Shifting Into High Gear
JOBS: Promoting Growth In The Toronto Region & The Province
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Background

Welcome to the VoteOntario2011 Challenge Paper Series.

In February 2011, the Toronto Board of Trade launched its VoteOntario2011 campaign with the release of VoteOntario2011: *A Framework for a Stronger Toronto Region and a Prosperous Ontario*. VoteOntario2011 is a sustained campaign focused on accelerating our economic recovery; ensuring scarce resources are invested with a focus on long-term growth and success; and that the Toronto region remains a globally competitive and attractive place to live, work, play and invest. Ultimately, VoteOntario2011 is about unleashing the economic potential of the Toronto region and Ontario.

The Board’s more than 10,000 members — through inputs like our annual survey, policy roundtables, policy forums, volunteer committees and one-on-one meetings — have identified two inter-related economic themes on which the VoteOntario2011 campaign will focus:

1. **Jobs**: Promoting growth in the Toronto region & the province; and

2. **Infrastructure**: Unleashing Ontario’s ability to grow.

To advance these inter-related economic themes, the Board will be releasing a series of “Challenge Papers.” These papers will highlight key issues that must be addressed by the next provincial government, identifying the challenges we all must face and overcome in order to position the Toronto region and Ontario for robust economic growth and renewed prosperity.

These challenges are focused on the Toronto region because it is the key to Ontario’s success. When the Toronto region succeeds, Ontario succeeds. No party can explain how it intends to foster province-wide job creation and economic growth without outlining their plans for the Toronto region.

This Challenge Paper draws upon the findings of *Toronto as a Global City: Scorecard on Prosperity 2011* and grounds itself in our member’s concern that the Toronto region’s economic performance does not match our economic potential. Regional economic growth is the key to job creation — the Toronto region’s abundant assets and resources should lead to robust economic growth. This Challenge Paper explores what can be done to ensure the Toronto region’s economic growth and job creation achieves the world-leading levels the Board’s members believe it can and should. It is up to the private sector, in conjunction with the not-for-profit and academic sectors, to lead the Toronto region’s job creation and economic expansion. But governments also have a role to play in implementing pro-competitive economic policies and in working with the private sector to advance the necessary strategies for success in the global marketplace.

By laying down these challenges, the Board intends to engage and to spark a dialogue with our members, the political parties, and the public, to arrive at non-partisan solutions with broad-based support. The plan that emerges from this debate will be released as the Board’s platform in September 2011.
1. Executive Summary

Toronto’s Economic Challenge

Toronto Board of Trade members take pride in the success of the Toronto region and share an ambition to turn Toronto from a world-class region to a world leader. This paper draws upon the findings of *Toronto as a Global City: Scorecard on Prosperity 2011* and is grounded in our member’s concerns that the Toronto region has not been able to translate its excellent economic foundations into world-leading economic performance:

<table>
<thead>
<tr>
<th>Excellent Economic Foundations…</th>
<th>But Only Middle-of-the-Pack Results</th>
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<tbody>
<tr>
<td>Unmatched diversity (45 per cent of population is foreign born)</td>
<td>In the bottom half on real GDP per capita (16th overall) and real GDP growth (14th overall at 2.9 per cent average annual increase)</td>
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<td>Highest share of workforce in professional occupations in North America (tied with Boston at almost 20 per cent)</td>
<td>In the bottom half on productivity (18th overall) and productivity growth (14th overall at 0.9 per cent average annual increase)</td>
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<tr>
<td>Top market potential in North America (and 5th overall) based on population and purchasing power</td>
<td>High unemployment (21st overall)</td>
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<tr>
<td>Competitive overall tax rates (4th overall, ahead of all U.S. metros)</td>
<td>Low disposable income growth (14th overall at 5.1 per cent average annual growth)</td>
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<td>And in the top ten globally on: Employment growth (4th in North America and 8th overall); Educated population (over 30 per cent have at least a bachelor’s degree); High-tech employment (9th overall, at about 6 per cent of the workforce); and Housing affordability (5th in North America, ahead of almost all U.S. metros)</td>
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The conundrum of strong economic fundamentals, but not world-leading productivity, GDP and disposable income growth, is one that will confront the next Ontario government. Coming out of the global recession, the economy will be a key issue in the 2011 provincial election. But what is our ideal version of the Ontario economy in 5–10 years’ time that will lead to economic success and sustainable job creation? Where should our efforts be focused to achieve this desired outcome?

