

# **INSTITUTE FOR COMPETITIVENESS & PROSPERITY**

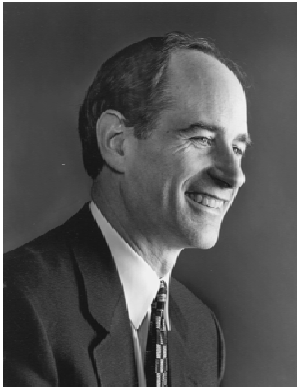
Annual Report 2010-2011  
For the year ended April 30, 2011

# Table of Contents

## Annual Report 2010-2011

Message from the Chair	... 1
Background	... 2
Accomplishments and Commitments	... 5
Performance Measures	... 5
Financial Activity Plan Summary	... 10

## Message from the Chair



I am pleased to present the 2010-11 Annual Report of the Institute for Competitiveness & Prosperity.

The Institute's prime purpose is to establish and maintain the Task Force on Competitiveness, Productivity and Economic Progress which was announced in Ontario's 2001 Speech from the Throne. Our mandate was broadened to include commercialization and innovation in the Budget Speech of May, 2004.

In our first nine years the Task Force and the Institute have played increasingly important roles in the discussion and debate on issues of competitiveness and prosperity in Ontario and also in Canada. We have introduced the concept of a prosperity gap with a group of North American peer jurisdictions. We have estimated the impact of various labour supply and productivity elements through our "waterfall" calculations. And we have introduced the AIMS (attitudes, investments, motivations, and structures) framework to guide the assessment of Ontario's capacity for innovation and upgrading. Through our communications approaches we have established ourselves as credible experts on key economic issues.

In this latest year, we continued to increase our influence on prosperity-related public policy than in any previous year. We were very pleased that the provincial government here in Ontario and in British Columbia announced a harmonized sales tax and solid reductions in corporate income tax rates in recent budgets - actions that we have advocated for several years now. These actions reduce tax rates on new investment and end the disparity between taxation of investments in manufacturing and services. Our advice was sought out before the latest provincial and federal budgets.

We extended our research on management capabilities from manufacturing to retail and are among the world's leaders in assessing the impact of management on productivity.

In the coming year, we expect governments will face challenging times in tackling deficits with smart spending reductions and tax policies. We will contribute to their deliberations. The federal and provincial governments appear to be re-thinking their innovation policies as it is clear that current approaches are not delivering results. We will ensure that our work this year is informed by our framework for innovation - pressure and support. And we will continue to carry out research in areas of poverty and inequality.

We continue to strengthen our efforts at communicating our findings and recommendations with Ontarians to ensure we are having a significant impact in increasing Ontario's competitiveness, productivity, and capacity for innovation.

Roger L. Martin, Chairman

# Background

## Vision

Through the provision of support to Ontario's Task Force on Competitiveness, Productivity and Economic Progress, the Institute measures and monitors Ontario's competitiveness compared to other provinces and the U.S. states and is respected for its regular reports to the public. As a result, governments, firms, organizations and individuals in Ontario have access to a policy framework for increased competitiveness and prosperity that is second to none.

## Mission

To establish and maintain a Task Force to:

- (a) measure, analyze and report on the competitiveness, productivity and economic progress of the Province of Ontario in comparison to other jurisdictions;
- (b) assess the impact of research and development and commercial innovation in Ontario on the province's competitiveness;
- (c) make such recommendations for action on the part of governments, businesses and others as the Task Force may consider advisable;
- (d) confer and consult with the public, interested parties and experts regarding the methods for measuring, analyzing, reporting upon or making recommendations in respect of the competitiveness, productivity and economic progress of the Province of Ontario;
- (e) encourage, educate and build awareness of competitiveness, productivity and economic progress indicators for the Province of Ontario; and
- (f) conduct such other activities which are consistent with the foregoing.

To conduct activities and carry out such other complementary purposes which are consistent with the establishment and maintenance of the Task Force.

## **Establishment of the Task Force**

In her April 19, 2001 Speech from the Throne, the Honourable Hilary M. Weston, Lieutenant Governor of the Province of Ontario stated:

... Economic strength and quality of life are inseparable. Only a strong economy provides the means to support important services such as accessible health care and quality education.

