



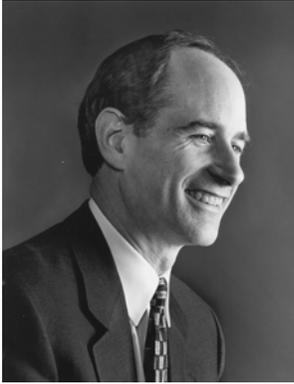
**Institute for Competitiveness & Prosperity**

**Annual Report 2001-02  
For the Year Ended April 30, 2002**

**Institute for Competitiveness & Prosperity  
Annual Report 2001-2002**

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## Message from the Chair



I am pleased to present the Annual Report for 2001-02 of the Institute for Competitiveness and Prosperity. It provides an overview of our inaugural year.

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.

In 2000 Michael E. Porter and I wrote that Canada needed to take bold steps on the path of innovation. By early 2001 there were signs of increasing recognition of the need for change, the announcement of the Task Force being one such sign.

By late 2001 however, the North American economy had been shaken by the events in New York and Washington on September 11<sup>th</sup>. As a result, Ontario faces new challenges to the competitiveness of our economy, among them issues relating to cross-border trade and continental security.

In 2001 the province set a number of goals, among them that of seeing Ontario become the 3<sup>rd</sup> largest home in North America for the biotechnology industry. In 2002 it created a Ministry of Enterprise, Opportunity and Innovation with Competitiveness as its principal stated goal.

The federal government has published its White Paper on Innovation, including goals for Canada of "ranking among the top five countries in the world in terms of R&D performance" and "supporting the development of globally competitive industrial clusters" both by 2010.

It was against this backdrop that the Institute emerged, and flourished. In its first year of operation, the Institute developed a number of partnerships in support of its overall mandate.

In 2002-03 we will work hard to build on these partnerships so that together we can make an outstanding contribution to the understanding of what it is going to take to assure Ontario's competitiveness and prosperity.

Roger L. Martin  
Chairman of the Board

## **The Institute for Competitiveness and Prosperity in its First Year**

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.*

*... 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 Premier Mike Harris, joined by Bob Runciman, Minister of Economic Development and Trade, announced the names of the members of the Task Force (see Appendix). The Premier stated:

*"This Task Force is about protecting our economic growth and making sure that even more people will be able to go home and say, 'I got the job'. This group will help Ontario win jobs globally and keep them locally. If a company is closing operations in four locations worldwide and leaving one open, I want that one open facility staying right here in Ontario. Ultimately, the success of this Task Force will be measured by the number of jobs it helps to create in communities across Ontario."*

Minister Runciman added:

*"We've improved Ontario's competitiveness by lowering taxes, supporting research and development and eliminating 1,700 unnecessary regulations. But we have more to do -- this group's work will help us be the best in the world at getting companies to come, to stay and to create jobs in our communities."*

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 maintain the Task Force.

### Administration and Governance

The Institute was incorporated in Ontario on August 28, 2001 as a not-for-profit corporation. Roger L. Martin is Chairman of the Board. The other Directors are listed in the Appendix.

The Institute has adopted the following Vision and Mission statements:

#### 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

1. 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) Make such recommendations for action on the part of governments, businesses and others as the Task Force may consider advisable;
- (c) 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;
- (d) Encourage, educate and build awareness of competitiveness, productivity and economic progress indicators for the Province of Ontario; and
- (e) Conduct such other activities which are consistent with the foregoing.

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

## 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 U.S. states.

### 3. Consultation and Communications Functions:

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.

To publish interim, special and annual reports on behalf of the Task Force.

### 4. Administration Function:

To maintain an office, and to provide 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 2001-02 which was approved by the Board on December 18, 2001.

Specifically:

A high-profile launch event was successfully completed on October 17, 2001 involving Premier Harris and Minister Runciman with Roger Martin and several Task Force members in attendance;

Two formal meetings of the Task Force were held, in November 2001 and February 2002;

A visual identity was established for the Task Force and the Institute by the professional graphic design firm of Hambly & Woolley;

The Institute's Website was launched in January 2002;

Agreements were completed with key partner organizations including the Institute for Strategy and Competitiveness, Harvard Business School, Statistics Canada, and the Ontario Science and Innovation Council;

An approach to stakeholder consultations was approved by the Task Force and launched in March 2002;

A working paper on cluster mapping was published in April 2002 with favourable press coverage.

