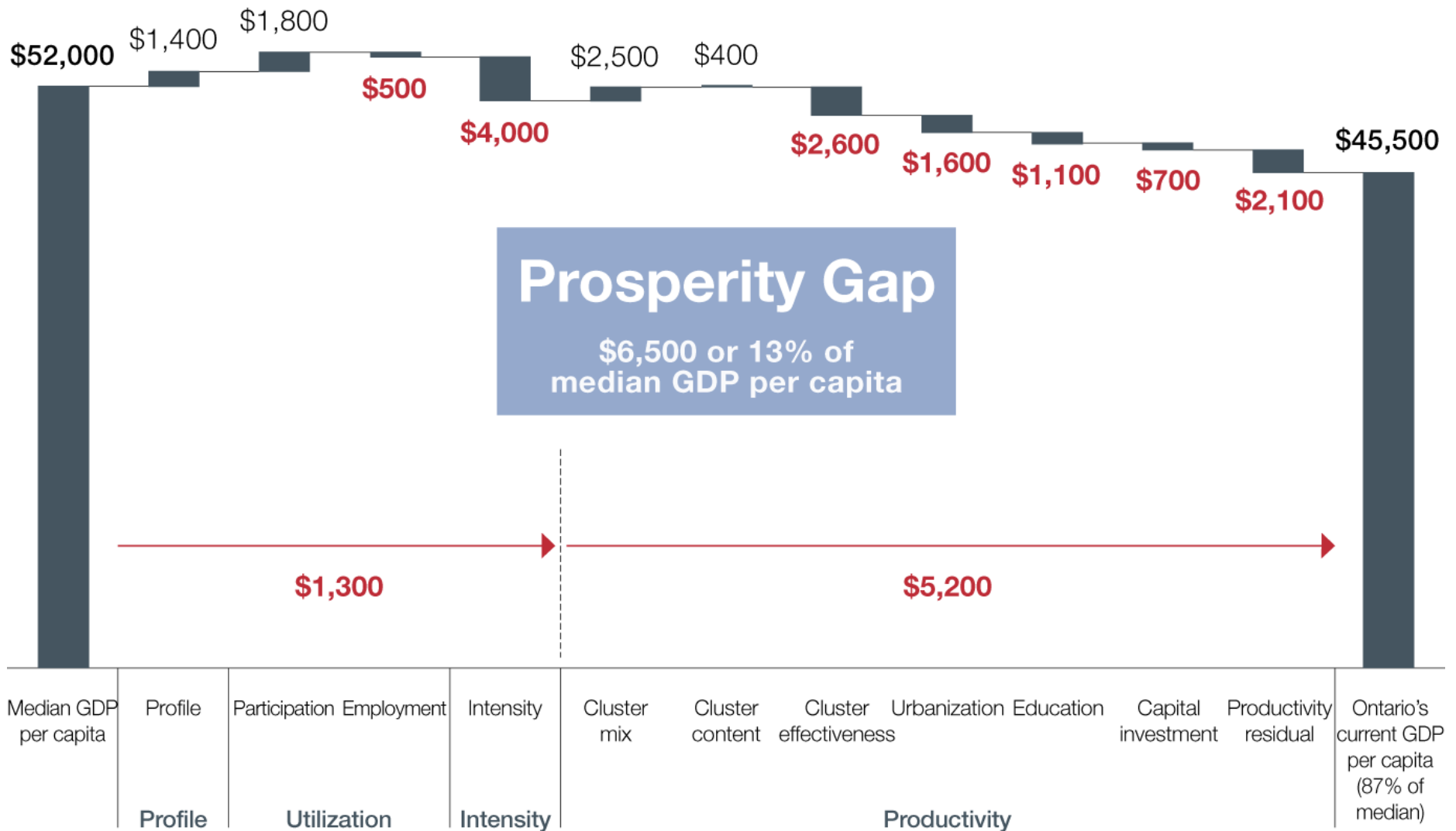




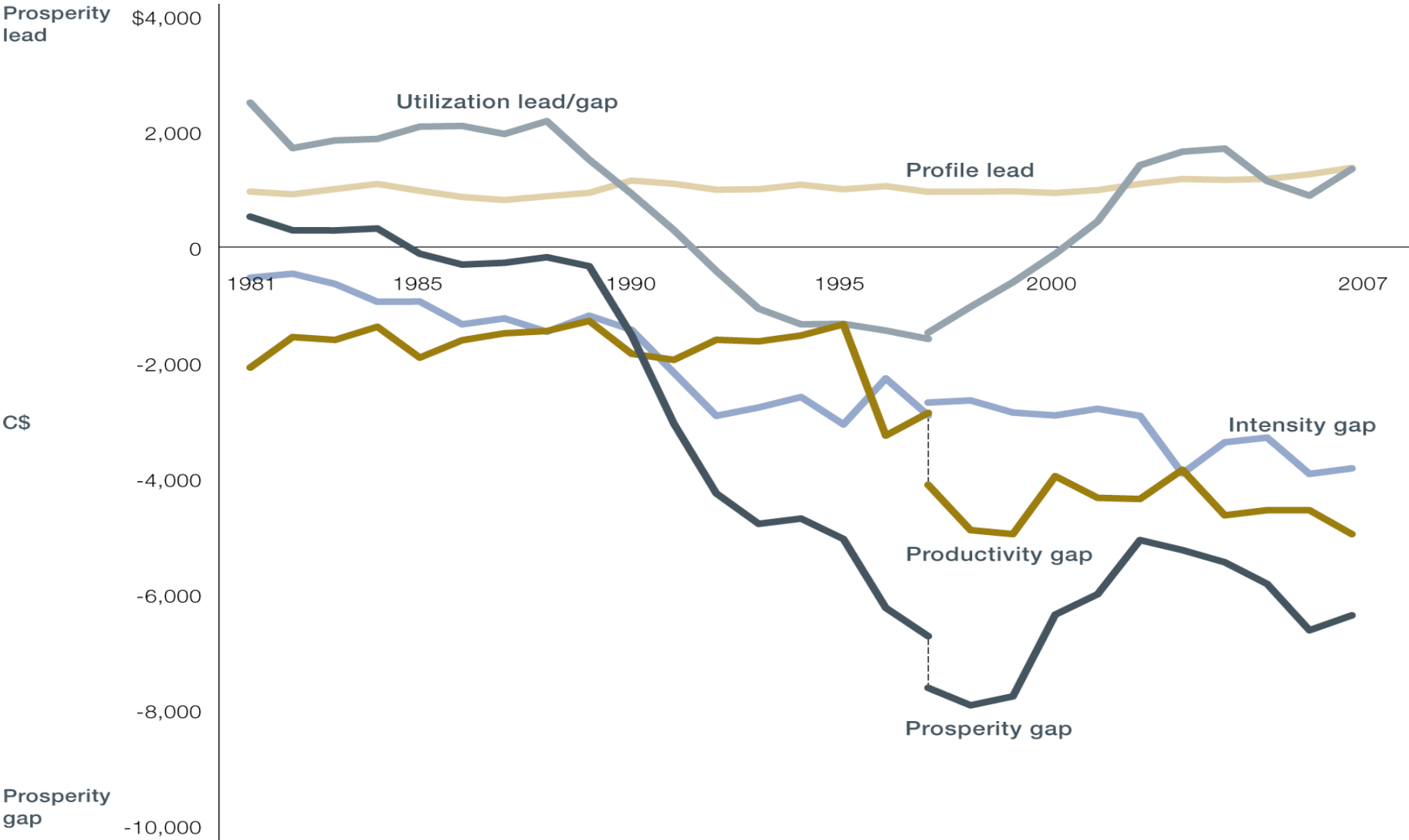




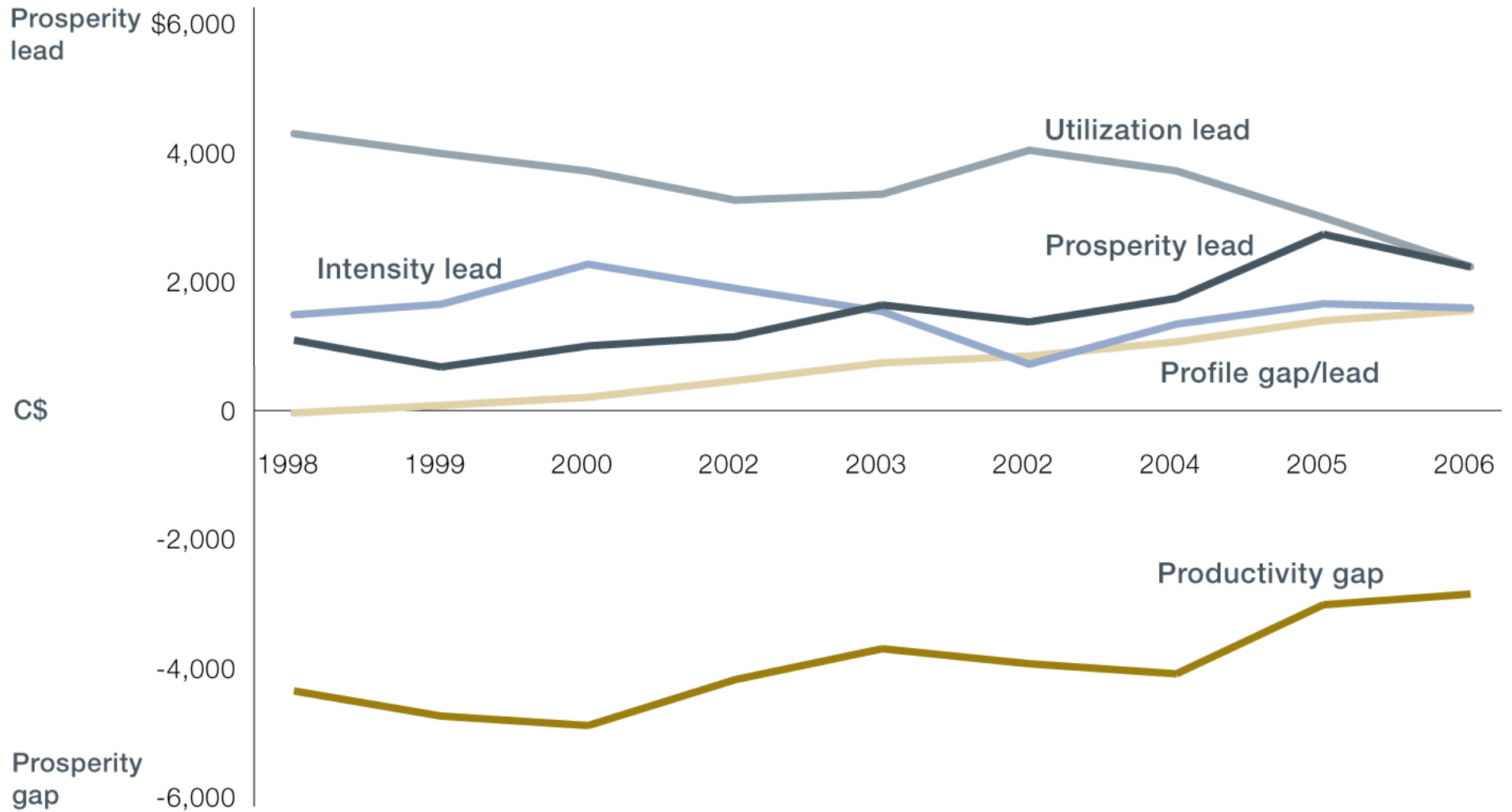
Elements of GDP per capita, C\$ (2007)