The Board believes that provincial parties should acknowledge the Toronto region’s role as the engine of Ontario’s economy. They should commit to and include in their platforms Toronto-region specific economic, regulatory and other policies that will ensure this engine achieves maximum performance.
In this paper, the Board, based on extensive consultation with and input from our members and stakeholders, sets out a number of necessary economic foundations, such as stronger regional coordination and an economic cluster strategy, to reach our goal of globally competitive job creation, economic growth and innovation.

This paper challenges the provincial parties and the public to consider the conundrum of the Toronto region’s excellent economic foundations, but middling global economic performance, and how they will address it.

This is a Provincial Issue

The Toronto region is Ontario’s economic engine, generating 50 per cent of Ontario’s GDP and 20 per cent of Canada’s GDP. Ontario relies on the tax revenues and positive spinoffs that a strong Toronto region’s economy generates.

The Opportunity

The Board sees this provincial election as an opportunity to create real solutions and strategies to develop our region’s economy and make Toronto and Ontario more competitive. We need to propel the Toronto region’s economy forward based on private sector-led growth, facilitated by an enabling business environment that supports this growth. This is about the government being a partner with the private sector in economic success, ensuring the needed programs, regulations and structures are in place (or, in some cases, removed or lessened) that allow the private sector, in conjunction with the not-for-profit and academic sectors, to drive economic growth in the Toronto region and in Ontario.

Our members have been clear. They believe that successful region economic growth will be fostered by:

1. **Coordinating regional economic development** among the many municipalities in the GTA, including united international investment promotion efforts

2. **Strengthening cluster strategies as part of a comprehensive economic development strategy** that strengthens existing assets, networks and relationships, and promotes a more dynamic and innovative economy

3. **Enhancing a pro-competitive business environment** that enables private sector economic growth and attracts increased levels of investment

Core Components of Global Competitiveness

Regionally Coordinated Economic Development

Businesses operate on a regional basis. Politicians see municipal boundaries, but businesses don’t. In today’s global economy, companies are increasingly choosing between the Toronto region and greater London, for example, rather than between Canada (or Ontario) and Britain.

Currently, economic development in the Toronto region is fragmented and ineffective. The GTA’s municipalities spend $25 million annually and employ about 160 people in at least 20 different organizations. This lack of coordination is wasteful and makes our region less attractive to global businesses and investors.

Benefits of regional economic coordination include:

- More attractive business environment
- Stronger economic performance and attract greater investment
- Efficient and effective use of tax dollars
- More potent international presence — promote region with one voice
- Less red tape for conducting business
- Better infrastructure to support business operations

By focusing on the region as a whole and coordinating our activities, we can ensure Toronto region economic development efforts have the greatest impact. Other jurisdictions, such as Seattle (the example of the Puget Sound Regional Council is explored in the paper), Chicago and Stuttgart (highlighted in the Board’s
VoteToronto2010.com campaign) are pursuing regional coordination in a variety of ways and are often achieving stronger economic results than the Toronto region.

The Board’s members believe that coordinating the Toronto region’s economic development initiatives will help the region unleash its economic potential. In the same way that the province has coordinated regional transportation planning through Metrolinx, there is a potential role for the province to make this regional coordination happen. This body (or other framework) could take many forms, but there are crucial mandates — such as supporting an economic cluster strategy and regional investment attraction and promotion — it will need to take on. It is also important that whatever form the regional coordination takes, it is funded sufficiently to support research, marketing and those other undertakings that would effectively promote the region. The lack of regional coordination in Toronto will continue to put us at an economic disadvantage globally.