### **The Global Competitiveness Report**

The Global Competitiveness Report, which has been published annually since 1979, is a worldwide research project, completed in cooperation with Harvard University's Michael Porter, Jeffrey Sachs, and John McArthur. An important part of this annual research report is the Executive Opinion Survey. Working with partner institutes around the world the World Economic Forum surveys senior executives from a cross-section of businesses in 75 countries. Results of the Executive Opinion Survey provide much richer country-specific information than is available through "hard" data sources and are key components of the competitiveness indices developed by the Forum. Effective 2002, the Institute for Competitiveness and Prosperity, in partnership with the University of Toronto's Rotman School of Management, is the Canadian partner for the World Economic Forum's Global Competitiveness Report.

Core Business	2001-02 Commitments	Results
Establish and maintain a Task Force	<p>Identification of 15 high profile members willing to serve on Task Force.</p> <p>High profile launch event successfully completed.</p> <p>Two Task Force Meetings held.</p> <p>Public interest in Task Force and its members documented through Web site metrics and media coverage.</p>	<p>On October 17, 2001, Premier Harris and Minister Runciman announced the names of the 14 members of the Task Force who had agreed to serve under the chairmanship of Roger L. Martin.</p> <p>The Task Force met on November 19, 2001 and February 21, 2002.</p> <p>Web-site monitoring activated in April 2002. Media coverage monitoring ongoing. Metrics to be compiled following release of first Working Paper.</p>
Economic policy research	<p>Agreements in place with key collaborators such as Statistics Canada and the Institute for Strategy and Competitiveness.</p> <p>Research to identify competitiveness indicators presented to Task Force.</p> <p>Research to map Ontario's industrial clusters completed and presented to Task Force.</p>	<p>Memoranda of Understanding (MOUs) or agreements in place with: the Institute for Strategy &amp; Competitiveness, Harvard Business School; Statistics Canada (SIEID); The Ontario Science and Innovation Council; S&amp;T Division, Ministry of Energy, Science and Technology; Geomatics Service Centre, MNR.</p> <p>Overview of measurement frameworks and indicator compilations in other jurisdictions presented to Task Force in November 2001.</p> <p>Preliminary research to map Ontario's clusters of traded industries completed and presented to Task Force in February 2002.</p> <p>First Working Paper, on A View of Ontario: Ontario's Clusters of Innovation released in April 2002.</p>

Core Business	2001-02 Commitments	Results
<p>Consultation and Communications</p>	<p>Web site operational by December 15, 2001.</p> <p>Approach to stakeholder consultations approved by Task Force and implemented.</p> <p>Working paper on cluster mapping published.</p> <p>Working paper on indicators drafted.</p>	<p>The Web site design was completed in December 2001: the launch took place in January 2002.</p> <p>The Task Force approved the approach to stakeholder consultations in February 2002. This was implemented in March with the publication on the Web site of the Task Force's "point-of-view" and an associated questionnaire.</p> <p>Working paper of Ontario's Clusters of Innovation published April 29, 2002.</p> <p>Framework for measurement and approach to indicator selection scheduled for Task Force approval at May 2002 meeting.</p>
<p>Administration</p>	<p>Institute incorporated by end of September 2001</p> <p>Business plan approved by Board by end of November 2001</p> <p>Staff hired by end of October 2001</p> <p>Performance agreements in place for all staff.</p>	<p>Institute incorporated August 28, 2001.</p> <p>Business Plan approved by Board on December 18, 2001.</p> <p>All staff hired by mid-October 2001.</p> <p>Performance agreement in place for all full-time staff.</p>

## **Members of the Board of Directors of the Institute for Competitiveness & Prosperity**

<b>Roger L. Martin</b> Chairman of the Board	University of Toronto
<b>Martha Tory</b> Treasurer	Ernst & Young
<b>Michael Akkawi</b> Member	Torys
<b>Suzanne Spragge</b> Member	University of Toronto
<b>Chris Riddle</b> Member	Independent consultant, and former Executive Director of the Institute

