

Ontario must do more to attract businesses

Report identifies factors and strategies influencing businesses location decision

Toronto, ON - Inspired by the announcement of the Jobs and Prosperity Fund (JPF), the Institute for Competitiveness & Prosperity conducted extensive research comparing Ontario to regional competitors to assess the areas where the government should act to improve business attractiveness. Our *Working Paper 21 – Open for business: Strategies for improving Ontario's business attractiveness* – aims to advise the government on how to get the best return on investment for the Fund, while improving long-term business conditions in the province.

There are many factors behind a firm's location choice, and Ontario falls short in some key areas. First, Ontario's access to markets is poor compared to geographically close regions, and this is amplified by the lack of transportation infrastructure. Second, labour cost per unit of output in Ontario is among the highest relative to regions in the Northeast of North America. Lastly, although the province has low overall taxation, the corporate tax structure, as well as corporate tax burden relative to public services, might be hampering its capacity to attract businesses. In our report, we outline ten recommendations to help the province improve its capacity to attract new businesses.

Without bringing Ontario's fundamental economic characteristics up to speed with those of other regions, programs such as the JPF will only grant the province short-term gains. To be successful, the Fund will need costly monitoring and evaluation, and even so assessing its costs and benefits could be impractical. Yet, by addressing the fundamental aspects of business attractiveness, the province can improve the odds of the Fund being successful, while not having to depend on the fund as the sole tool used to attract incremental business activity.

Strategies for improving Ontario's business attractiveness

Fund Operation and Strategy

- Make the operation and evaluation of the Fund transparent
- Prioritize productivity enhancements on the Jobs and Prosperity Fund scorecard
- Open the Fund to all sizes of companies
- Use the Jobs and Prosperity Fund to co-finance employee training

Fundamental Characteristics for Business Attractiveness

- Modify the small business deduction tax structure
- Allow foreign companies to be eligible for the small business deduction
- Upgrade and expand highway infrastructure outside the province's economic core
- Allow US airlines to operate domestic flights in Ontario and Canada
- Improve air services for Ontario's secondary cities
- Become early adopter of electric car technology to further agglomeration

About the Institute: The Institute for Competitiveness & Prosperity is an independent not-for-profit organization established in 2001 to serve as the research arm of Ontario's Task Force on Competitiveness, Productivity and Economic Progress. The Institute is supported by the Ontario Minister of Economic Development, Employment and Infrastructure.

Download the report: http://www.competeprosper.ca/work/working_papers/working_paper_21

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