Realizing our prosperity potential →

Third Annual Report, November 2004

Task Force on Competitiveness, Productivity and Economic Progress

Task Force on

Competitiveness, Productivity & Economic Progress

The Task Force Mandate

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To measure and monitor Ontario's competitiveness, productivity and economic progress compared to other provinces and the US states and to report to the public on a regular basis.

Task Force Members

Roger L. Martin, *Chairman*

James L. Balsillie, *Research in Motion*

Timothy D. Dattels, *Newbridge Capital*

Lisa de Wilde

David Folk, *Jefferson Partners*

Suzanne Fortier, *Queen's University*

Gordon Homer

David Johnston, *University of Waterloo*

David Keddie, *National Compressed Air and National Drilling Systems*

Mark Mullins, *MSG Hedge Corporation*

William Orovan, *McMaster Medical School*

Timothy H. Penner, *Procter & Gamble*

Daniel Trefler, *University of Toronto*

Realizing Our Prosperity Potential

I. Productivity and the Prosperity Gap

II. Under Investment and the Prosperity Gap

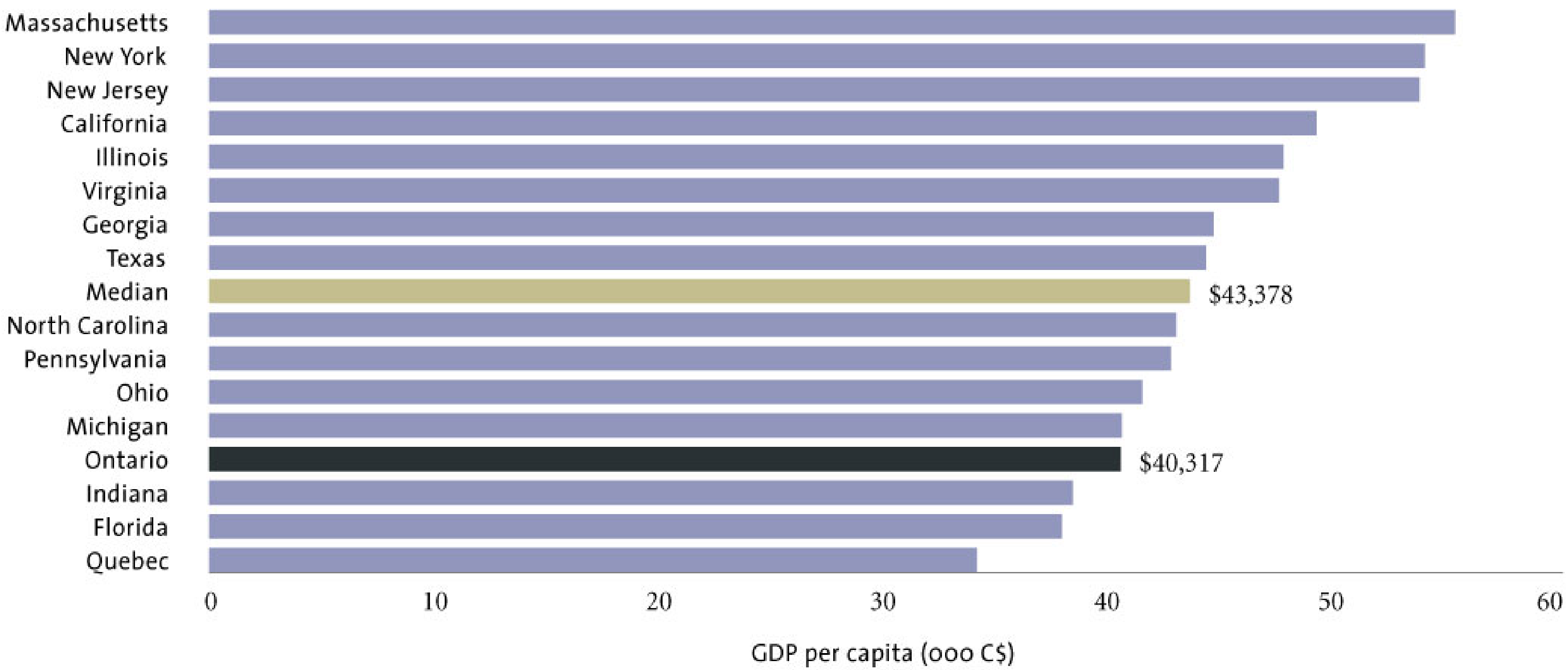
III. Inappropriate Motivations and Investments