**Economic Cluster Strategies**

The Toronto region has many globally competitive industry clusters. Our members want the region to develop an economic cluster strategy to target and grow our existing leading industries. The Board’s members also see a cluster strategy as a key “enabling factor” to regional economic coordination and potentially a short-to medium-term step toward the longer-term goal of regional coordination, since the businesses making up our industry sectors are spread out across the region.

Economic cluster strategies have been proven to increase GDP growth, job growth and productivity, foster innovation, increase income and exports and access to capital.

Cluster strategies grow the industries that compete in global markets, bring wealth into the region and create jobs and prosperity across the broader economy, by focusing on strengthening their assets, networks and inputs. Cluster strategies typically:

* Focus on sectors with a clear competitive advantage
* Get government to work collaboratively with the private-sector to identify and remove obstacles to global competitiveness

Many jurisdictions are pursuing cluster strategies, including the three top ranking economic performers in the past two editions of the *Scorecard on Prosperity* — San Francisco, Boston and Seattle (these cluster strategies and their impact are explored in the paper). Cluster strategies must be driven by private sector leadership, make use of data analysis tools to thoroughly study their sector’s challenges and opportunities and devise working groups comprised of sector members and experts to create strategies for economic growth.

The Toronto region already has one strong and successful cluster strategy in place for the financial services sector. The Board’s members believe that, by pursuing cluster strategies similar to that being undertaken by the financial services industry, the Toronto region’s economy can power forward on the basis of stronger economic growth, increased capital and investment attraction, greater innovation and a higher international profile, all of which will create jobs.

**A Business Environment That Enables Economic Growth**

Many factors shape a region’s attractiveness to businesses and investors. A regional economic development strategy, combined with a comprehensive cluster approach to economic development, must be underpinned by a competitive pro-business environment. The Board has identified a number of factors that are of critical importance to the future competitiveness of the Toronto region.

A. Access to Capital, Innovation and Commercialization: Ready access to capital to fund businesses from start-up to initial public offering (IPO) is a strong driver of a productive and innovative economy. One of the biggest challenges that our region’s start-up companies and entrepreneurs face is a lack of access to the venture capital they need to move their business and product to the next stage. In the absence of available capital, coupled with relatively weak Canadian intellectual property rights, many promising and innovative companies based in the Toronto region have been either unable to continue operations or sold to foreign companies.
B. Tax Rates: Provincial tax reforms in the 2009 Budget are set to improve Ontario’s cost competitiveness. By 2020, these reforms are expected to have increased incomes by 10 per cent and add $47-billion in capital investment by Ontario companies. It is important to the Toronto region’s global competitiveness that these tax reforms are maintained or enhanced.

C. Trade: Ontario’s economy depends on trade. The Toronto region has the largest market potential in North America and the fifth largest globally. We have preferential trade agreements with the U.S. and Mexico and are currently negotiating free trade agreements with the European Union and India. It is imperative that Toronto region companies continue to leverage our diversity to build global networks and to gain access to lucrative markets for our innovative products and ideas.

D. Energy: The cost and reliability of our energy supply has a significant impact on our business competitiveness. Our members are concerned about the security and supply of energy into the Toronto downtown core. As a result of blackouts, aging infrastructure and rising prices, our members would like all parties to focus on greater transparency in energy pricing, ongoing investment into rapidly ageing infrastructure and the creation of a long-term, integrated energy system plan outlining future prices, system costs and investments.

E. Health and Wellness: Ontario’s health-care system has been a competitive advantage over the U.S., but as health-care spending consumes more of the provincial budget, as business spend more on health-care benefits and rising employee absenteeism, this advantage is eroded. A large part of the solution can be found in driving future health-care dollars towards more appropriate community-based resources, using technology to better coordinate access to health-care practitioners, and focusing on education to prevent chronic diseases in the first place. Taking these steps will not only help to bend down the health-care cost curve in the province, but will also advance the quality of health-care available to the region’s citizens.

F. Infrastructure: Our region’s infrastructure deficit is significant and is impeding our region’s ability to attract global business. This issue is the focus of the Board’s next Challenge Paper.

G. Human Capital and Education: The most important asset of a competitive region is a highly educated workforce. A high quality education system attracts business investment. At the same time, we need to do a better job of integrating our skilled newcomers into the economy.