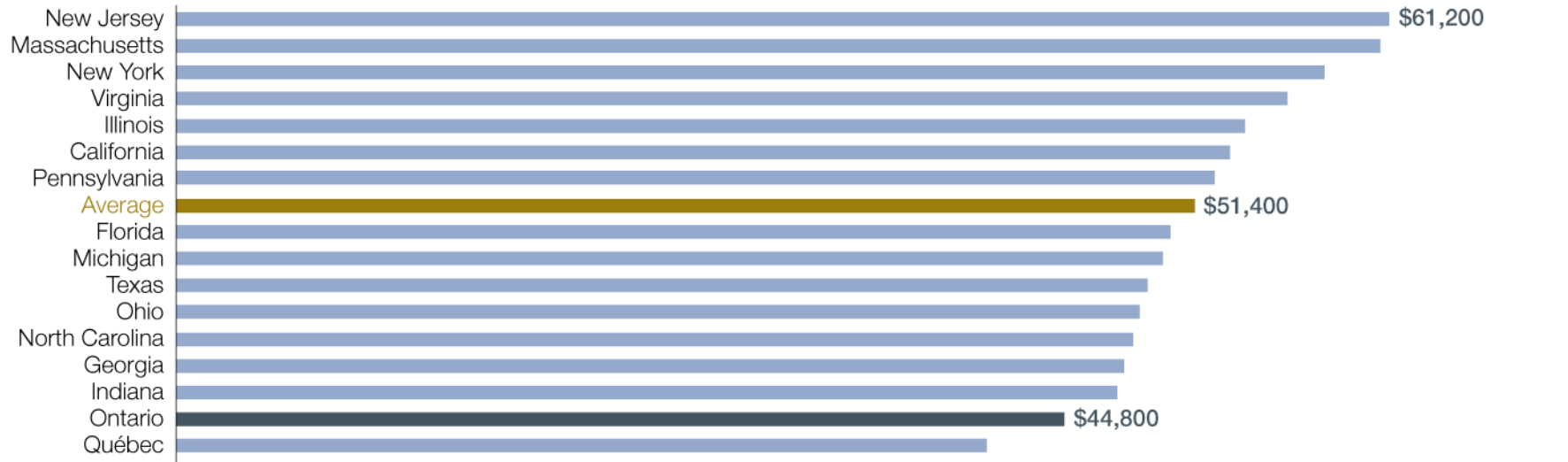
Decomposition of prosperity gap, C\$ (2007)
1981-2007



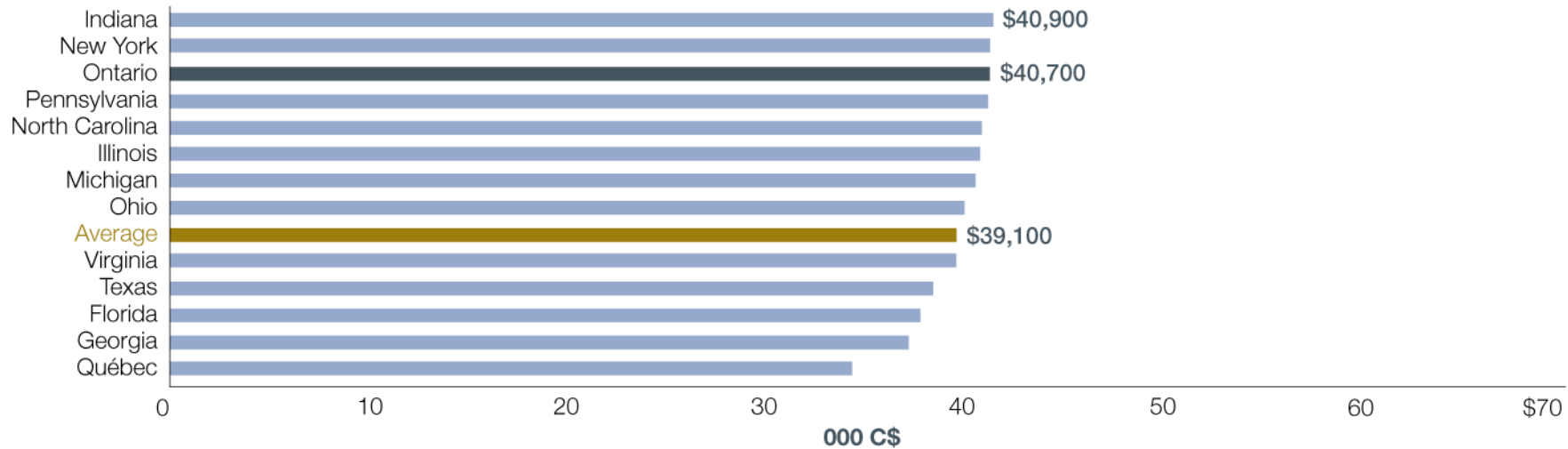
Decomposition of prosperity gap, C\$ (2006) 1998–2006

