

Institute for Competitiveness & Prosperity

Annual Report 2006 - 07
For the Year Ended April 30, 2007

Institute for Competitiveness & Prosperity

Annual Report 2006-2007

Message from the Chair

...**Error! Bookmark not defined.**

The Institute for Competitiveness & Prosperity ...4

- Administration & Governance

Accomplishments and Commitments ...6

- The Global Competitiveness Report

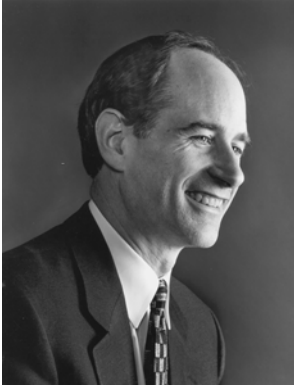
Members of the Board of Directors ...9

- Members of the Task Force on Competitiveness, Productivity & Economic Progress

- Institute Staff

Financial Statements and Auditors' Report ...110

Message from the Chair



I am pleased to present the 2006-07 Annual Report of the Institute for Competitiveness & Prosperity.

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. Our mandate was broadened to include commercialization and innovation in the Budget Speech of May, 2004.

In our first six years the Task Force and the Institute have played increasingly important roles in the discussion and debate on issues of competitiveness and prosperity in Ontario and also in Canada. We have introduced the concept of a prosperity gap with a group of North American peer jurisdictions. We have estimated the impact of various labour supply and productivity elements through our "waterfall" calculations. And we have introduced the AIMS (Attitudes/Investments/Motivations/Structures) framework to guide the assessment of Ontario's capacity for innovation and upgrading. We continue to publish our research findings and syntheses and communicate them to stakeholders in Ontario's prosperity through a variety of media.

In this latest year we increased our presence in the Canadian discussion on competitiveness and prosperity. We held our second national conference - "Agenda for Canada's prosperity" in Toronto in March with excellent attendance by senior decision makers in the public and private sectors and special national coverage by Maclean's magazine. We were asked to publish research findings and policy proposals on adoption of information and communication technology by small and medium-sized enterprises and on the importance of management capabilities to our prosperity.

As we look forward we intend to continue our research agenda into measuring and monitoring Ontario's competitiveness and prosperity. We continue to strengthen our efforts at communicating our findings and recommendations with Ontarians to ensure we are having a significant impact 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 with Roger L. Martin as Chairman of the Board of Directors (see page 9).

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) assess the impact of research and development and commercial innovation in Ontario on the province's competitiveness;
 - (c) make such recommendations for action on the part of governments, businesses and others as the task force may consider advisable;
 - (d) 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;
 - (e) encourage, educate and build awareness of competitiveness, productivity and economic progress indicators for the Province of Ontario; and
 - (f) 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

The Institute met the key commitments identified in the Business Plan for 2006-07 which was approved by the Board on September 13, 2006. The Business Plan included two working papers; instead we published a research report on adoption of information and communications technology by small and medium enterprises:

- Published Working Paper 9, *Time on the job: Intensity and Ontario's prosperity*, September 2006;
- Published Fifth Annual Report, *Agenda for our prosperity*, November 2006;
- Published Report on Canada 2007, *Agenda for Canada's prosperity*, March 2007;
- Held *Canada's prosperity challenge* conference in Toronto, March 2007, sponsored by Maclean's;
- Published research report *Enhancing the productivity of Small and Medium Enterprises through greater adoption of Information and Communication Technology*, sponsored by the Information and Communications Technology Council

The Global Competitiveness Report

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 Global Competitiveness Report, which has been published annually since 1979, is a worldwide research project completed in conjunction with the World Economic Forum. 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 125 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.

The Institute conducted the Canadian surveys for the 2006-07 report and publicized the results after they were released in September 2006.

Core Business	2006-07 Commitments	Results
Maintain a Task Force	<p>Revise membership.</p> <p>Hold Four Task Force Meetings.</p> <p>Collect data on public interest in the Task Force and its members through website metrics and media coverage.</p>	<p>Task force membership continued by all.</p> <p>Task Force meetings held in June, September, December, and March.</p> <p>Website metrics and media coverage presented to the Task Force at each meeting.</p>
Economic Policy Research	<p>Identify drivers of the persistent hours worked gap with our US peers.</p> <p>Assess the competitiveness of Toronto's financial services cluster.</p> <p>Identify Canadian global leading firms since 1985 and analyze patterns.</p>	<p>Assessed the factors driving the hours worked gap between Ontario and its US peers in Working Paper 9.</p> <p>In collaboration with the Toronto Financial Services Alliance, assessed the competitiveness of Toronto's financial services cluster relative to North American peer cities, and published findings in <i>Assessing Toronto's Financial Services Cluster for the Toronto Financial Services Alliance</i> in June 2007.</p> <p>Updated list of global leading firms for 2006 and identified global leaders in 1985 and 1995 in the Report on Canada 2007 to determine if Canada is being hollowed out.</p> <p>Additional: Prepared a report for the Information and Communications Technology Council that reviews research evidence on the impact of information and communication</p>

Core Business	2006-07 Commitments	Results
		<p>technology on productivity growth in advanced economies and assesses the reasons for a lower adoption rate by small and medium enterprises.</p> <p>Conducted a study on the importance of management education in an innovation system that drives prosperity (published in May 2007).</p>
<p>Consultation and Communications</p>	<p>Re-design Institute's Web site.</p> <p>Publish Fifth Annual Report.</p> <p>Publish two working papers.</p> <p>Hold second conference on the Canada's competitiveness.</p>	<p>Developed and launched a new Web site.</p> <p>Published Fifth Annual Report, November '06.</p> <p>Published Working Paper, <i>Time on the job: Intensity and Ontario's prosperity gap</i>, September '06.</p> <p>Published Report on Canada, <i>Agenda for Canada's prosperity</i>, March '07</p> <p>Published research paper on impact of information and communication technology on productivity growth, <i>Adoption of Information & Communication Technology by Small & Medium Enterprises</i>, March '07</p> <p>Published study on the importance of management education, <i>Strengthening management for prosperity</i>, May '07</p> <p>Held conference on Canada's prosperity challenge in Toronto, March '07. Sponsored by Maclean's Magazine.</p> <p>Gave presentation or engaged in consultation with 69 groups.</p>

Core Business	2006-07 Commitments	Results
Administration	Business plan approved by Board by end of October 2006.	Business Plan approved by the Board on September 13, 2006.

Members of the Board of Directors

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	BioDiversity Toronto; Consultant on Science & Technology, Innovation and Competitiveness; former Executive Director of the Institute

Members of the Task Force on Competitiveness, Productivity & 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 of Newbridge Capital, LLC, the Asian investment vehicle for Texas Pacific Group
Lisa de Wilde	Chief Executive Officer of TVOntario
David Folk	Managing General Partner of Jefferson Partners
Suzanne Fortier	President of Natural Sciences and Engineering Research Council of Canada (NSERC)
Gordon Homer	President of Gordon J. Homer Advisory Services
David Johnston	President of the University of Waterloo
David Keddie	President of National Compressed Air in Lively, Ontario

Mark Mullins	Executive Director of the Fraser Institute
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

Institute Staff

Mr. James Milway,	Executive Director
-------------------	--------------------

Researchers:

Mr. Lance Bialas
Mr. Usman Naeem
Ms. Sana Nisar
Ms. Daniela Scur

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

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

Financial Statements and Auditors' Report

See inserted statements.