IV. Strengthened Market Structures and Investment

V. Recommendations for Action in Realizing our Prosperity Potential

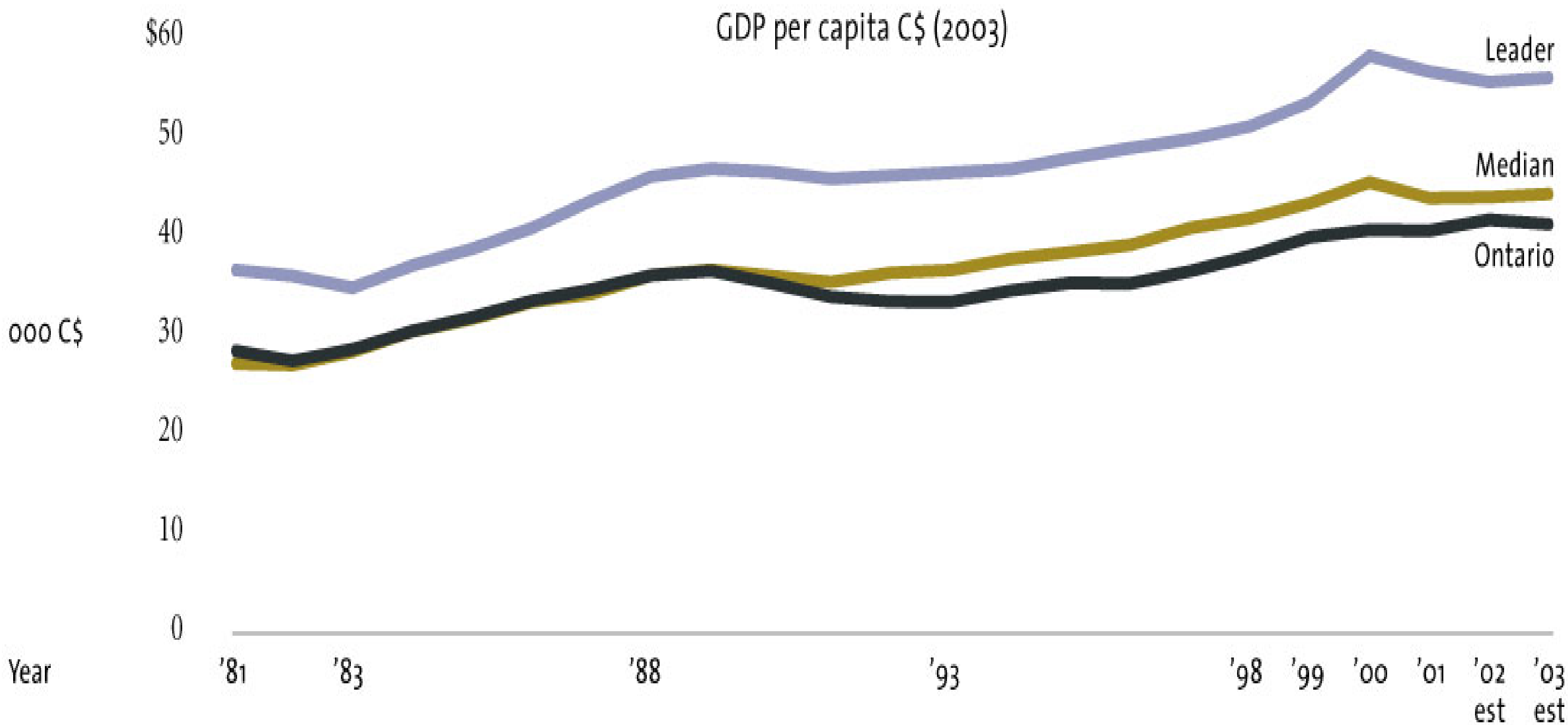
Ontario Ranks 13th Among 16 in Its Peer Group

GDP per capita for Peer States and Provinces C$ (2003)



Note: Estimated 2003 peer state and median GDP per capita; actual 2003 Ontario and Quebec GDP per capita used.
Source: Statistics Canada; US Department of Commerce – Bureau of Economic Analysis; OECD PPP indices; Institute for Competitiveness & Prosperity analysis

