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**This is the time to build on Ontario's strengths and stay on track as we navigate through the recovery to achieve our future prosperity potential**

**The Task Force on Competitiveness, Productivity and Economic Progress urges the Ontario government and all Ontarians to remain focused on our long-term Prosperity Agenda as we navigate through current challenges toward recovery**

**Toronto** – While the impact of the recent recession has been devastating, the Task Force, like all Ontarians, is hopeful that the worst is behind us and that Ontario is on the road to recovery. Our challenge is to navigate through this recovery, whenever it occurs, ensuring that the recession's damage is short lived while keeping our eye on a long-term Prosperity Agenda for Ontario. This is the key conclusion of the Eighth Annual Report, *Navigating through the recovery*, released today by the Task Force on Competitiveness, Productivity and Economic Progress.

In today's release, the Task Force reaffirmed 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 sixth among a peer group of 14 prosperous international regions.<sup>†</sup> But among a similar set of 16 North American jurisdictions,<sup>‡</sup> Ontario continues to trail. This gap represents lost prosperity, which negatively affects Ontarians at all income levels.

In *Navigating through the recovery*, the Task Force reports that Ontario's GDP per capita – a measure of the value created by workers and firms in Ontario from the human, physical, and natural resources in the province – trailed the median of the 16 North American jurisdictions by \$7,000 or 13 percent in 2008, up from the 2007 gap of \$6,600 in constant dollars (2008).

But the report also identifies some positive developments in Ontario's competitiveness. "Ontario has made huge progress on our Prosperity Agenda by restructuring the way we tax business investment," said Roger Martin, Chairman of the Task Force. "Converting our provincial sales tax to a value added tax and harmonizing it with the federal goods and services tax is a tough sell politically – but it is the right thing to do. Coupled with the reductions in our corporate tax rates, Ontario will move from one of the worst to one of the best tax regimes in the world for encouraging new business investment." Added Martin, "We are encouraged, too, that Ontario's businesses have continued to close the technology investment gap with their US counterparts as our dollar has strengthened. But a significant gap remains, and we encourage them to continue on that path."

However, some troublesome factors remain. The huge federal and provincial deficits will necessitate fiscal belt tightening. The Task Force is concerned that we will cut back more severely on our investment in

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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), Vlaamse-Gewest (Belgium)

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

education – which happened the last time Ottawa and Queen’s Park attacked their deficits. We need to avoid repeating that mistake. The provincial government has been investing in post secondary education in the past five years through “Reaching Higher” – and the Task Force encourages that these investments be renewed to increase access for all Ontarians to post secondary education, raise the number of masters graduates, and improve the classroom experience for students.

In addition, protectionist sentiments are growing in the US and elsewhere, and we should be working to combat them. But, said Martin, “retaliation is not the answer. Much of our prosperity is built on trade, and we need to look for ways to expand it, not contract.” The report applauds the leadership Ontario has shown in encouraging the federal government to launch trade negotiations with the European Union. It urges pursuit of other trade expansion opportunities with countries like China and India.

In summary, Martin concluded, “Our challenge is to steer through the current turbulence, avoiding the temptation and traps of poor economic policy. We must strive to stay on track to achieve our prosperity potential through an attitude of positive determination, wise investments, excellent tax policy, and structures that encourage innovation.”

### **The 2020 Prosperity Agenda**

#### **Attitudes: Encourage innovation and competition to win in the current global economic turmoil**

- We need to remain determined to close the prosperity gap

#### **Investment: Invest in the human and physical capital critical for recovery**

- Continue investing in people for Ontario’s competitiveness
- Increase business investment in innovation and information and communication technology

#### **Motivations: Ensure announced tax changes become a reality**

- Implement announced changes in Ontario’s sales and corporate tax structures
- Ensure special tax treatment for Labour Sponsored Investment Funds is ended

#### **Structures: Drive innovation through strengthened commitment to trade and resistance to protectionism**

- Continue to encourage federal efforts to expand international free trade agreements
- Encourage greater inter provincial trade

**The complete report can be downloaded directly from:**

[http://www.competeprosper.ca/index.php/work/annual\\_reports/annual\\_report\\_8/](http://www.competeprosper.ca/index.php/work/annual_reports/annual_report_8/)

For more information contact James Milway, Executive Director of the Institute for Competitiveness & Prosperity at 416-920-1921 ext. 222 or visit [www.competeprosper.ca](http://www.competeprosper.ca)

#### **About the Task Force on Competitiveness, Productivity and Economic Progress**

The creation of the Task Force was announced in Ontario’s 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. Its mandate 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.

#### **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 and Trade.