... Responsible choices are required to keep the economy growing, and to determine spending priorities among competing demands that in total would far exceed the growth in revenue.

... Growth - growth in the economy, growth in jobs - remains your government's top priority.

... A new task force will measure and monitor Ontario's productivity, competitiveness and economic progress compared to other provinces and the U.S. states.

... The independent task force, led by Roger Martin, Dean of the Joseph L. Rotman School of Management and one of Canada's leading experts on competitiveness, will report to the public on a regular basis.

On October 17, 2001 the Premier announced the names of the members of the task force. Since that time, some members have resigned; earlier in 2010, three new members accepted the invitation by Roger Martin to join the Task Force. (See Appendix A for a list of current Task Force members and their brief biographies.)

In the period between the Throne Speech and the announcement of the names of the members of the Task Force, the government approved the establishment of the Institute for Competitiveness and Prosperity whose principal purpose is to establish and maintain the Task Force.

In the Budget Speech of May, 2004, the Government set out the challenge of commercialization for Ontario and set out a role for the Task Force:

A major challenge is to improve on the commercialization of ideas derived from R&D performed in Ontario. Building on the province's strong scientific research base, the government will expand the focus of its innovation programs to enhance commercialization in Ontario's public research institutions. New funding will help these institutions gain better access to private capital. The Ontario Government will work with the federal government to maximize Ontario's participation in the venture capital initiatives announced in the 2004 federal Budget. In addition the Task Force on Competitiveness, Productivity, and Economic Progress will shift its next phase of research to include commercialization issues.

Minister Cordiano expanded on this in a speech on June 24, 2004,

...we're preparing Ontario to lead in both knowledge and innovation. The... government knows that information, invention, and innovation are the new pillars of economic strength and success that create more wealth, increase our prosperity, and achieve a standard of living that is second to none.

The Institute has incorporated commercialization issues in its mission and plans.

## **Administration and Governance**

The Institute was incorporated on August 28, 2001 as a not for profit corporation with Roger L. Martin as Chairman of the Board of Directors [See Appendix B].

The objects of the corporation are the same as the Mission of the Institute as set out above in Section 1.2 (see page 2).

## **Core Businesses**

The incorporation papers of the Institute provide the framework for identifying four core businesses which are the focus of this business plan:

### **1. Secretariat Function:**

To establish and maintain a Task Force on competitiveness, productivity, and economic progress.

### **2. Economic Policy Research Function:**

To create a framework to assess Ontario's competitiveness, productivity and economic progress and to develop indicators to measure Ontario's competitiveness, productivity and economic progress compared with the other provinces and the US states.

### **3. Consultation and Communications Function:**

To consult, raise awareness and educate the public and a broad range of stakeholders in all regions of the province on competitiveness issues in general and the work of the Task Force in particular.

### **4. Administration Function:**

To maintain an office and a range of services in support of the functions of the Institute.

## Accomplishments and Commitments

The Institute met or exceeded all of the key commitments identified in the Business Plan for 2009-2010:

- Published Report on Canada 2010, Beyond the recovery, June 2010
- Published Working Paper 14, Trade, innovation, and prosperity, September 2010
- Published Annual Report 9, Today's innovation, tomorrow's prosperity, November 2010

## Performance Measures

Core Business	2010-11 Commitments	Results
<b>Establish and maintain a Task Force</b>	Revise membership  Hold four Task Force meetings  Collect data on public interest in the Task Force and its members through website metrics and media coverage	One Task Force member has departed due to increased responsibilities  Task Force meetings held in June, September, December, and March  Website metrics and media coverage presented to the Task Force at each meeting

<b>Core Business</b>	<b>2010-11 Commitments</b>	<b>Results</b>
<b>Economic Policy and Research</b>	<p>Assess impact of trade with emerging economies on Canada's and Ontario's innovation and prosperity and make public policy recommendations</p> <p>Continue building research and analysis on innovation to inform our competitiveness research</p>	<p>Working Paper 14, Trade, innovation and prosperity, published in September 2010</p> <p>Positive impact on public policy, especially at provincial level.</p>
<b>Consultation and Communications</b>	<p>Publish Ninth Annual Report</p> <p>Publish at least one working paper</p> <p>Conference on Canada's competitiveness and prosperity (release of 2010 Report on Canada)</p>	<p>Annual Report 8, Today's innovation, tomorrow's prosperity, published November 2009</p> <p>Working Paper 14, Trade, innovation, and prosperity, published September 2010</p> <p>June 2011</p>
<b>Administration</b>	<p>Business plan approved by Board by end of October 2010.</p>	<p>Approved</p>