*TERM: Each board member's term runs until the first Annual General Meeting, to be held by September 2002.*

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

**Roger L. Martin (Chairman):** Dean of the Joseph L. Rotman School of Management at the University of Toronto.

**James L. Balsillie:** Chairman and Co-Chief Executive Officer of Research in Motion Limited.

**Timothy D. Dattels:** Managing Director at Goldman Sachs.

**Lisa de Wilde:** Canadian Feature Film Policy Advisory Group.

**David Folk:** Managing General Partner of Jefferson Partners.

**Suzanne Fortier:** Vice-Principal (Academic) at Queen's University in Kingston, Ontario.

**Michael L. Gourley:** President of JEMS Associates Ltd.

**Gordon Homer:** Deputy Chairman of Scotia Capital, the corporate and investment banking division of The Bank of Nova Scotia.

**David Johnston:** President of the University of Waterloo.

**David Keddie:** President of National Compressed Air in Lively, Ontario.

**Mark Mullins:** President of MSG Hedge Corporation.

**William Orovan:** Professor and Chair of the Department of Surgery at McMaster University.

**Timothy H. Penner:** President of Procter & Gamble Inc.

**Belinda Stronach:** President and Chief Executive Officer of Magna International Inc.

**Daniel Trefler:** Research Associate at the Institute for Policy Analysis, University of Toronto, and Canadian Pacific Fellow at the Canadian Institute for Advanced Research.

**Staff of the Institute:**

**Dr. Chris Riddle**, Executive Director  
**Mary Monaghan**, Office Manager and Executive Assistant  
**Nimira Dharamshi**, Director of Research  
**Sam Ladner**, Researcher

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**Sponsoring Ministry:**

**Ontario Ministry of Economic Development and Trade**  
(September 2001 - April 2002)  
**Ontario Ministry of Enterprise, Opportunity and Innovation**  
(effective April 2002)

**Partner Institutions and Organizations**

**Institute for Strategy and Competitiveness:**  
Harvard Business School  
**Ontario Science and Innovation Council**  
**Ontario Ministry of Energy, Science and Technology:**  
Science & Technology Division  
**Statistics Canada:**  
Microeconomic Analysis Division &  
Science, Innovation and Electronic Information Division  
**Ontario Network on the Regional Innovation System**  
**Geomatics Services Centre:**  
Ontario Ministry of Natural Resources

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**INSTITUTE FOR COMPETITIVENESS  
AND PROSPERITY**

**FINANCIAL STATEMENTS**

**APRIL 30, 2002**

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## **AUDITORS' REPORT**

To the Members,  
Institute for Competitiveness and Prosperity

We have audited the statement of financial position of Institute for Competitiveness and Prosperity as at April 30, 2002 and the statements of operations and net assets and cash flows for the period August 28, 2001 (date of incorporation) to April 30, 2002. These financial statements are the responsibility of the Institute's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at April 30, 2002 and the results of its operations and its cash flows for the period August 28, 2001 to April 30, 2002 in accordance with Canadian generally accepted accounting principles.

*Comperthwaite Mehta*

Chartered Accountants

June 26, 2002  
Toronto, Ontario

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2002

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### ASSETS

Current assets	
Cash	\$ 320,996
GST recoverable	18,110
Prepaid expenses	<u>9,654</u>
	348,760
Capital assets (note 3)	<u>228,017</u>
	<u>\$ 576,777</u>

### LIABILITIES

Current liabilities	
Accounts payable and accrued liabilities	\$ 33,399
Deferred operating grant (note 4)	<u>315,361</u>
	348,760
Deferred capital grant (note 5)	<u>228,017</u>
	<u>576,777</u>
Net assets	
Invested in capital assets	nil
Unrestricted	<u>nil</u>
	<u>nil</u>
	<u>\$ 576,777</u>

see accompanying notes

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# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE PERIOD AUGUST 28, 2001 (date of incorporation) TO APRIL 30, 2002

