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**Ontarians need to lean into the wind of current economic turbulence to maintain focus on achieving our future prosperity potential**

**Task Force on Competitiveness, Productivity and Economic Progress urges the Ontario Government and all Ontarians to keep a balance between addressing our short-term concerns and creating the “eco-system” for realizing our long-term prosperity potential**

**Toronto** – As Ontario and the rest of the world head into significant economic headwinds, Ontarians need to address our current challenges, through belt tightening and retreating from initiatives that are not working. This is not the time for attitudes that encourage insularity and the preservation of the status quo. Investing in Ontario’s future prosperity has to be an important part of our reaction to the current economic climate. This is the key conclusion from the Seventh Annual Report, *Leaning into the wind*, released today by the Task Force on Competitiveness, Productivity and Economic Progress at the Canadian Business Outlook 2009 Conference.

In today’s release, the Task Force confirmed that Ontario’s economy is one of the world’s most successful when compared to similar regions outside North America. Ontario’s Gross Domestic Product (GDP) per capita ranks fifth among a peer group of 14 most populous and prosperous international regions.<sup>†</sup> But among a similar set of 16 North American jurisdictions,<sup>‡</sup> Ontario continues to trail – although it narrowed the gap slightly in 2007. This gap represents lost prosperity, which negatively affects Ontarians at all income levels. In its recent Annual Reports, the Task Force has set out a Prosperity Agenda for achieving this potential by 2020. This year, the Task Force encourages Ontarians not to take our eye off the long term as we address concerns about the apparent economic downturn.

The Task Force, a group of industry and academic leaders, chaired by Roger Martin, Dean of the Rotman School of Management, was established in 2001 to stimulate businesses, governments, educational institutions, and individuals to increase the pace of innovation and competitiveness. That will ensure a continuing increase in our standard of living.

In *Leaning into the wind*, the Task Force reports that Ontario’s GDP per capita is now \$6,500, or 13 percent, behind the median of the 16 jurisdictions, down slightly from the 2006 gap of \$6,800 in constant dollars (2007). GDP measures the value created by workers and firms in Ontario from the human, physical, and natural resources in the province.

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<sup>†</sup> Baden-Württemberg (Germany), Bayern (Germany), Cataluña, (Spain), Comunidad de Madrid (Spain), Hessen (Germany), Kanto (Japan), Kinki (Japan), Lombardia (Italy), New South Wales (Australia), Nordrhein-Westfalen (Germany), Rhône-Alpes (France), South East (UK), Viaamse-Gewest (Belgium)

<sup>‡</sup> California, Florida, Georgia, Illinois, Indiana, Massachusetts, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Quebec, Texas, Virginia

“We are pleased to note that we closed the prosperity gap slightly in 2007 and moved up one rank among our North American peer group, from 15<sup>th</sup> to 14<sup>th</sup>,” said Martin. “But our improvement is more the result of sluggish economic performance among our peers. And we have to remember that as recently as twenty years ago, we were in the upper half of our peer group,” added Martin.

The Task Force also notes some positive developments on the investment front. Public investment in education in Ontario has been increasing since 2003, after a period of little growth – led by investments of the Ontario Government in post secondary education. And businesses have narrowed the gap in technology investments, as the strengthened Canadian dollar has made such investments in imported information and communications technology more affordable. But, while in the right direction, these are small steps.

On another positive note, in new research released today, the Task Force concluded that the quality of management in Ontario’s manufacturing sector at the plant level is among the best in the world.

The Task Force proposes a series of initiatives for realizing our economic potential. Among the new initiatives being recommended by the Task Force is that Ontario consider a carbon tax as part of its approach to reducing Green House Gases (GHG). “We know the carbon tax was dealt a serious blow in the last federal election,” said Martin. But if we want to meet our national and provincial GHG reduction targets, we need to consider a carbon tax. Subsidies and exhortations will not be enough.” The Task Force’s proposal is for consideration of a revenue neutral carbon tax; if implemented, it would replace other taxes that work against our prosperity.

“We need to keep working at improving our eco-system for prosperity,” said Martin. According to the Task Force, this eco-system includes healthy *attitudes* towards innovation, risk taking, and competition; ongoing *investments* in education, machinery, and R&D; an innovative tax system that provides the *motivations* for hiring, working, and upgrading; and *structures* of markets and institutions that encourage upgrading and innovation.

In summary, Martin concluded, “As in the biological world, the eco-system is an important factor in making Ontario’s economy more robust through greater innovation and productivity – our key economic challenge for the long term. The eco-system has to have the right balance of support mechanisms like infrastructure, education, and R&D and of elements that stimulate more innovation and creativity through greater competition and more sophisticated consumers. An eco-system that doesn’t have the right balance can lead to mediocre economic performance – and the Task Force is challenging Ontarians to strive for reaching its full potential.”

The complete report can be downloaded directly from:

[http://www.competeprosper.ca/index.php/work/annual\\_reports/annual\\_report\\_7/](http://www.competeprosper.ca/index.php/work/annual_reports/annual_report_7/)

## The 2020 Prosperity Agenda

### **Attitudes: Accept the challenge; overcome complacency**

- Government, business, labour, and community leaders need to keep the volume on prosperity and productivity even in these times of economic uncertainty

### **Investment: Focus on people and technology**

- 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: Pursue smarter taxation**

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

### **Structures: Place a premium on creativity and innovation**

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

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### **About the Task Force**

The creation of the Task Force on Competitiveness, Productivity and Economic Progress was announced in Ontario's April 2001 Speech from the Throne. Roger L. Martin, Dean of the Joseph L. Rotman School of Management at the University of Toronto, is the Chairman. The mandate of the Task Force is 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. Members of the Task Force were announced on October 17, 2001. See [www.CompeteProsper.ca](http://www.CompeteProsper.ca) for further information.

### **About the Institute for Competitiveness & Prosperity**

The Institute 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 and the Task Force are supported through the Ministry of Economic Development.