## The Institute for Competitiveness & Prosperity, Board of Directors:

<b>Name</b>	<b>Affiliation</b>
Professor Roger L. Martin, Chairman of the Board	University of Toronto
Dr. Chris Riddle, Member	BioDiscovery Toronto; Consultant on Science & Technology, Innovation and Competitiveness
Martha Tory, Treasurer	Ernst & Young
Michael Akkawi, Member	Torys
Suzanne Spragge, Member	University of Toronto

## Members of the Task Force on Competiveness, Productivity and Economic Progress:

<b>Name</b>	<b>Affiliation</b>
Professor Roger L. Martin (Chairman)	Dean of the Joseph L. Rotman School of Management at the University of Toronto
John Armstrong Partner,	Managing Partner of The Capital Markets Company (Capco)
James L. Balsillie	Chairman and Co-Chief Executive Officer of Research in Motion Limited
Timothy D. Dattels	Director of TPG Capital,
Lisa de Wilde	Chief Executive Officer of TVOntario
David Folk	Managing General Partner of Jefferson Partners

Suzanne Fortier	President of Natural Sciences and Engineering Research Council of Canada (NSERC)
Gordon Homer	President of Gordon J. Homer Advisory Services
Tom Jenkins	Executive Chairman and Chief Strategy Officer of Open Text Corporation
David Keddie	President of National Compressed Air
Jacques Ménard, O.C.	Chairman of BMO Nesbitt Burns
Mark Mullins	Veras Inc.
Timothy H. Penner	
Daniel Trefler	Research Associate at the Institute for Policy Analysis, University of Toronto, and Canadian Pacific Fellow at the Canadian Institute for Advanced Research

## Institute Staff

### **Executive Director**

James Milway  
416 920.1921 x222  
[J.Milway@competeprosper.ca](mailto:J.Milway@competeprosper.ca)

### **Researchers**

Tamer Azer  
Katherine Chan  
Anam Kidwai  
Lloyd Martin  
Aaron Meyer  
Shabnam Mohsenzadeh

Kim Ryan (part-time Office Manager)

**General Inquiries:**

416 920.1921 x224

Questions or comments about the Institute for Competitiveness & Prosperity's business plan are welcomed. Visit [www.CompeteProsper.ca](http://www.CompeteProsper.ca) or call the offices as listed above.

**Sponsoring Ministry**

- October 2003 – present: Ontario Ministry of Economic Development and Trade
- April 2002 – October 2003: Ontario Ministry of Enterprise, Opportunity and Innovation
- September 2001 – April 2002: Ontario Ministry of Economic Development and Trade

**Financial Statements and Auditors' Report**

See inserted statements.

---

**INSTITUTE FOR COMPETITIVENESS  
AND PROSPERITY**

**FINANCIAL STATEMENTS**

**APRIL 30, 2011**

---

**INDEPENDENT AUDITOR'S REPORT**

To the Members,  
Institute for Competitiveness and Prosperity

**Report on the Financial Statements**

We have audited the accompanying financial statements of Institute for Competitiveness and Prosperity, which comprise the statement of financial position as at April 30, 2011 and the statements of operations and changes in unrestricted net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Institute for Competitiveness and Prosperity as at April 30, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Cowperthwaite Mehta

Chartered Accountants  
Licensed Public Accountants

October 18, 2011  
Toronto, Ontario

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2011

	2011	2010
<b>ASSETS</b>		
Current assets		
Cash	\$ 247,459	\$ 60,721
Accounts receivable	66,728	13,896
Contributions receivable		109,917
Prepaid expenses	<u>26,481</u>	<u>9,402</u>
	340,668	193,936
Property and equipment (note 5)	<u>6,694</u>	<u>4,305</u>
	<u>\$ 347,362</u>	<u>\$ 198,241</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 13,889	\$ 18,988
Deferred contributions (note 6)	<u>326,779</u>	<u>174,948</u>
	340,668	193,936
Deferred capital contributions (note 7)	<u>6,694</u>	<u>4,305</u>
	<u>347,362</u>	<u>198,241</u>
Net assets		
Unrestricted	<u>nil</u>	<u>nil</u>
	<u>\$ 347,362</u>	<u>\$ 198,241</u>