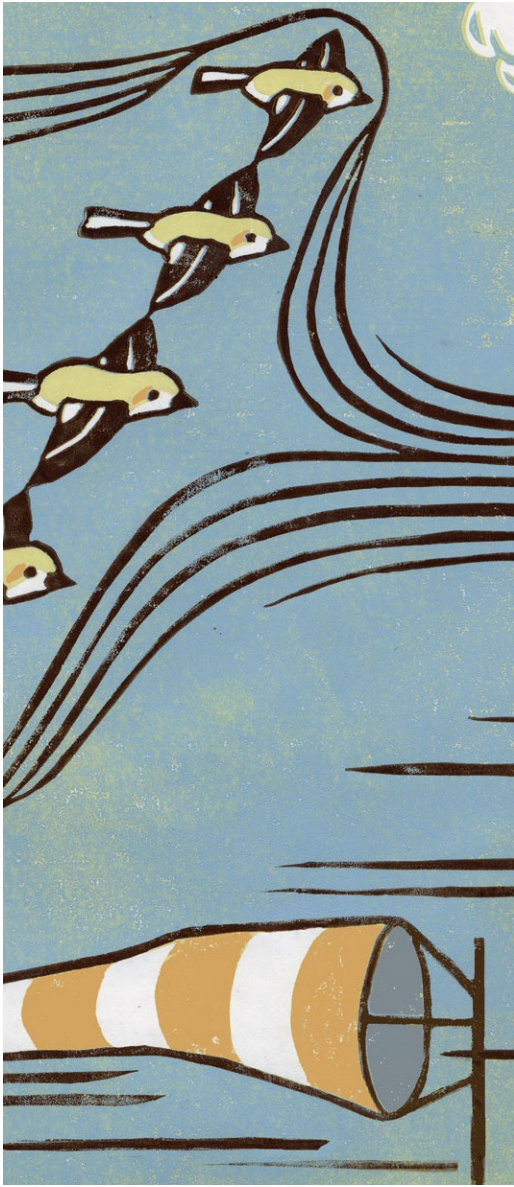


Urban GDP per capita, C\$ (2005)



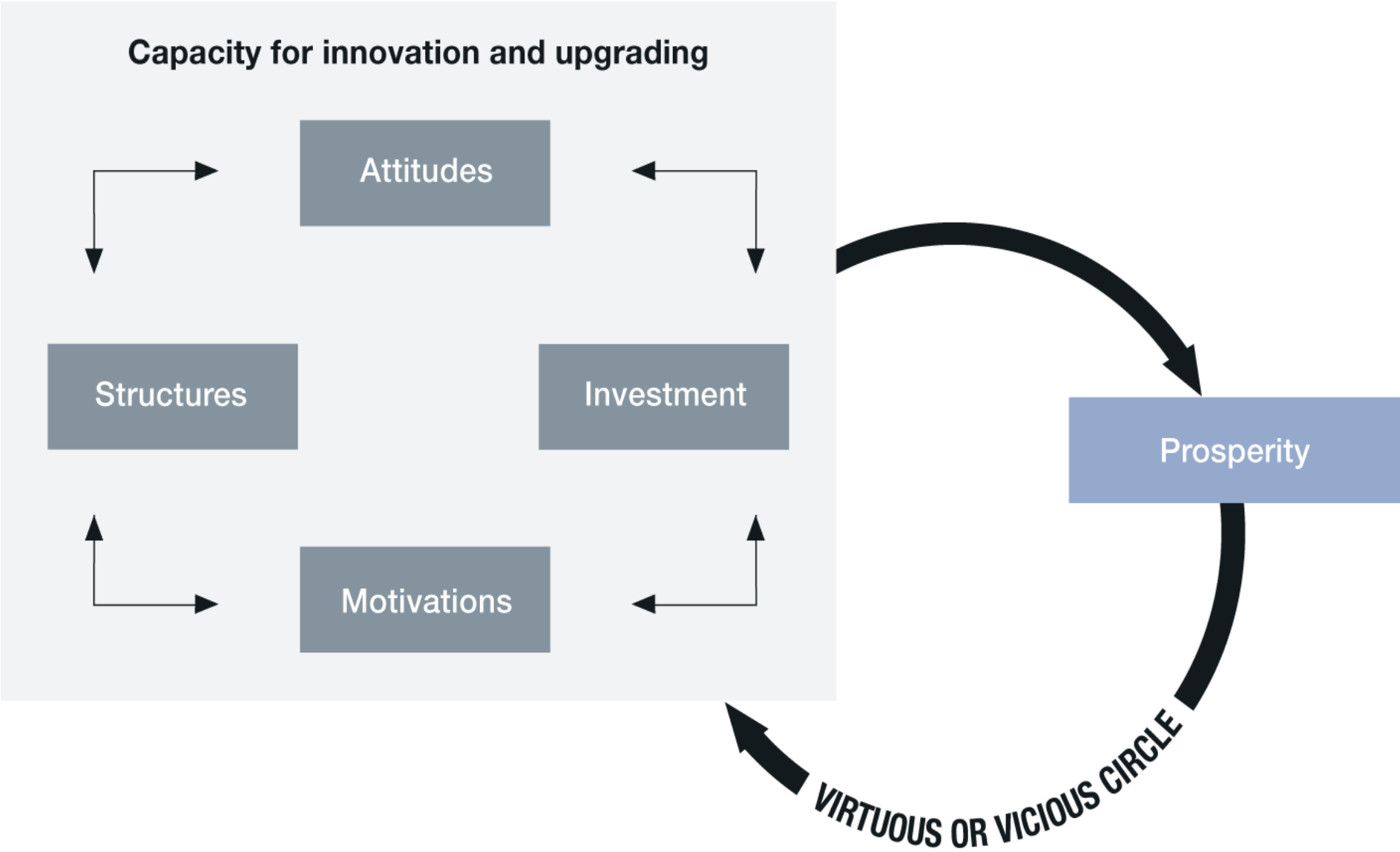
Rural GDP per capita, C\$ (2005)