The Prosperity Gap Has Narrowed

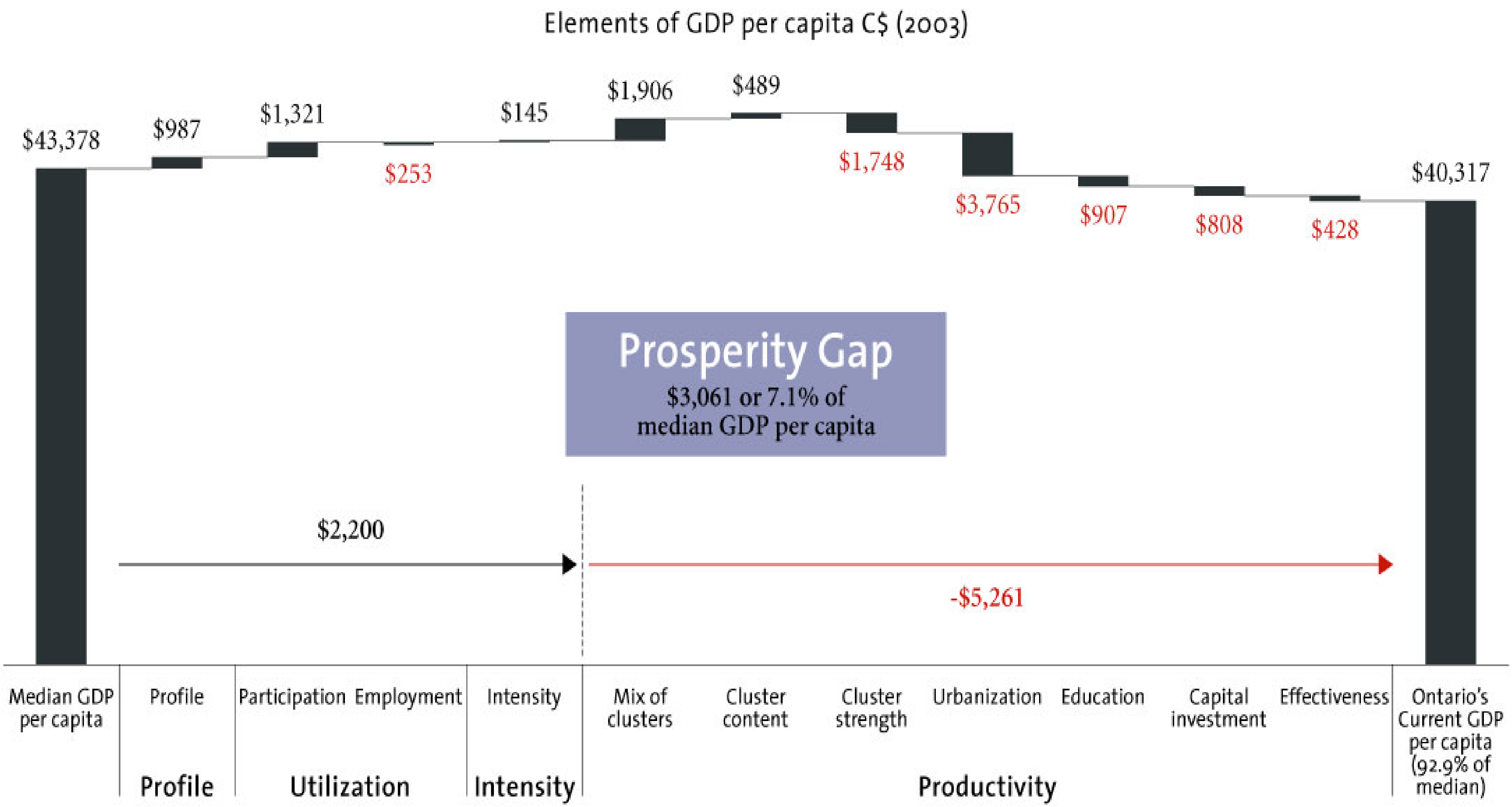


	'83	'88	'93	'98	'99	'00	'01	'02 est	'03 est
Ontario Rank	8th	9th	14th	14th	13th	14th	13th	11th	13th
Prosperity Lead/Gap	$228	$2	$3,225	$3,785	$3,430	$4,811	$3,291	$2,280	$3,061

Source: Institute for Competitiveness & Prosperity based on Statistics Canada; Bureau of Economic Analysis, Regional Accounts; OECD PPP indices

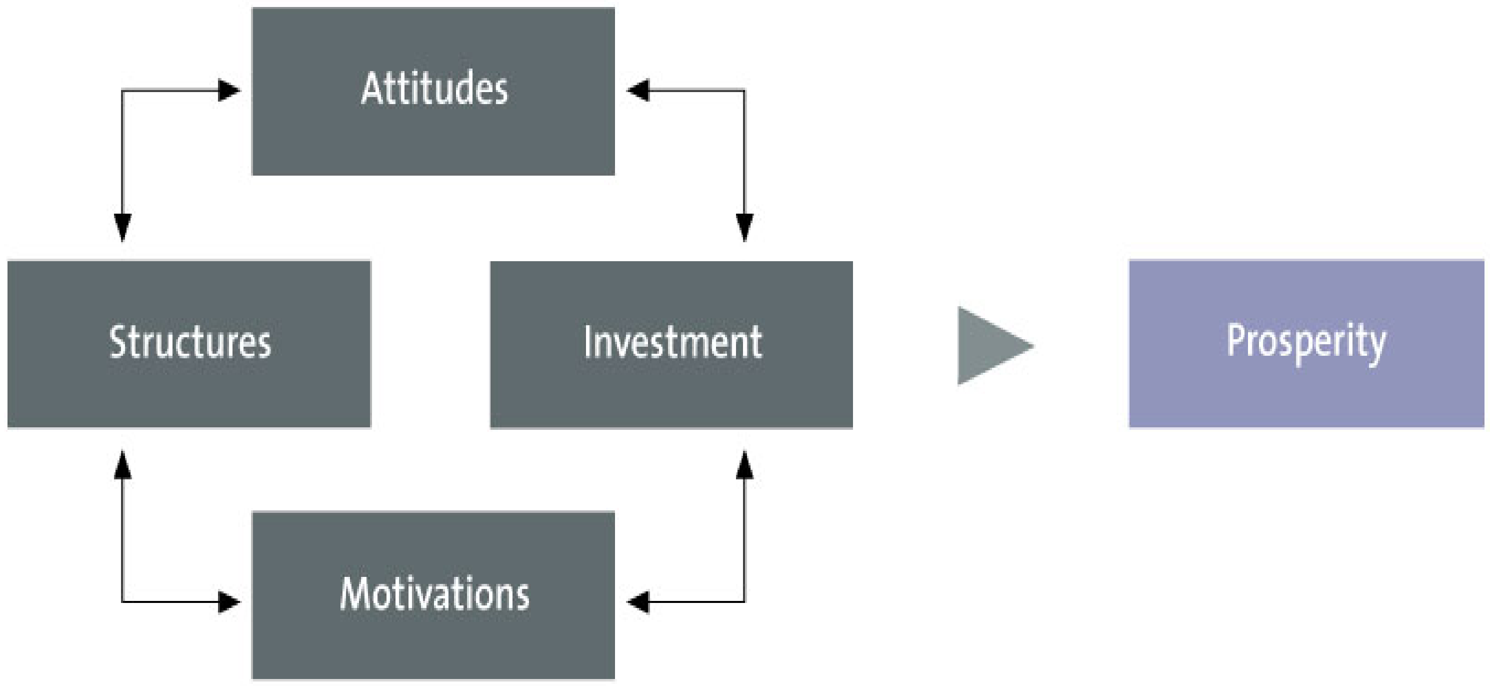
Institute for COMPETITIVENESS & PROSPERITY

Productivity Still Drives Ontario's Prosperity Gap



Note: median of 16 peer jurisdictions
Source: Statistics Canada; Bureau of Economic Analysis; Institute for Competitiveness & Prosperity analysis