Conclusion: Tackling Our Challenge

The 2011 provincial election will be largely focused on growing Ontario’s economy to foster greater job creation. But what are the parties’ visions for the future of Ontario’s economy, what kind of jobs are they looking to bring to Ontario and how will they achieve this? In particular, the Toronto region will be key to this vision of Ontario’s economic future. So, what are their plans for the Toronto region specifically?

As the Board’s Scorecard on Prosperity has shown for three years running, the Toronto region is blessed with significant resources and assets that should position the Toronto region among the globe’s leading regional economies. But these advantages are only leading to middle-of-the-pack results among the world’s leading city-regions, due to poor productivity growth. This challenge — the measures needed to help Toronto region businesses be more productive, more innovative and create more jobs — is one that confronts the next provincial government.

Together, this challenge can be met. And all of Ontario’s businesses and residents can benefit from the world-leading economic performance that the Toronto region’s abundant advantages can and should produce.
Toronto Board of Trade members take pride in the success of the Toronto region and share an ambition to turn Toronto from a world-class region to a world leader. *Toronto as a Global City: Scorecard on Prosperity — 2011*, the Board’s annual global benchmarking study of 24 global metropolitan areas, confirmed once again that the Toronto region has many of the inputs one would expect in a leading economy:

| Unmatched diversity  
| (over 45 per cent of the population is foreign-born) |
| Highest share of workforce in professional occupations in North America (tied with Boston at almost 20 per cent) |
| Top market potential in North America (and 5th overall) based on population and purchasing power |
| Competitive overall tax rates (4th overall, ahead of all US metros) |
| And in the top ten globally on:  
  * Employment growth (4th in North America and 8th overall);  
  * Educated population (over 30 per cent have at least a bachelor’s degree);  
  * High-tech employment (9th overall, at about 6 per cent of the workforce); and  
  * Housing affordability (5th in North America, ahead of almost all US metros) |

The Toronto region’s economic performance, though, is not producing world-leading results, particularly on critical indicators of future economic growth:

|  
| In the bottom half on real GDP per capita (16th overall) and real GDP growth (14th overall at 2.9 per cent average annual increase) |
| In the bottom half on productivity (18th overall) and productivity growth (14th overall at 0.9 per cent average annual increase) |
| High unemployment (21st overall) |
| Low disposable income growth (14th overall at 5.1 per cent average annual growth) |

The result is that, for the third year in a row, Toronto ranked in the middle of the pack on its economic performance in the Board’s *Scorecard on Prosperity*. On the next page are the rankings for the economy domain in the *Scorecard on Prosperity* in 2010 and 2011:
Overall, the Toronto region once again ranked well in eighth place, but this came largely from Toronto’s strong liveability.

These results are not just a short-term struggle due to the global recession. Toronto’s middle-of-the-pack economic results have been consistent throughout all three years of the Scorecard on Prosperity, based largely on pre-recession data.

Job creation comes as a result of regional economic growth. Without stronger economic results in the Toronto region, there won’t be significant numbers of jobs created in Ontario’s economic capital. The Scorecard on Prosperity results point to a trend of under-performance, particularly in the area of productivity, that must be addressed, so that the Toronto region and Ontario can benefit from robust, rather than sluggish, job creation and growth in the years ahead.
This conundrum of strong economic foundations, but not world-leading productivity, GDP and disposable income growth, is one that will confront the next Ontario government. Coming out of the global recession, the economy will be a key issue in the 2011 provincial election. But what is our ideal version of the Ontario economy in 5–10 years’ time that will lead to economic success and sustainable job creation? Where should our efforts be focused to achieve this desired outcome?

While the parties will unveil their economic plans for the province over the course of the election, the Board’s members believe that the Toronto region’s performance will be critical to the success of these plans. Indeed, the Board believes that provincial parties should acknowledge the Toronto region’s role as the engine of Ontario’s economy; they should commit to and include in their platforms Toronto-region specific economic, regulatory and other policies that will ensure this engine achieves maximum performance.

