

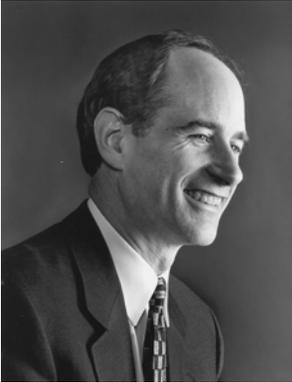
Institute for Competitiveness & Prosperity

**Annual Report 2003-04
For the Year Ended April 30, 2004**

Institute for Competitiveness & Prosperity
Annual Report 2003-2004

Message from the Chair3
The Institute for Competitiveness and Prosperity4
Accomplishments and Commitments7
Members of the Board of Directors of the Institute for Competitiveness & Prosperity
.....11
Financial Statements and Auditors' Report14

Message from the Chair



I am pleased to present the Annual Report for 2003-04 of the Institute for Competitiveness and Prosperity. It provides an overview of our third 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.

The Task Force and the Institute have played important roles in the ongoing discussion and debate throughout Ontario and Canada on issues of competitiveness and prosperity. We have identified a peer group of North American jurisdictions for Ontario against which Ontario's progress can be measured and monitored. We have set out an indicator system for Ontario's competitiveness and prosperity and have identified Ontario's "prosperity gap" within this framework. The Task Force has proposed to Ontarians a goal of eliminating our prosperity gap within ten years. This past year the Task Force and the Institute have identified under investment for future prosperity by Ontario businesses, individuals, and governments as key challenges for us to close this gap.

Our work has attracted the interest of economic observers and policy makers as well as the public at large. Our approach to the questions of competitiveness and prosperity has also attracted interest outside Ontario.

The end of this year marks the completion of our three-year funding agreement with the Ministry of Economic Development and Trade. The Ministry and the Government have indicated that their desire to extend this agreement for another three-year term and for the Task Force and the Institute to add issues of innovation and commercialization to our research agenda. We are currently finalizing the agreement for our next term with the Ministry.

As we begin our fourth year, 2004-05 we will look forward to continuing our research and communicating our findings to Ontarians to ensure we are having a significant influence in increasing Ontario's competitiveness, productivity, and capacity for innovation.

Roger L. Martin
Chairman of the Board

The Institute for Competitiveness and Prosperity

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 the Premier announced the names of the members of the Task Force (see page 11).

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 on page 11 of this report.

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 2003-04 which was approved by the Board on August 13, 2003.

Deliverables to April 2004 (Fiscal Year 2003-04):

Task Force 2nd Annual Report to the public of Ontario published in November '03;

Institute 1st and 2nd corporate Annual Reports are approved by the Board and available on ICP Web site;

Summary of outcomes of stakeholder consultation prepared for Task Force;

Working Paper #3 on urban competitiveness published in June '03;

Working Paper #4 on attitudes published in September '03;

Canadian Report on Canada's prosperity published in January '04;

Research commissioned by Institute – on municipal financing and governance, Ontario's marginal effective tax burdens, tomato processing and steel clusters – published on Institute for Competitiveness & Prosperity Web site.

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.

The Institute conducted the Canadian surveys for the 2003-04 report and publicized the results in Canada when they were released in October 2003.

Core Business	2003-04 Commitments	Results
Maintain a Task Force	<p>Membership of 15 high profile members willing to serve on Task Force maintained.</p> <p>Four Task Force Meetings held.</p> <p>High profile release of Second Annual Report successfully completed by end of 2003.</p>	<p>13 members in place at year end.</p> <p>Meetings held Jul 24th, Sept 11th, Dec 4th & Apr 16th. Task Force Reception held Apr 22nd.</p> <p>Second Annual Report released at Competitive Cities Conference on November 25, 2003.</p>
Economic policy research	<p>Research to assess urban Ontario competitiveness and prosperity issues to be published in Working Paper by end of June 2003.</p> <p>Research on Ontarians' attitudes towards aspirations and competitiveness to be complete and results published in Working Paper by end of September 2003.</p> <p>Other research to update Ontario's prosperity gap and deepen understanding of key issues related to prosperity gap and AIMS to be substantially complete by end of September 2003 for inclusion in second Annual Report.</p> <p>Research agenda set for Task Force's fourth year.</p>	<p>Research completed and results released in Working Paper 3 – Missing opportunities: Ontario's urban prosperity gap- June 2003.</p> <p>Research completed and results released in Working Paper 4 – Striking similarities: Attitudes and Ontario's prosperity gap- September 2003.</p> <p>Research completed and results released in second Annual Report – Investing for prosperity- November 2003. Analysis for Canada released in Canadian Report- Partnering for investment in Canada's prosperity- January 2004.</p> <p>2005 research agenda approved by April 2004.</p>
Consultation and Communications	50 presentations given by Chairman or Executive Director during Calendar	Over 100 presentations given by Chairman or Executive Director as of April 2004.