AIMS Drives Innovation and Upgrading For Prosperity



Source: Institute for Competitiveness & Prosperity

Ontarians Have Positive Attitudes

ONTARIANS AGREE SLIGHTLY MORE THAN PEER STATE CITIZENS, MANAGERS AND BUSINESS LEADERS WITH THE FOLLOWING STATEMENTS:

"People who start their own businesses deserve all the money they make"

"When businesses do well, we all win"

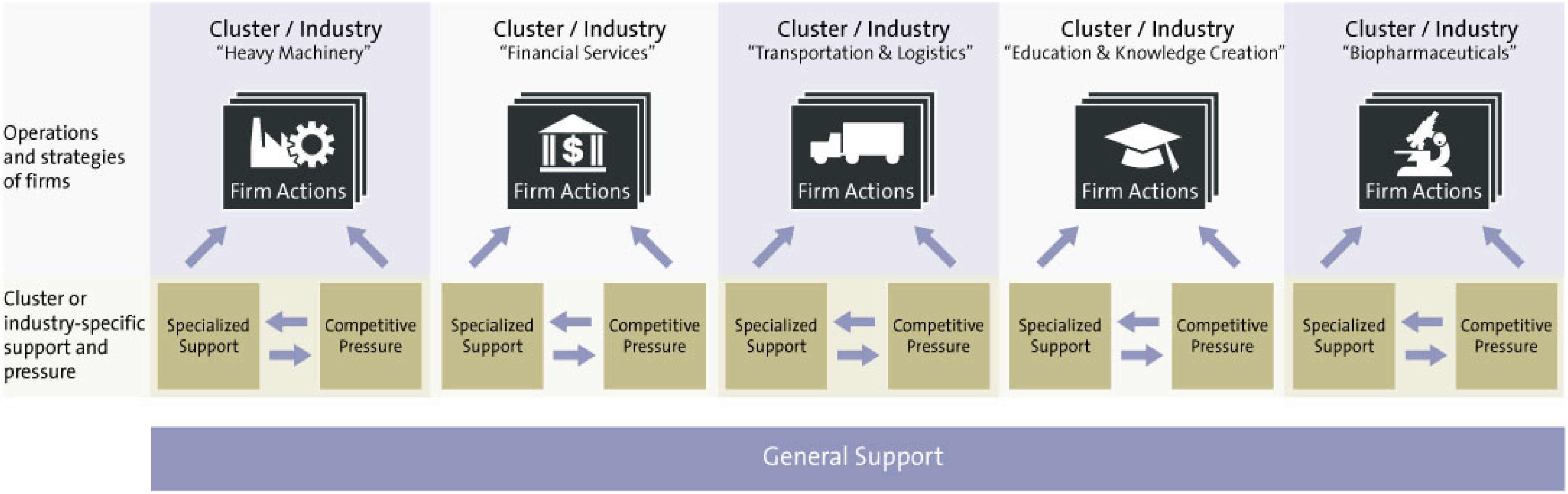
"Business is the most important contributor to prosperity"

"Competition between businesses is a good thing"

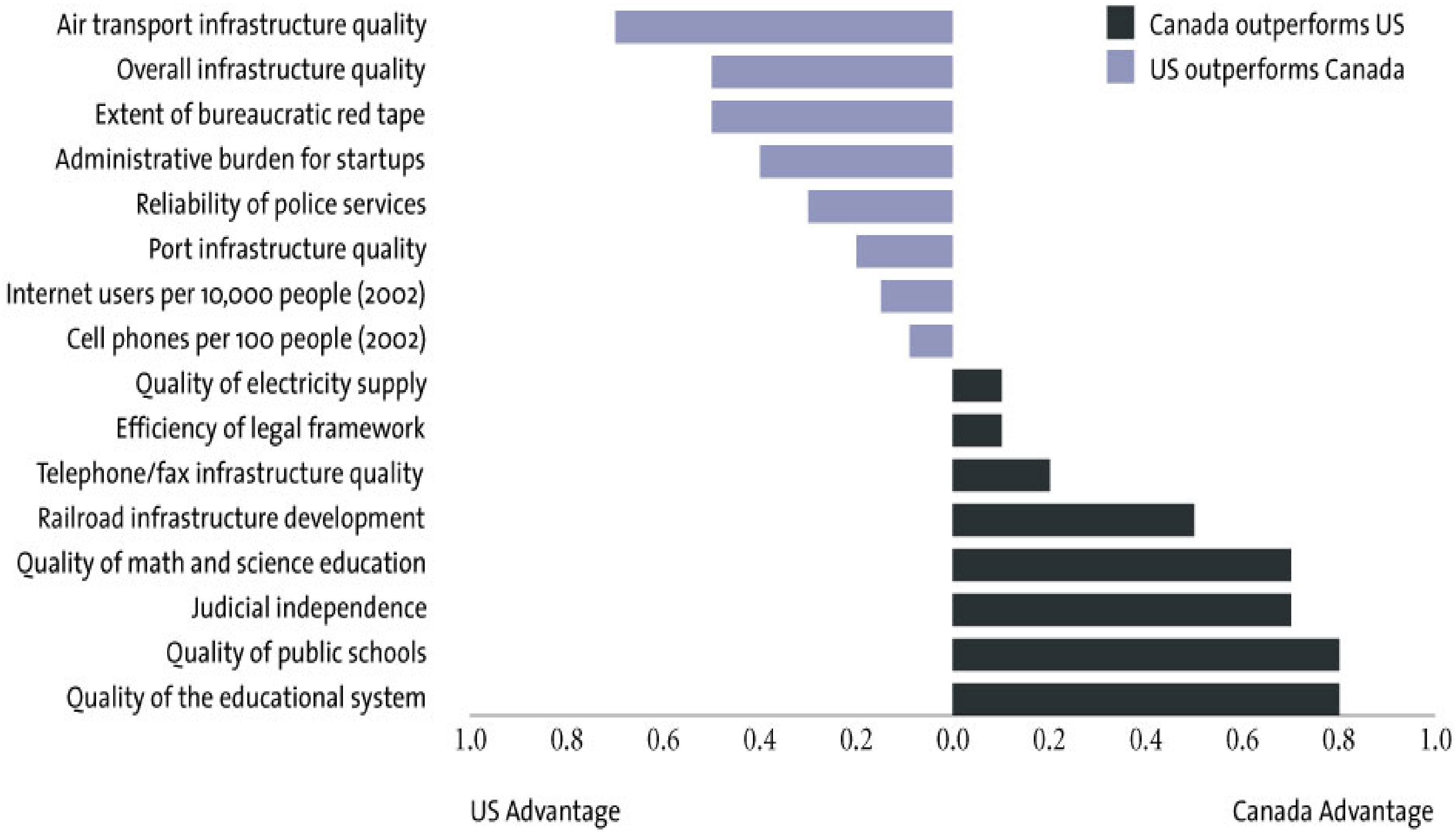
"Being globally competitive makes a firm stronger"