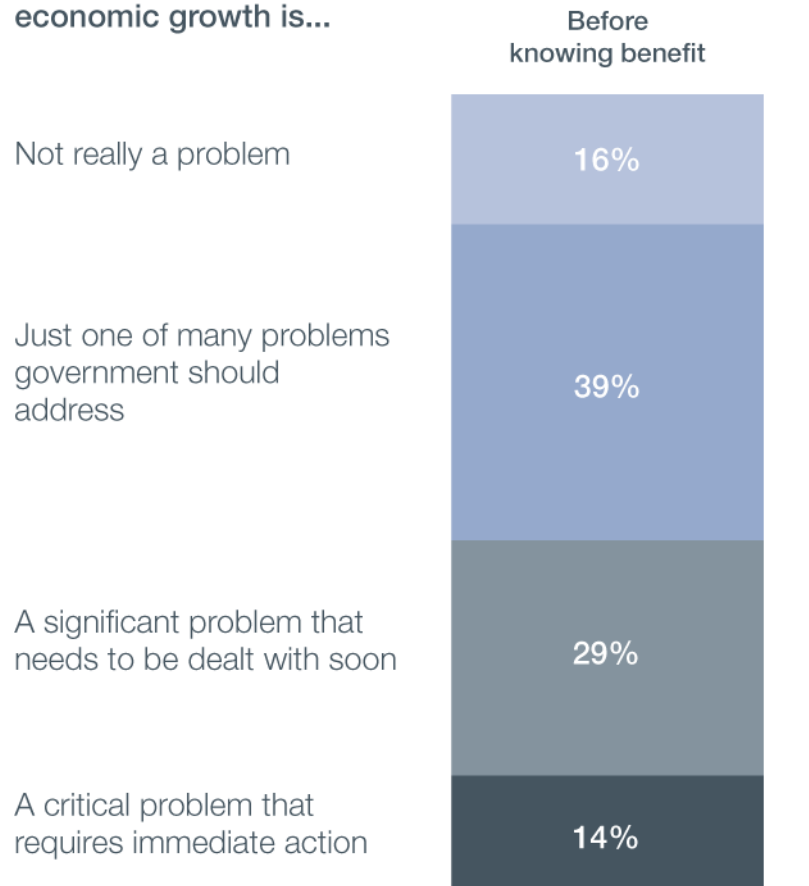
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Capacity for innovation and upgrading



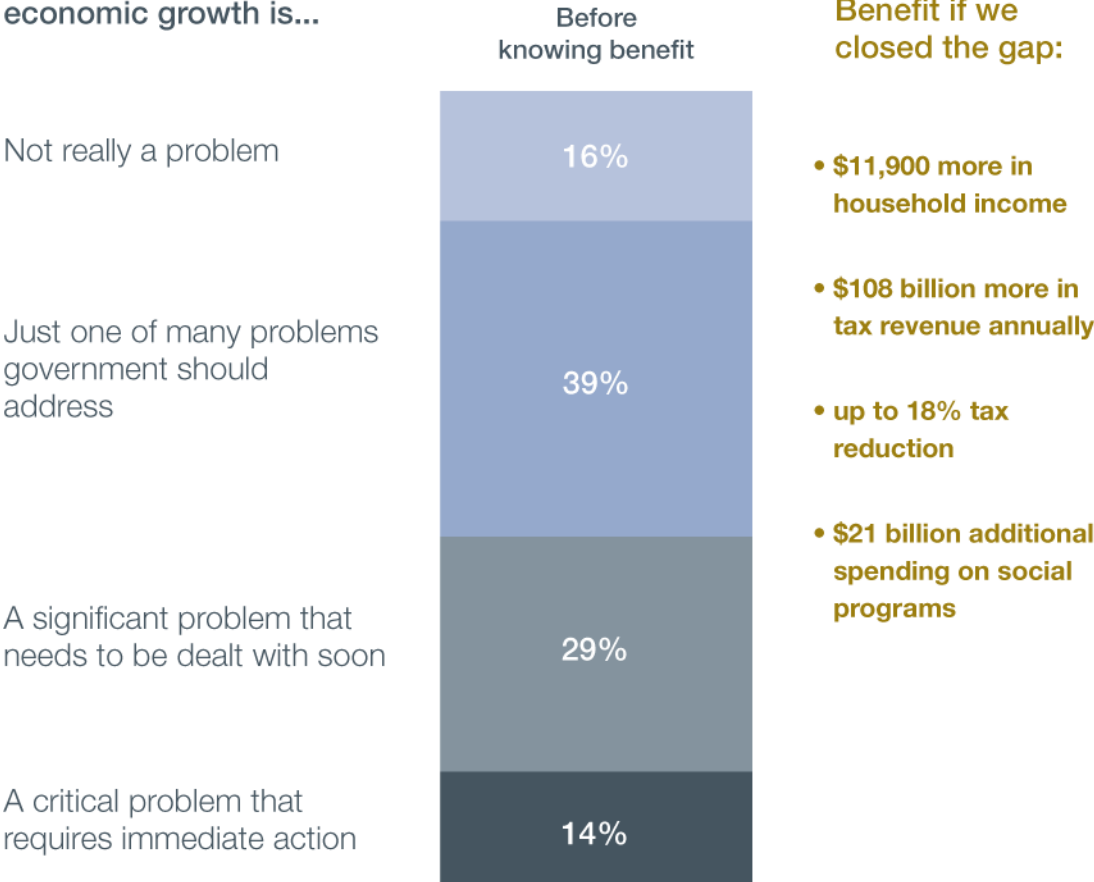
Percent of respondents

Do you think the fact that Canada has fallen behind the US in terms of economic growth is...



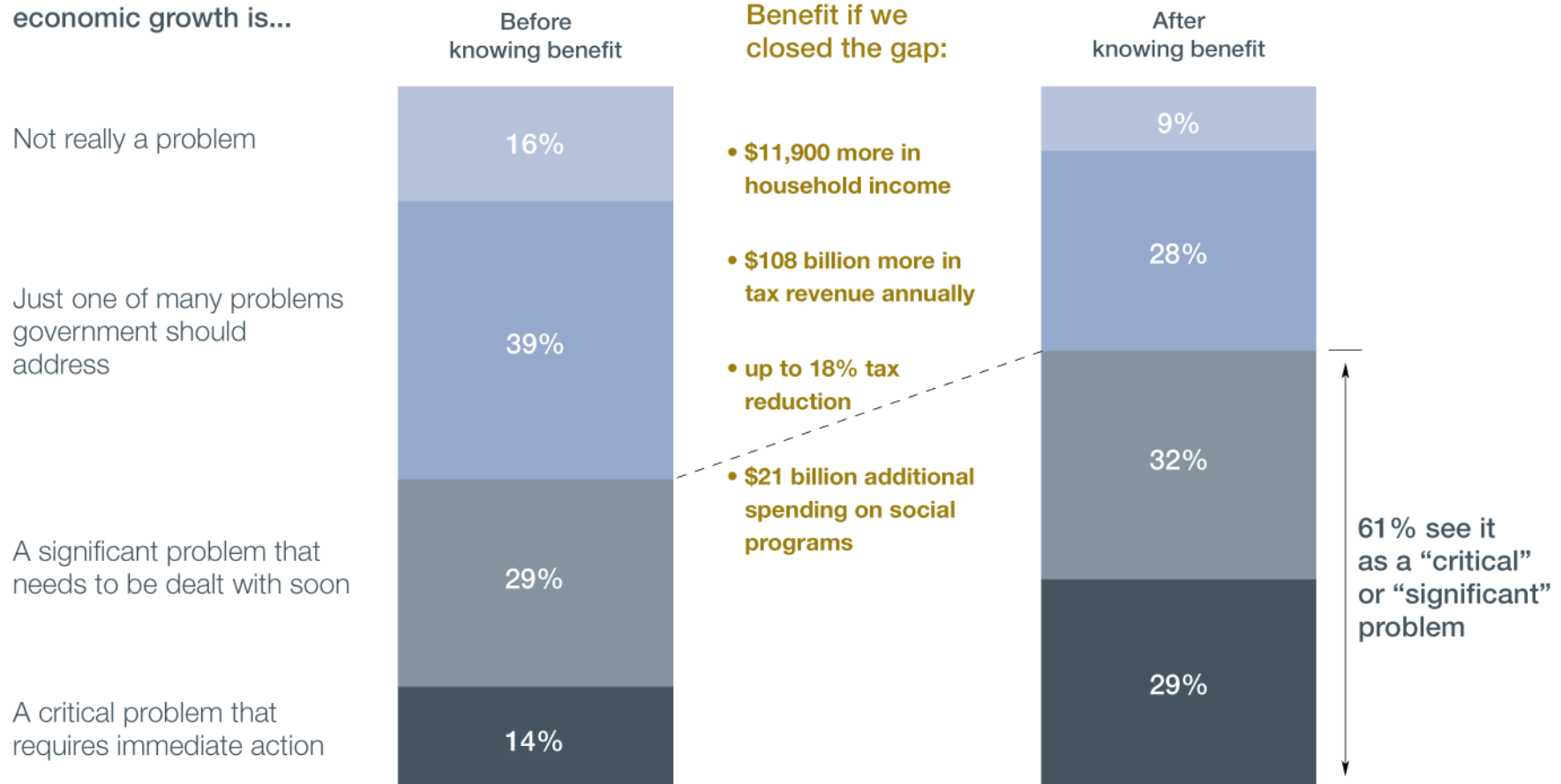
Percent of respondents

Do you think the fact that Canada has fallen behind the US in terms of economic growth is...