Core Business	2003-04 Commitments	Results
	<p>2003; 25 between January and April 2004.</p> <p>Seminar series continued: three seminars presented/sponsored.</p> <p>Ongoing consultation with Ontario Ministries to share information and perspectives set forth in the working papers and annual report.</p> <p>Public interest in Task Force and its members documented through Web site metrics and summary of media coverage.</p>	<p>Significant presentations to Federated Press conference on municipalities and competitiveness; Laurentian University economics department on clusters; guests of Task Force members to hear and discuss research findings to date</p> <p>Presentations and consultations with Business Climate Deputies Committee, Cluster Policy ADMs, Ontario Ministries of Agriculture and Food, Cabinet Office, Colleges, Training and Universities, Finance, Economic Development and Trade, Municipal Affairs, and Northern Development & Mining.</p> <p>Web site metrics and media coverage summary continuously updated and presented at Task Force meetings.</p>
Administration	<p>2003-04 Business plan approved by Board by end of August 2003.</p> <p>Financial statements audited and Annual Report approved by Board by end of August 2003.</p> <p>Second Annual General Meeting held by August 2003.</p> <p>Annual Performance evaluations completed in</p>	<p>Approved at August 2003 Board meeting.</p> <p>Approved at August 2003 Board meeting.</p> <p>Held October 13, 2004.</p> <p>Required performance evaluations completed by October 2003</p>

Core Business	2003-04 Commitments	Results
	October 2003. Training & Development plans updated as part of third annual cycle of performance management.	Training & Development plans updated by October 2003.

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

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

Members of the Task Force on Competitiveness, Productivity and Economic Progress as of April 30, 2004.

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

Lisa de Wilde

David Folk: Managing General Partner of Jefferson Partners.

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

Gordon Homer

David Johnston: President of the University of Waterloo.

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

Mark Mullins: Director of Ontario Policy Studies, Fraser Institute.

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

Timothy H. Penner: President of Procter & Gamble 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:

Mr. James Milway, Executive Director
Ms. Courtney Chiu, Researcher
Mr. Roy Hrab, Senior Researcher
Ms. Claudelle Poole, Researcher & Office Manager
Ms. Jennifer Stewart, Researcher

Contact Information:

Address: 180 Bloor Street West, Suite 1100
Toronto, Ontario M5S 2V6, Canada
Website: www.CompeteProsper.ca
Phone: 416-920-1921
Facsimile: 416-920-1922

Sponsoring Ministry:

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

Financial Statements and Auditors' Report

See inserted statements.

**INSTITUTE FOR COMPETITIVENESS
AND PROSPERITY**

FINANCIAL STATEMENTS

APRIL 30, 2003

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, 2003 and the statements of operations and net assets and cash flows for the year then ended. 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

June 10, 2003
Toronto, Ontario

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2003

	2003	2002
ASSETS		
Current assets		
Cash	\$ 259,890	\$ 320,996
Accounts receivable	31,984	18,110
Prepaid expenses	<u>7,231</u>	<u>9,654</u>
	299,105	348,760
Property and equipment (note 3)	<u>174,677</u>	<u>228,017</u>
	<u>\$ 473,782</u>	<u>\$ 576,777</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 30,571	\$ 33,399
Prepaid contract research fees	2,000	
Deferred operating grant (note 4)	<u>266,534</u>	<u>315,361</u>
	299,105	348,760
Deferred capital grant (note 5)	<u>174,677</u>	<u>228,017</u>
	<u>473,782</u>	<u>576,777</u>
Net assets		
Invested in property and equipment	nil	nil
Unrestricted	<u>nil</u>	<u>nil</u>
	nil	nil
	<u>\$ 473,782</u>	<u>\$ 576,777</u>

Approved on behalf of the Board:

 _____, Director

 _____, Director

see accompanying notes

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE YEAR ENDED APRIL 30, 2003

(with comparative amounts for the period August 28, 2001 to April 30, 2002)