Source: Institute for Competitiveness & Prosperity, *Striking similarities: Attitudes and Ontario's prosperity gap*, September 2003.

Structure of Pressure and Support Drives Firm Actions

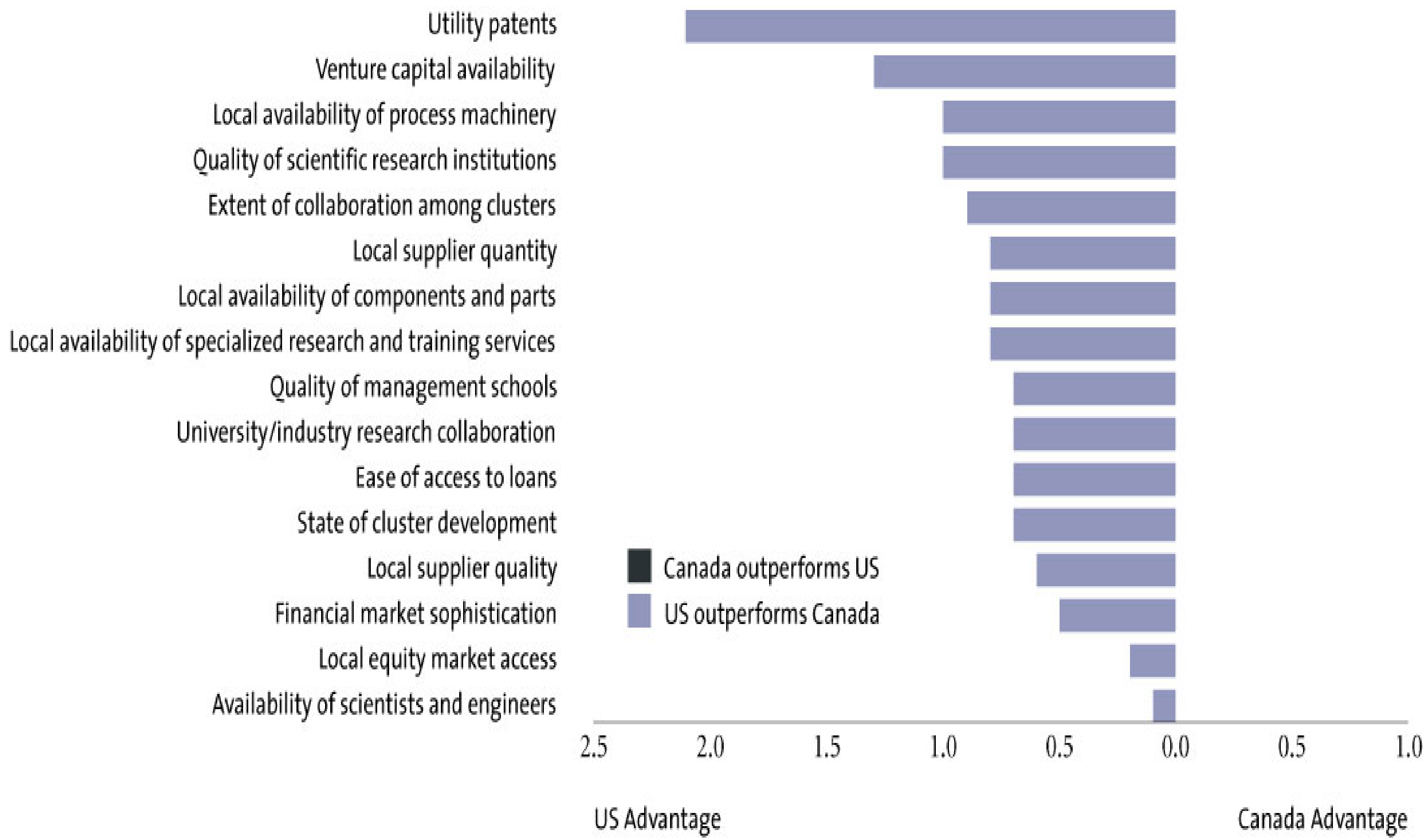


Canada Outperforms US on "General Support"