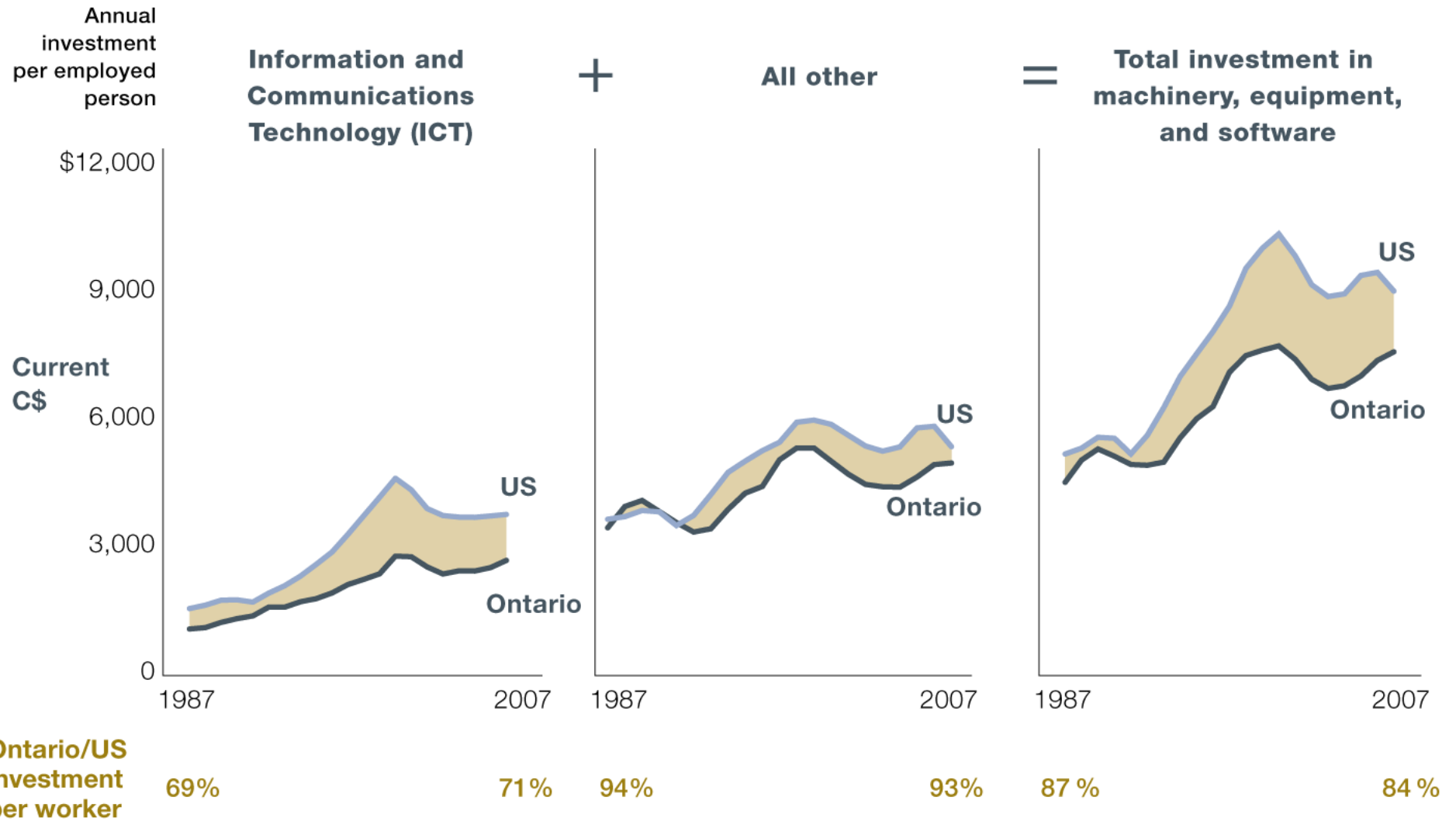


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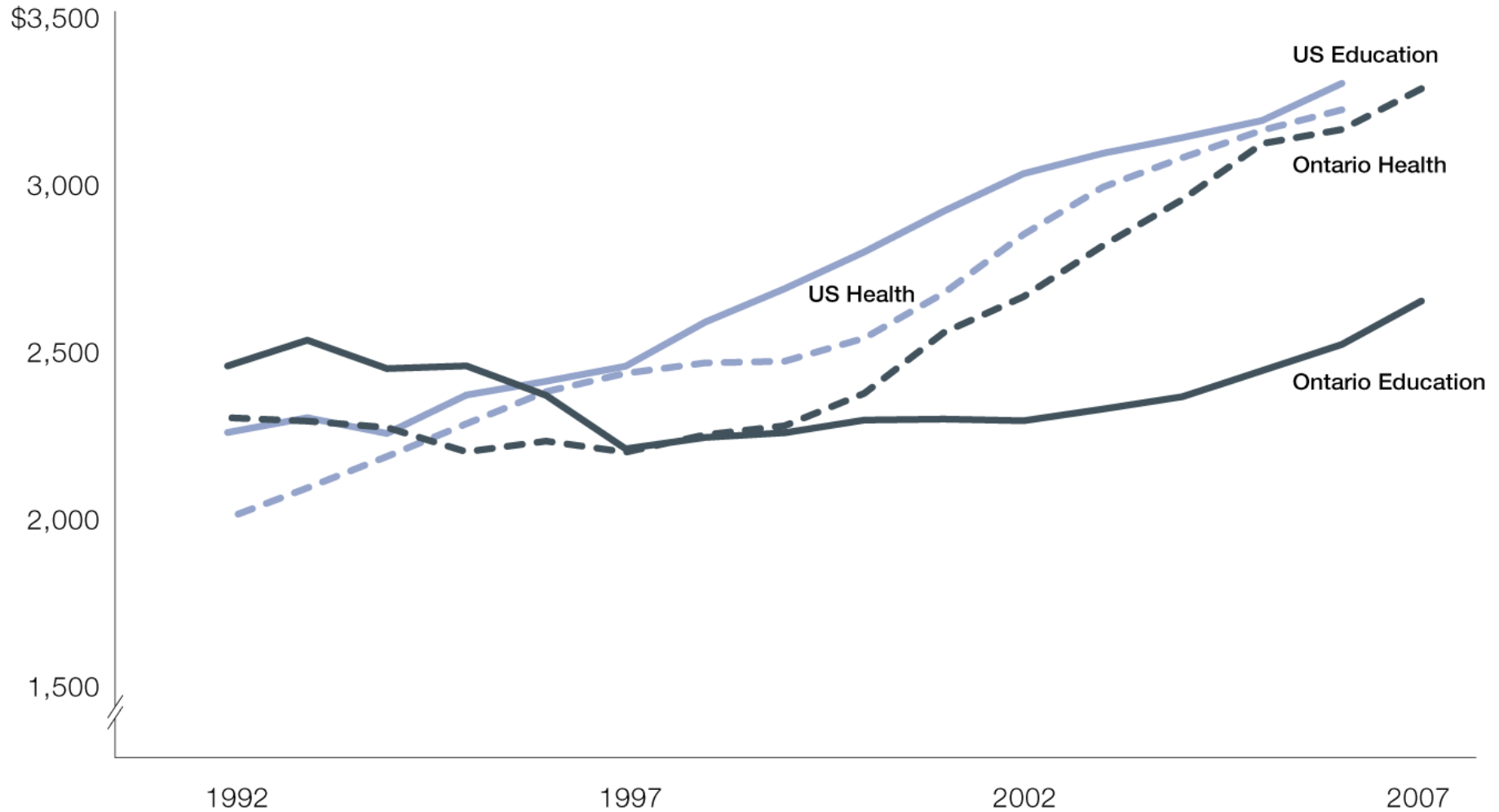