	2003	2002
REVENUE		
Government funding (note 6)	\$ 852,167	\$ 706,622
Contract research and other fees	23,400	
Interest	<u>3,058</u>	<u>992</u>
	<u>878,625</u>	<u>707,614</u>
EXPENSES		
Personnel	469,913	269,676
Other services (note 3)	178,348	41,440
Communication supplies and services	97,639	149,702
Supplies (note 3)	53,301	92,439
Occupancy costs	30,040	26,895
Consulting fees	25,845	105,187
Travel	22,995	19,859
Training and development	<u>544</u>	<u>2,416</u>
	<u>878,625</u>	<u>707,614</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE PERIOD	nil	nil
Net assets, beginning of period	<u>nil</u>	<u>nil</u>
NET ASSETS, END OF PERIOD	<u>\$ nil</u>	<u>\$ nil</u>

see accompanying notes

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED APRIL 30, 2003

(with comparative amounts for the period August 28, 2001 to April 30, 2002)

	2003	2002
OPERATIONS		
Cash received for operations:		
Government funding	\$ 738,943	\$ 1,001,815
Contract research and other	<u>14,584</u>	<u>992</u>
	<u>753,527</u>	<u>1,002,807</u>
Cash used for operations:		
Personnel	(469,913)	(254,676)
Consulting fees	(149,360)	(100,187)
Communication supplies and services	(165,320)	(143,851)
Occupancy and other	<u>(30,040)</u>	<u>(183,097)</u>
	<u>(814,633)</u>	<u>(681,811)</u>
Net cash generated from (used for) operations	<u>(61,106)</u>	<u>320,996</u>
INVESTMENTS		
Purchase of other property and equipment	(11,057)	(89,105)
Software licence acquired	<u> </u>	<u>(159,080)</u>
Net cash used for investments	<u>(11,057)</u>	<u>(248,185)</u>
FINANCING		
Capital grants received	<u>11,057</u>	<u>248,185</u>
NET CASH RECEIVED (USED) IN THE PERIOD	(61,106)	320,996
Cash, beginning of period	<u>320,996</u>	<u>nil</u>
CASH, END OF PERIOD	<u>\$ 259,890</u>	<u>\$ 320,996</u>

see accompanying notes

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2003

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 property and equipment is recorded as revenue in the same period the related property and equipment is charged to operations.

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 as follows:

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

3. PROPERTY AND EQUIPMENT

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

	Cost	Accumulated Amortization	2003 Net	2002 Net
Office equipment and furniture	\$ 56,250	\$ (28,125)	\$ 28,125	\$ 46,875
Computer equipment	39,072	(18,500)	20,572	27,379
Computer software	<u>4,840</u>	<u>(807)</u>	<u>4,033</u>	<u>nil</u>
	<u>\$ 100,162</u>	<u>\$ (47,432)</u>	52,730	74,254
Software licence agreement, net			<u>121,947</u>	<u>153,763</u>
			<u>\$ 174,677</u>	<u>\$ 228,017</u>

Supplies includes a charge for amortization of furniture and equipment of \$32,581 and other services includes a charge for amortization of the software licence agreement of \$31,816.

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2003

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 operating 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 property and equipment.

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

	2003	2002
Deferred capital grant, beginning of period	\$ 228,017	\$ nil
Add cash received from government funding for property and equipment	11,057	248,185
Less capital grant recognized in period (note 6)	<u>(64,397)</u>	<u>(20,168)</u>
Deferred capital grant, end of period	<u>\$ 174,677</u>	<u>\$ 228,017</u>

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:

	2003	2002
Government funding recognized as revenue in the period:		
Non-capital portion	\$ 787,770	\$ 686,454
Capital portion	<u>64,397</u>	<u>20,168</u>
Total government funding recognized as revenue in the period	<u>852,167</u>	<u>706,622</u>
Increase (decrease) in government funding deferred in the period:		
Deferred operating grant	(48,827)	315,361
Deferred capital grant	<u>(53,340)</u>	<u>228,017</u>
Total increase (decrease) in government funding deferred	<u>(102,167)</u>	<u>543,378</u>
Cash received from government funding for property and equipment and operations in period	<u>\$ 750,000</u>	<u>\$ 1,250,000</u>

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2003

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:

2004	\$ 30,900
2005	<u>8,000</u>
	<u>\$ 38,900</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).