Approved on behalf of the Board:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

see accompanying notes

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS

FOR THE YEAR ENDED APRIL 30, 2011

	2011	2010
<b>REVENUE</b>		
Ministry funding (note 8)	\$ 1,012,531	\$ 1,116,254
Contract research and other fees (note 10)	<u>121,670</u>	<u>159,992</u>
	<u>1,134,201</u>	<u>1,276,246</u>
<b>EXPENSES</b>		
Personnel	693,219	857,475
Communication supplies and services	196,451	110,016
Other services	96,873	150,921
Occupancy costs	93,577	84,346
Task force and other meetings	24,166	18,948
Supplies (note 5)	16,512	30,392
Consulting fees	11,487	20,528
Training and development	<u>1,916</u>	<u>3,620</u>
	<u>1,134,201</u>	<u>1,276,246</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	nil	nil
Unrestricted net assets, beginning of year	<u>nil</u>	<u>nil</u>
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<u>\$ nil</u>	<u>\$ nil</u>

see accompanying notes

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED APRIL 30, 2011

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Cash received from operations:		
Excess of revenue over expenses for the year	\$ nil	\$ nil
Add back (deduct) non-cash items-		
Amortization of capital assets	3,749	6,111
Amortization of capital contributions	(3,749)	(6,111)
Net change in working capital items (see below)	<u>186,738</u>	<u>(113,066)</u>
Net cash generated from (used for) operations	186,738	(113,066)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(6,138)	(1,726)
<b>FINANCING ACTIVITIES</b>		
Capital contributions received	<u>6,138</u>	<u>1,726</u>
<b>NET CASH INCREASE (DECREASE) IN THE YEAR</b>	186,738	(113,066)
Cash, beginning of year	<u>60,721</u>	<u>173,787</u>
<b>CASH, END OF YEAR</b>	<u>\$ 247,459</u>	<u>\$ 60,721</u>
<b>Net change in working capital items:</b>		
Decrease in amounts receivable	\$ 57,084	\$ 128,530
Decrease (increase) in prepaid expenses	(17,078)	10,400
Increase (decrease) in accounts payable and accrued liabilities	(5,099)	(40,710)
Increase (decrease) in deferred contributions	<u>151,831</u>	<u>(211,286)</u>
	<u>\$ 186,738</u>	<u>\$ (113,066)</u>

see accompanying notes

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2011

---

### 1. THE ORGANIZATION

The Institute for Competitiveness and Prosperity (the Institute) is a not-for-profit organization incorporated in the Province of Ontario without share capital.

Through the provision of support to Ontario's Task Force on Competitiveness, Productivity and Economic Progress, the Institute measures and monitors Ontario's competitiveness compared to other Canadian provinces and selected American states.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for preparation of these financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with prior years. Accounting principles used include the following significant policies:

#### **Financial instruments**

The Institute classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Institute's accounting policy for each category is as follows:

*Held-for-trading* - This category comprises cash and interest bearing savings accounts. These investments are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

*Other financial assets and liabilities* - Other financial assets and liabilities are carried at cost, which approximates their fair value due to their short-term nature.

#### **Revenue Recognition**

The Institute follows the deferral method of revenue recognition. Its principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Government contributions related to current expenditures are reflected in the accounts as the Ontario Ministry of Economic Development and Trade (the Ministry) funding in the current year. Contributions received in the year for expenses to be incurred in the following fiscal year are recorded as deferred contributions. Contributions related to the purchase of capital assets are recorded as capital contributions in the same period the related assets are charged to operations.
- iii) Contract research and other fees and related expenses are recognized in the period the services are performed and the costs incurred.
- iii) Investment income is recognized as earned. Increases and decreases in market value of investments held-for-trading are recognized as investment income (losses) in the period in which they occur.

#### **Property and Equipment**

Property and equipment is recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives, currently three years on a straight line basis.