Business sector machinery, equipment, and software investment per worker, 1987-2007

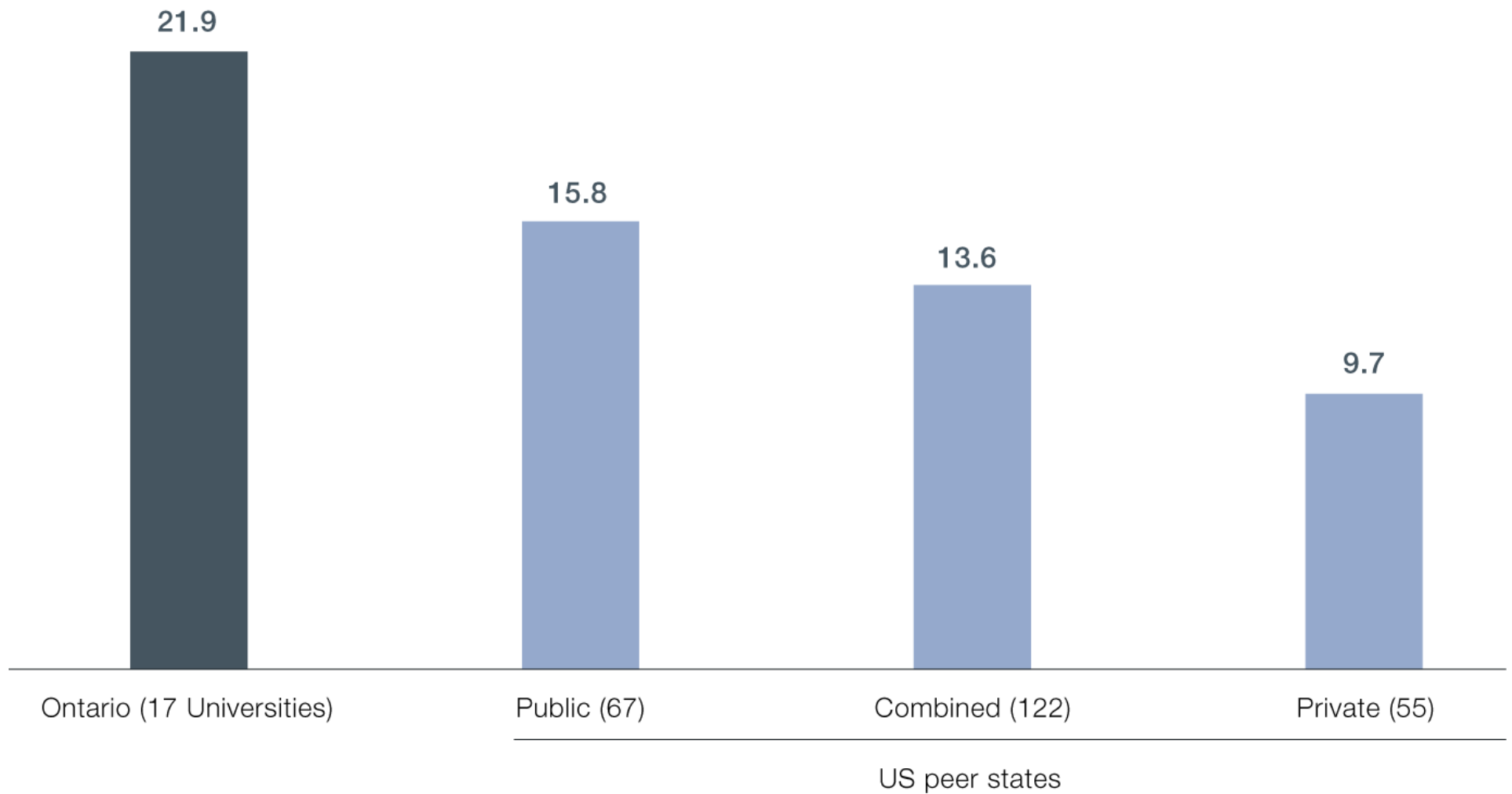


Expenditure
per capita
C\$ (2007)

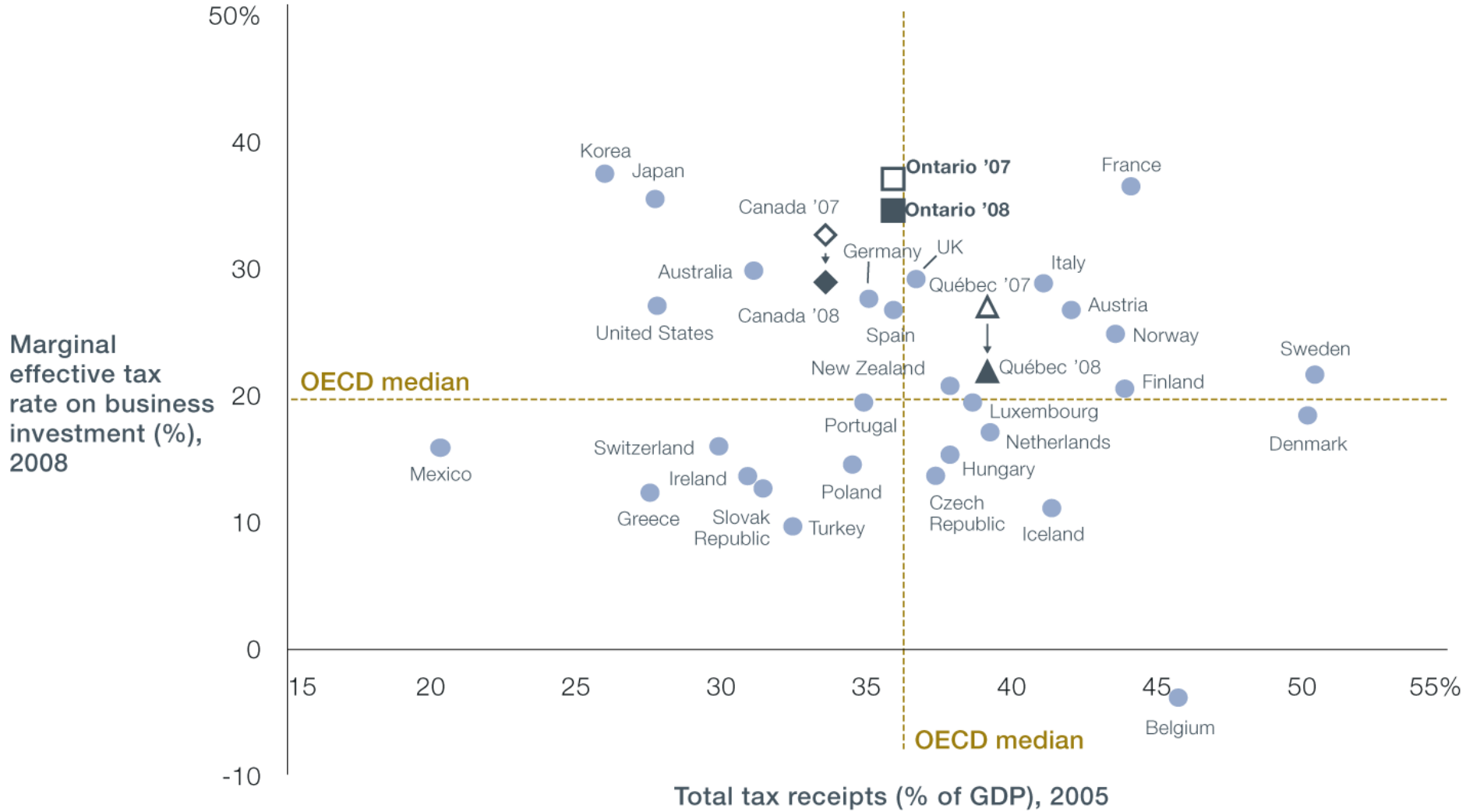
Public health and education expenditure Ontario and US, 1992-2007