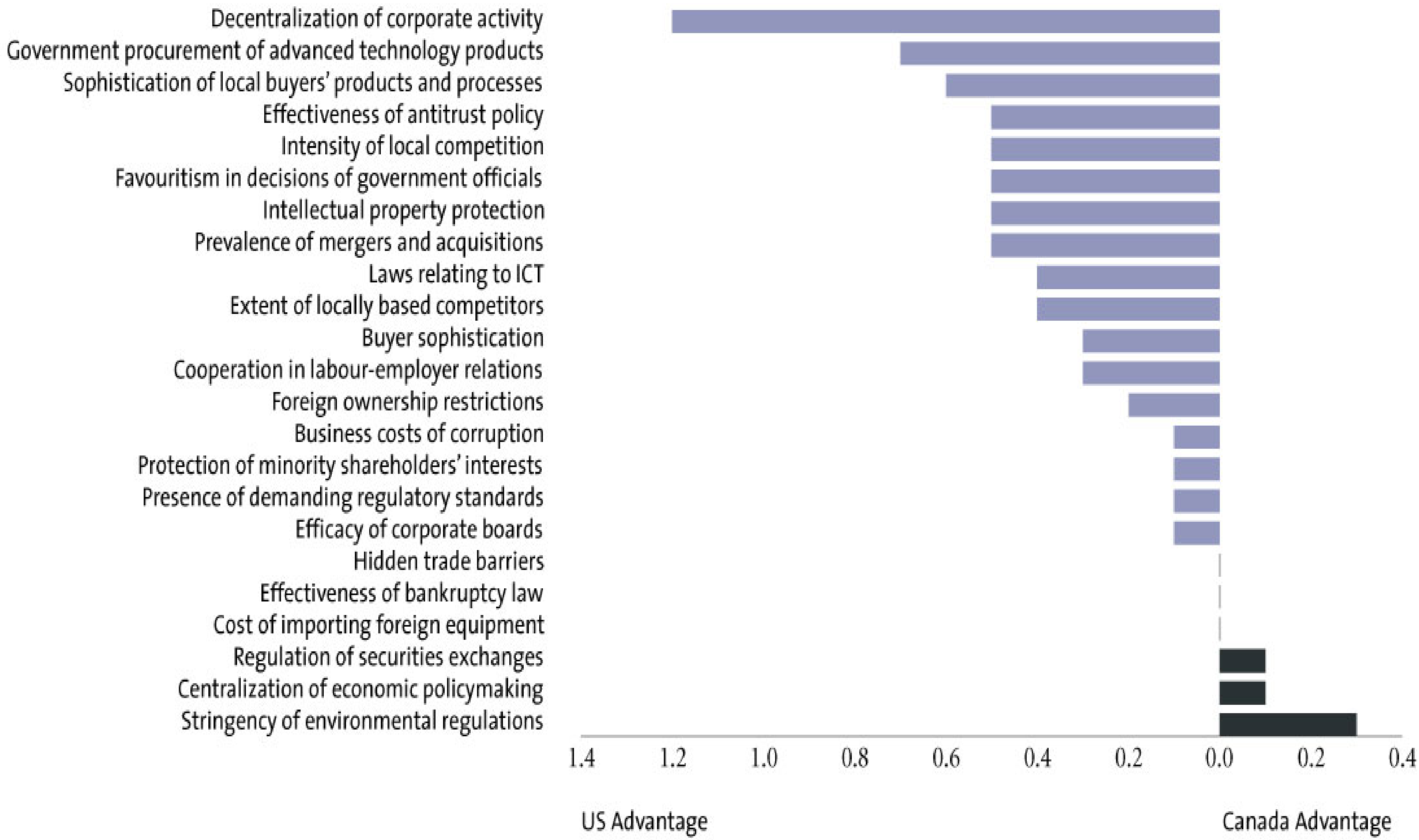
Source: Institute for Competitiveness & Prosperity analysis based on World Economic Forum

Canada Trails in "Specialized Support"