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2011

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

### 3. FINANCIAL INSTRUMENTS

The Institute's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Institute is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

### 4. MANAGEMENT OF CAPITAL

In managing capital, the Institute focuses on liquid resources available for operations. The Institute's objective is to have sufficient liquid resources to continue operating despite adverse events with financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at April 30, 2011, the Institute has met its objective of having sufficient liquid resources to meet its current obligations.

### 5. PROPERTY AND EQUIPMENT

Property and equipment, recorded at cost, is as follows:

	Cost	Accumulated Amortization	2011 Net	2010 Net
Computer equipment	\$ 60,241	\$ (59,925)	\$ 316	\$ 4,065
Office equipment and furniture	78,386	(72,008)	6,378	240
Computer software	<u>4,840</u>	<u>(4,840)</u>	<u>nil</u>	<u>nil</u>
	<u>\$ 143,467</u>	<u>\$ (136,773)</u>	<u>\$ 6,694</u>	<u>\$ 4,305</u>

Supplies includes a charge for amortization of office equipment of \$3,749 for the year ended April 30, 2011 (a charge of \$6,111 for the year ended April 30, 2010).

### 6. DEFERRED CONTRIBUTIONS

Deferred contributions includes contributions received and receivable from the Ministry and other sources that are available to cover operating expenses of future periods.

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2011

---

### 7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represents the unamortized portion of Ministry funds used for purchase of office equipment and furnishings.

Continuity of the deferred capital contributions for the period is as follows:

	2011	2010
Deferred capital contributions, beginning of year	<u>\$ 4,305</u>	<u>\$ 8,690</u>
Add Ministry funding received for equipment and furnishings	6,138	1,726
Less capital contributions recognized in year (note 8)	<u>(3,749)</u>	<u>(6,111)</u>
	<u>2,389</u>	<u>(4,385)</u>
Deferred capital contributions, end of year	<u>\$ 6,694</u>	<u>\$ 4,305</u>

### 8. MINISTRY FUNDING

The Institute has entered into a funding agreement with the Ministry through March 31, 2012. Any excess of contributions received over eligible expenses at the end of the funding period is repayable to the Ministry.

Funding from the Ministry received in the year is recognized in these financial statements as follows:

	2011	2010
Ministry funding recognized as revenue in the year:		
Non-capital portion	\$ 1,008,782	\$ 1,110,143
Capital portion (note 7)	<u>3,749</u>	<u>6,111</u>
Total Ministry funding recognized as revenue in the year	<u>1,012,531</u>	<u>1,116,254</u>
Increase (decrease) in Ministry funding deferred in the year:		
Deferred contributions related to Ministry funding	151,831	(111,868)
Deferred capital contributions (note 7)	<u>2,389</u>	<u>(4,385)</u>
Total increase (decrease) in Ministry funding deferred	<u>154,220</u>	<u>(116,253)</u>
Current year Ministry contributions to fund equipment purchases and operations	<u>\$ 1,166,751</u>	<u>\$ 1,000,001</u>

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2011

---

### 9. LEASE COMMITMENT

The Institute rents office space under a lease agreement to December 14, 2012. Base rent over the term of the lease is as follows.

2012	\$ 37,969
2013	<u>26,895</u>
	<u>\$ 64,864</u>

### 10. RELATED PARTY

The Institute is related to the Martin Prosperity Institute, a department of the Rotman School of Management of the University of Toronto, in that both organizations share the same Executive Director and administrative staff and the Chairman of the Board of the Institute is the Dean of the Rotman School of Management.

Amounts payable or receivable from transactions in the normal course of operations with the Martin Prosperity Institute are non-interest bearing, payable on demand and unsecured. No amounts were due from or payable to the Martin Prosperity Institute at April 30, 2011 and April 30, 2010.

The Institute periodically enters into contracts with the Martin Prosperity Institute to provide research services. The research services are billed to the Martin Prosperity Institute at Institute direct cost. During 2011 contracts for services of \$nil were billed. Contracts for services totaling \$125,418 were billed in the year ended April 30, 2010.

### 11. INCOME TAX STATUS

The Institute is exempt from income tax in Canada as a not-for-profit organization under Section 149(1)(L) of the Income Tax Act (Canada).