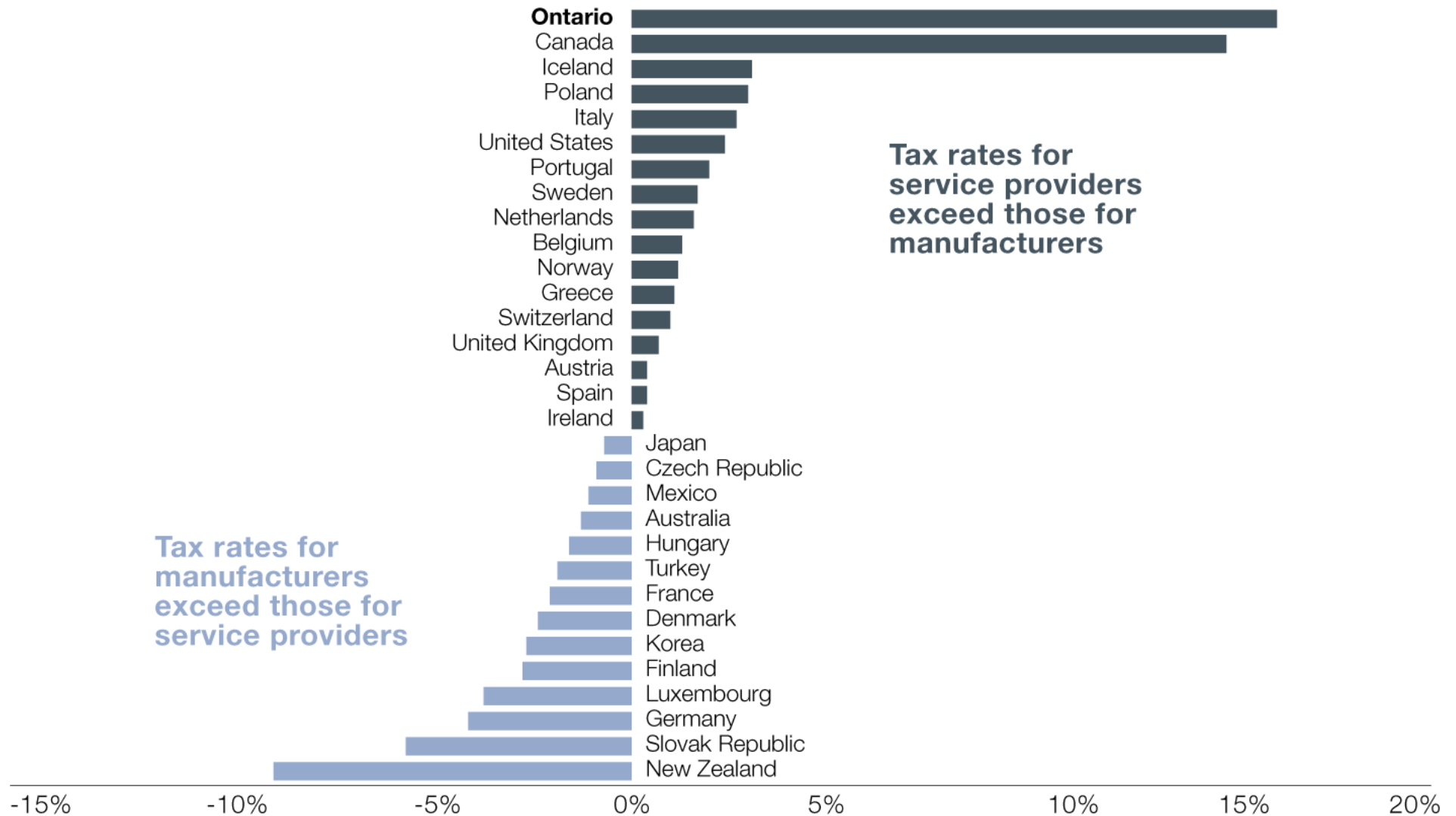
University student-faculty ratios, 2006
Ontario and US peer states



Taxation rates: overall and on business investment Ontario and OECD countries



**Manufacturing-service sector differences
in marginal effective tax rates on business investment, 2008**



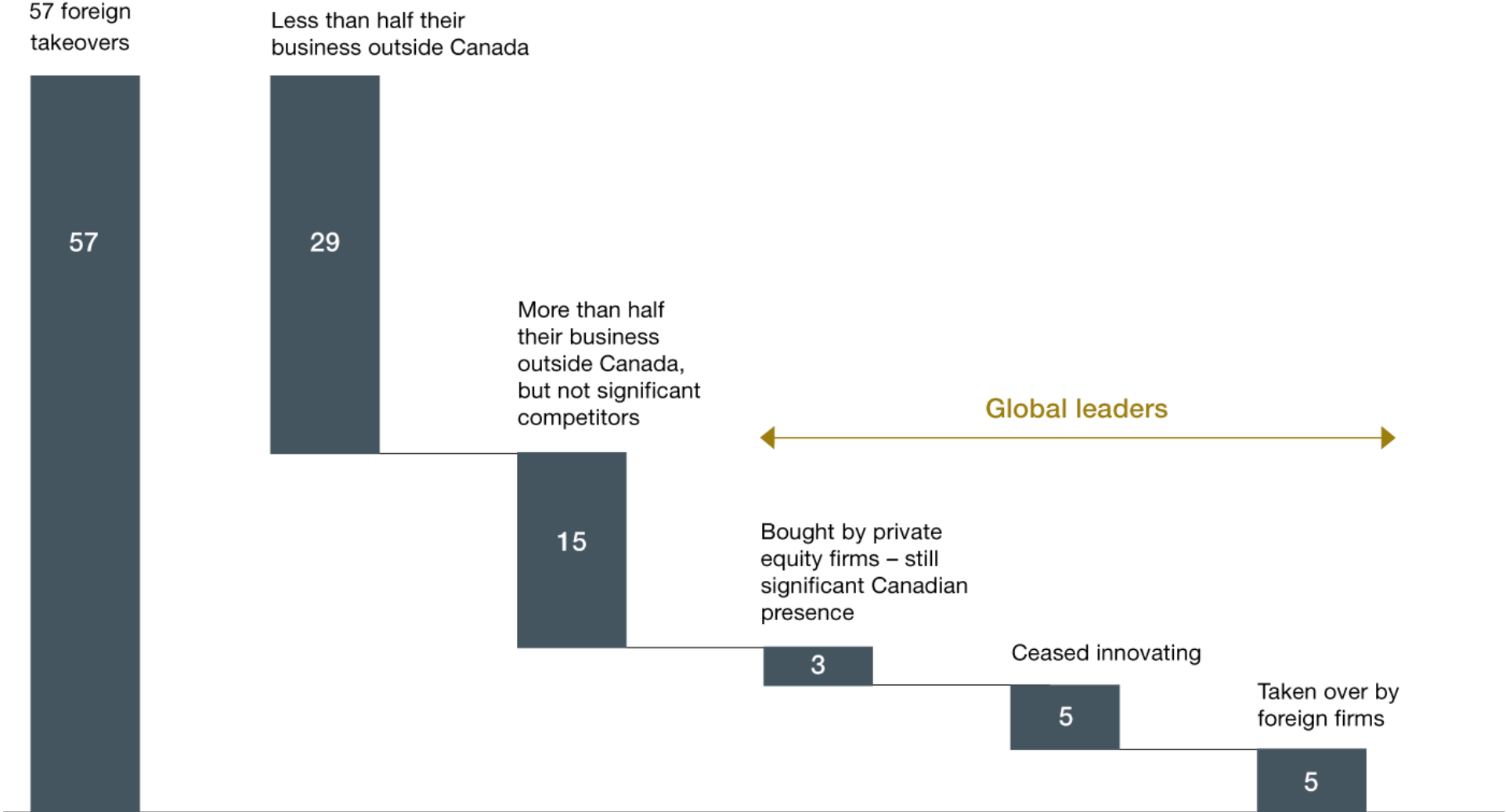
AbitibiBowater
 Agrium
Ashton-Potter (MDC)
 Atco
ATS
Barrick Gold
 Bombardier
 CAE
 Cameco
 Canam Steel
 Canfor
CCL Industries
Celestica
 CGI
 CHC Helicopter
Chemtrade Logistics
Cinram
 Cirque du Soleil
 CN Rail
Connors Bros.