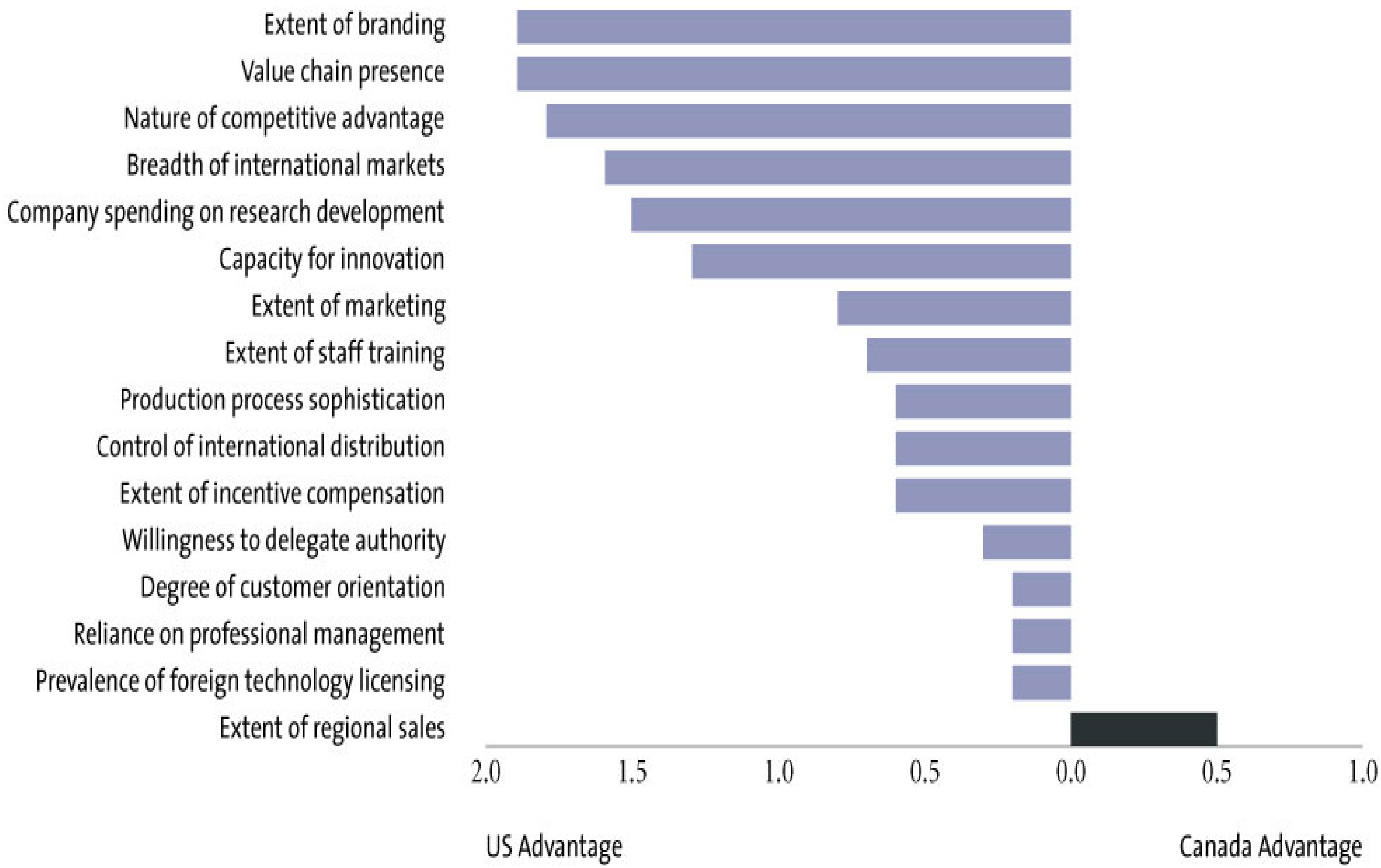
Source: Institute for Competitiveness & Prosperity analysis based on World Economic Forum

Canada Trails in "Competitive Pressure"



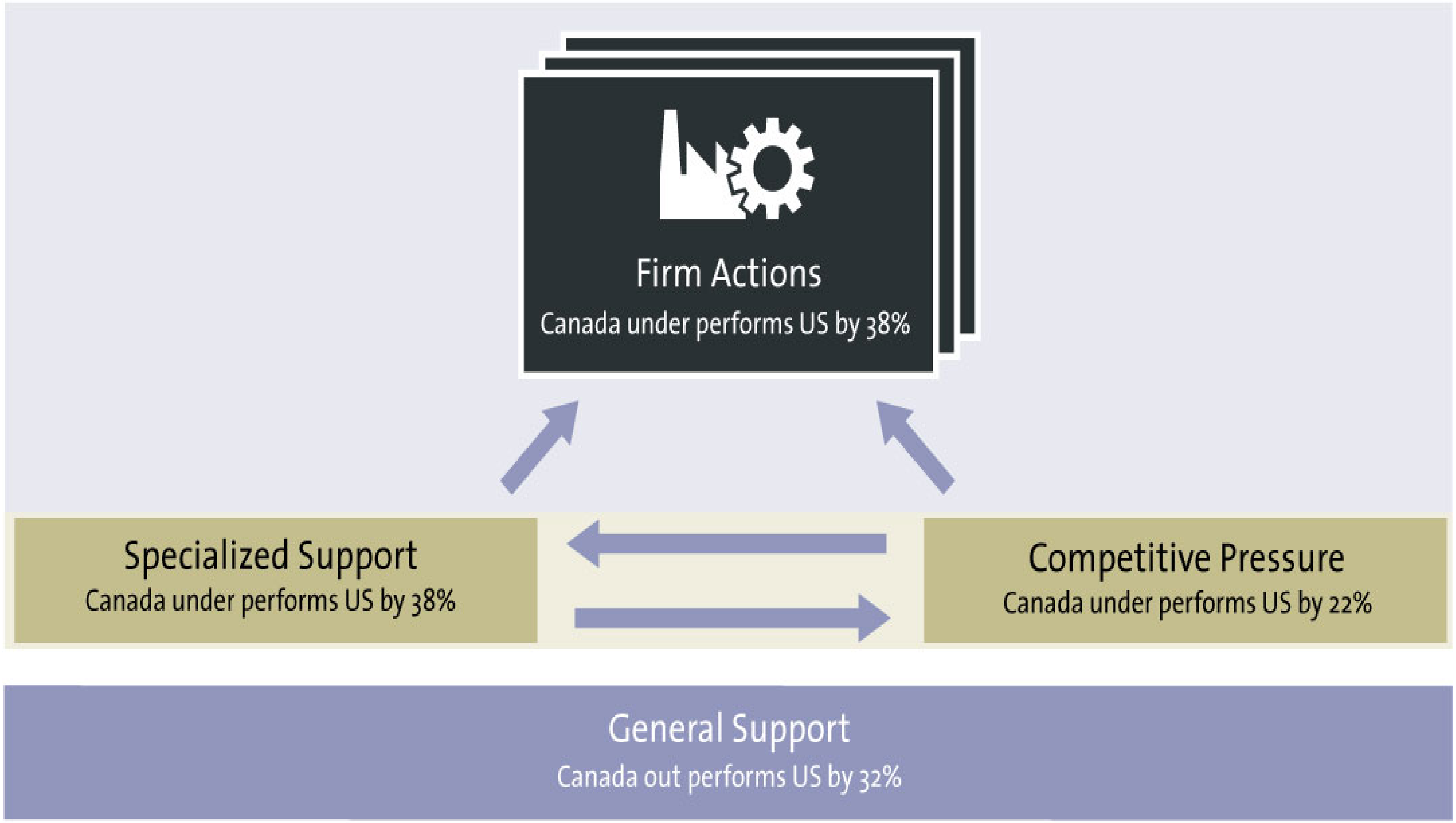
Source: Institute for Competitiveness & Prosperity analysis based on World Economic Forum