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### REVENUE

Government funding (note 6)	\$ 706,622
Interest	<u>992</u>
	<u>707,614</u>

### EXPENSES

Personnel	269,676
Communication supplies and services	149,702
Consulting fees	105,187
Supplies (note 3)	92,439
Other services (note 3)	41,440
Occupancy costs	26,895
Travel	19,859
Training and development	<u>2,416</u>
	<u>707,614</u>

**EXCESS OF REVENUE OVER EXPENSES FOR THE PERIOD** nil

Net assets, beginning of period nil

**NET ASSETS, END OF PERIOD** \$ nil

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see accompanying notes

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## STATEMENT OF CASH FLOWS

FOR THE PERIOD AUGUST 28, 2001 (date of incorporation) TO APRIL 30, 2002

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### OPERATIONS

Cash received for operations:

Government funding	\$ 1,001,815
Other	<u>992</u>

1,002,807

Cash used for operations:

Personnel	(254,676)
Consulting fees	(100,187)
Communication supplies and services	(143,851)
Occupancy and other	<u>(183,097)</u>

(681,811)

Net cash generated from operations

320,996

### INVESTMENTS

Software licence acquired	(159,080)
Purchase of other capital assets	<u>(89,105)</u>

Net cash used for investments

(248,185)

### FINANCING

Capital grants received	<u>248,185</u>
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**NET CASH RECEIVED IN THE PERIOD**

320,996

Cash, beginning of period

nil

**CASH, END OF PERIOD**

\$ 320,996

see accompanying notes

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# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2002

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### 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 the U.S. states.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Institute are in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant:

#### Revenue Recognition

The Institute follows the deferral method of revenue recognition. Under the deferral method, grants received in the year for expenses to be incurred in the following year are recorded as deferred revenue.

Government assistance related to current expenditures is reflected in the accounts as a revenue item in the current year. Assistance related to the purchase of capital assets is recorded as revenue in the same period the related capital assets are charged to operations.

#### Capital Assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Office equipment and furniture	- 3 years straight line basis
Computer equipment	- 3 years straight line basis
Software licence agreement	- 5 years straight line basis

### 3 CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	Cost	Accumulated Amortization	Net
Office equipment and furniture	\$ 56,250	\$ (9,375)	\$ 46,875
Computer equipment	<u>32,855</u>	<u>(5,476)</u>	<u>27,379</u>
	<u>\$ 89,105</u>	<u>\$ (14,851)</u>	74,254
Software licence agreement, net			<u>153,763</u>
			<u>\$ 228,017</u>

Supplies includes a charge for amortization of furniture and equipment of \$14,851 and other services includes a charge for amortization of the software licence agreement of \$5,317

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2002

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### 4. DEFERRED OPERATING GRANT

The deferred operating grant represents funds received from the Ontario Ministry of Enterprise, Opportunity and Innovation (formerly the Ontario Ministry of Economic Development and Trade) that are available to cover expenses of future periods.

### 5. DEFERRED CAPITAL GRANT

The deferred capital grant represents the unamortized portion of the Ontario Ministry of Enterprise, Opportunity and Innovation funds used for acquisition of the long-term software licence agreement and for purchase of other capital assets.

### 6. GOVERNMENT FUNDING

The Institute has entered into a funding agreement with the Ontario Ministry of Enterprise, Opportunity and Innovation through April 30, 2004. Any excess of grants received over eligible expenses at the end of the funding period is repayable to the Ontario Ministry of Enterprise, Opportunity and Innovation.

Funding from the Ontario Ministry of Enterprise, Opportunity and Innovation received in the period is recognized in these financial statements as follows:

Government funding recognized as revenue in the period:	
Non-capital portion	\$ 686,454
Capital portion	<u>20,168</u>
Total government funding recognized as revenue	<u>706,622</u>
Government funding deferred in the period:	
Deferred operating grant	315,361
Deferred capital grant	<u>228,017</u>
Total government funding deferred	<u>543,378</u>
Total cash received from government funding in period	<u>\$ 1,250,000</u>

### 7. LEASE COMMITMENTS

The Institute rents office space under a lease agreement to July 31, 2004. Lease payments over the term of the lease, including the Institute's estimated share of property tax and utilities, are as follows:

2003	\$ 29,700
2004	30,900
2005	<u>8,000</u>
	<u>\$ 68,600</u>

### 8. 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)

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