Cott
 Couche-Tard
Dalsa
 Exfo Electro-Optical
 Engineering
 Finning International
 Fording (Elk Valley Coal)
 Garda World
 Gildan
 Goldcorp
Harlequin (Torstar)
Husky Injection Molding
Imax
 Jim Pattison Group
Linamar
 Maax Holdings
 MacDonald Dettwiler
Magna
**Magnequench (Neo
 Material Technologies)**

Major Drilling
Manulife Financial
 McCain
MDS
 Methanex
Mitel
 Norbord
**North American Fur
 Auctions**
Nortel
 NOVA Chemicals
Open Text
Patheon
 Peerless Clothing
 Pollard Holdings LP
 PotashCorp
 Premier Tech
 Quebecor World
Research In Motion
 Ritchie Bros. Auctioneers
Scotia Mocatta

Shawcor
 Sierra Wireless
 SMART Technologies
 SNC-Lavalin
 Spectra Premium
 Industries
 SunGro Horticulture
TD Waterhouse
 Teck-Cominco
 Tembec
**Thompson Creek Metals
 (Blue Pearl)**
Thomson Corporation
Timminco
TLC Vision
 Transat A.T.
 Trimac
 Velan
Wescast Industries
Weston Foods
Zarlink

Foreign takeovers of Canadian companies since 2002



Operational effectiveness	Basis	Strategic positioning
<ul style="list-style-type: none"> • Imitation of best practices • Price discounting • Incremental cost • Little consumer choice 	Features	<ul style="list-style-type: none"> • Focus on creating different value propositions for customers • Multiple, different value propositions based on different customer segments, service offerings, price levels
<p>“Zero sum competition” leading to slower dynamic improvement and few world-beating strategies</p>	Outcomes	<p>“Positive sum competition” leading to increased variety and choices and creation of new markets</p>



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Attitudes

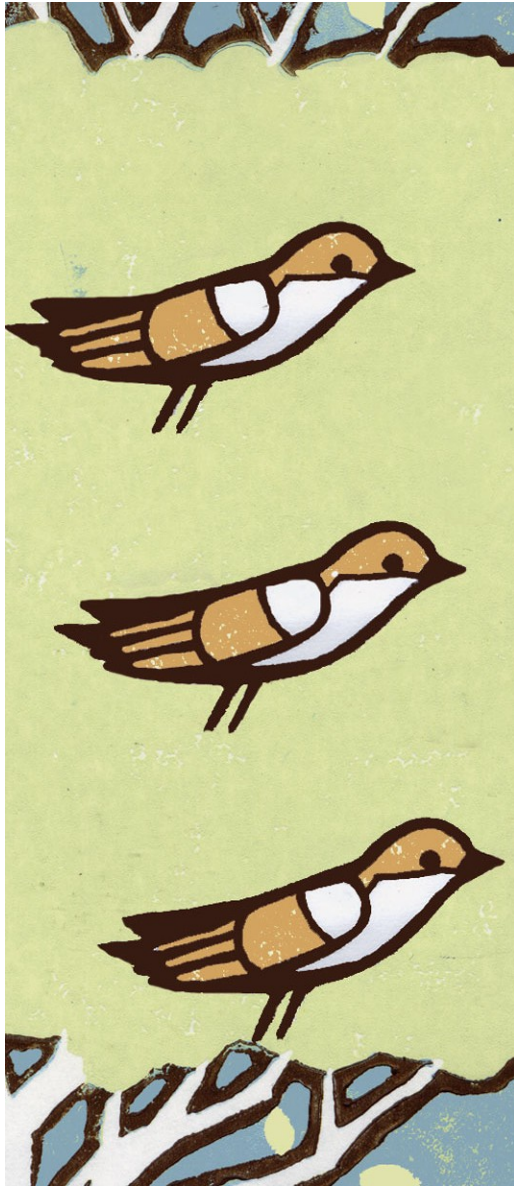
- We urge the Premier and business, labour, and community leaders to keep the volume on the importance of prosperity and productivity even in these times of economic uncertainty



Investment

We encourage more investment to upgrade technology, enhance educational opportunities, and support groups at risk of falling into poverty

- Step up investments in information and communication technology
- Raise awareness among all Ontarians of the benefits of education
- Continue investments in post secondary education
- Invest in focused and innovative ways to attack poverty



Motivations

Ontario needs to readdress its tax regime, to motivate business investment

- Pursue the adoption of a value added provincial tax, harmonized with the federal GST
- Assess the revenue benefits of a reduction in corporate tax rates
- Ensure special tax treatment for Labour Sponsored Investment Funds is ended
- Consider a revenue neutral carbon tax



Structures

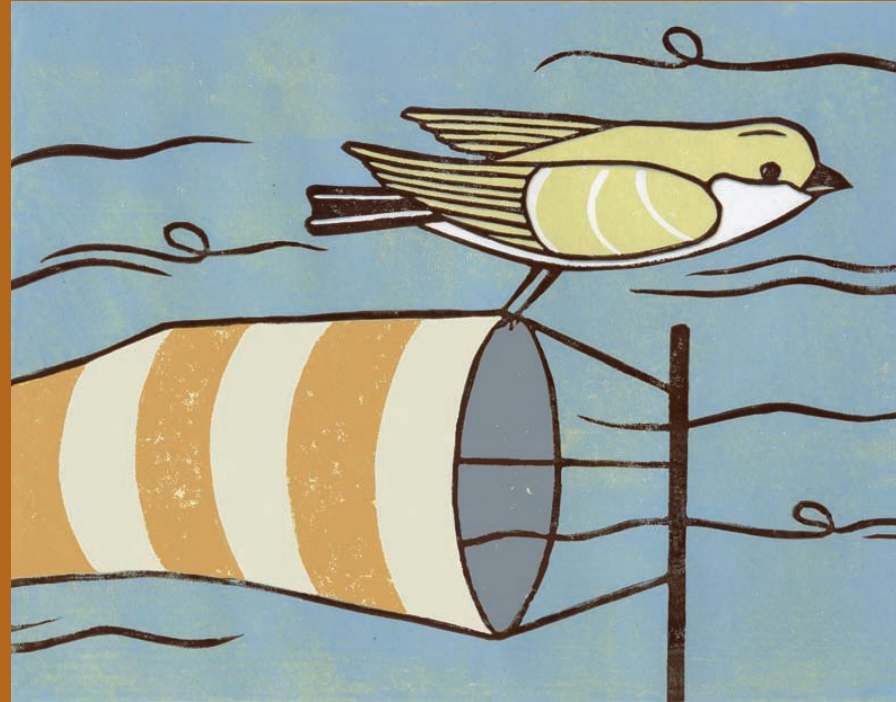
Enhance our market structures to encourage competition and stimulate innovation and at home and abroad

- Pursue the reduction of barriers to investment and trade
- Continue to expand innovation policy to include building management capabilities

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