Canada Trails in "Company Operations and Strategy"



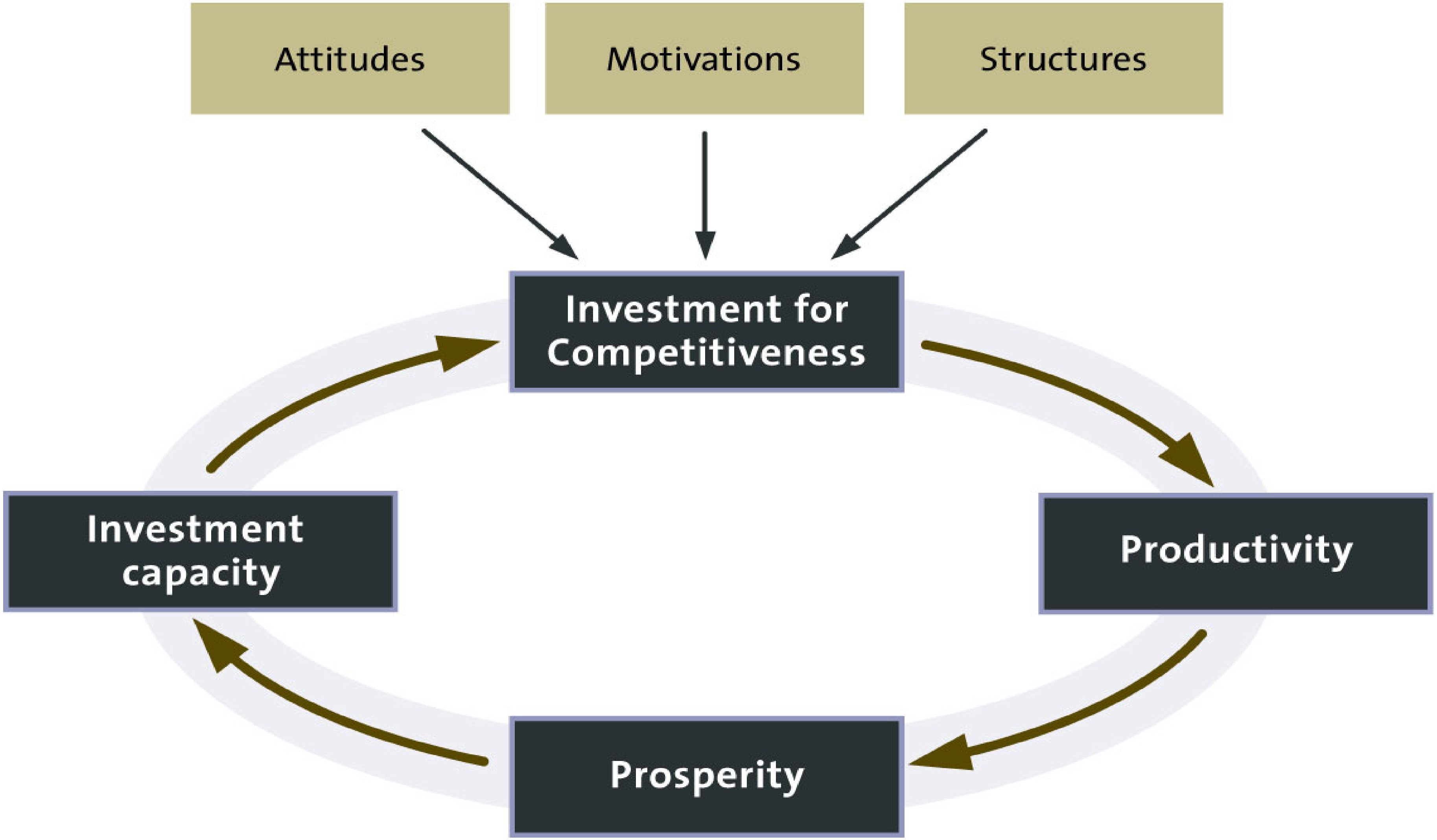
Source: Institute for Competitiveness & Prosperity analysis based on World Economic Forum

Under Performance in Specialized Support, Pressure, and Firm Actions



Source: World Economic Forum, Institute for Strategy and Competitiveness, Institute for Competitiveness & Prosperity

Cycle For Prosperity Can Be Virtuous or Vicious



Summary of Recommendations - Governments

- **Engage Ontarians in an ongoing dialogue about competitiveness**
- **Increase commitment to investments**
- **Invest in upgrading Ontarians' capabilities**
- **Reduce taxes that hinder motivations to invest in machinery, equipment and software**
- **Strengthen structures of competitive pressure**
- **Ensure policies are driven by facts**

Summary of Recommendations- Businesses

- **Increase investments for productivity and innovative capacity**
- **Raise investment in human capital**
- **Collaborate to strengthen structures of specialized support locally**
- **Seek out the most sophisticated customers**

Summary of Recommendations - Individuals

- **Invest more in education**
- **Be more demanding and sophisticated consumers**

All Stakeholders Have a Role in Realizing Our Prosperity Potential