In this paper, the Board, based on extensive consultation with and input from our members and stakeholders, sets out a number of necessary economic foundations, such as stronger regional coordination and an economic cluster strategy, to reach our goal of globally competitive job creation, economic growth and innovation.

This paper challenges the provincial parties and the public to consider the conundrum of the Toronto region’s excellent economic foundations, but middling global economic performance, and how they will address it.

Why This Matters to Ontarians

The Toronto region, home to over five million residents, is the economic heart of Ontario and also Canada, generating about 50 percent of Ontario’s, and 20 percent of Canada’s, GDP. As a healthy heart is essential for pumping blood to the rest of the body, a healthy Toronto region is critical in flowing growth and prosperity to the rest of Ontario and Canada.

The Opportunity

In the global economic race, the Toronto region, despite having leading assets, is solidly in the middle of the
pack — and the front-runners, like Boston, San Francisco and Seattle, keep pulling further ahead. How have these competitors outperformed the Toronto region? What are the secrets of their success and can we adopt their training techniques to improve our results?

This provincial election campaign is an opportunity to review the economic plans for the Toronto region and to re-tool as needed, particularly the often fragmented economic development efforts of the many municipalities in the Toronto region. We need to propel the Toronto region’s economy forward based on private sector-led growth, facilitated by an enabling business environment that supports this growth. **This is about the government being a partner with the private sector in economic success, ensuring the needed programs, regulations and structures are in place (or, in some cases, removed or lessened) that allow the private sector, in conjunction with the not-for-profit and academic sectors, to drive economic growth in the Toronto region and in Ontario.**

With an enviable quality of life, a skilled and educated workforce, a robust and diverse commercial and industrial base and a population that reflects the world’s cultures, speaks the world’s languages and has connections to all parts of the globe, the Toronto region is endowed with resources that other urban centres can only dream of. With these advantages, there is no reason the Toronto region cannot be among the global economic leaders.

This is an opportune moment: with the solid fundamentals that have already been put in place (including strong infrastructure and education investments, as well as competitive corporate tax rates), the private sector needs to show its confidence by making investments to boost productivity and competitiveness\(^1\) and seize the opportunity to catch the next wave of prosperity. Additional partnerships where the government advances the necessary strategies for success in the global marketplace can fuel strong future job creation, economic growth and innovation. Chapter 3 outlines the economic foundations that the Board believes to be key to this regional economic growth.

**Core Components of Regional Economic Growth**

The Board’s members have been clear: Toronto needs to start thinking and acting regionally, like our competitors already are. Using the *Scorecard on Prosperity* to highlight some of the leading regional economies, the Toronto region can learn successful economic development strategies and emulate our competitors’ success.

Ultimately, the goal is a strong regional economy that plays to its strengths and succeeds on this basis. There is no single formula to achieve this result. But, based on the performance in other global cities, three specific elements need to be pursued:

1. **Coordinate** regional economic development among the many municipalities in the GTA, including united international investment promotion efforts;

2. **Strengthen** cluster strategies as part of a comprehensive economic development strategy that strengthens existing assets, networks and relationships, and promotes a more dynamic and innovative economy; and

3. **Enhance** a pro-competitive business environment that enables private sector economic growth and attracts increased levels of investment.

**The challenge we face is overcoming our fragmented, middle-of-the-pack economic performance and propelling the Toronto region to the front-of-the-pack where we belong.**

The Board’s members believe these economic development strategies, coupled with productivity-enhancing investments in public infrastructure and private sector investment in productivity-enhancing technology and equipment, will help to generate greater and more inclusive economic growth, job creation, investment and innovation.

*The Board seeks the political parties’ and the public’s specific solutions to unleashing our region’s economic potential.*

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\(^1\) TD Economics, *Competitiveness a Pressing Problem for Canadian Businesses* (April 25, 2010), pg. 5–6.
3. Core Components of Global Competitiveness

Jurisdictions with “targeted investment promotion strategies, implemented by strong economic development organizations, managed to attract more investment and create more and better jobs for their citizens than those where such efforts are weak or non-existent.”

IBM Global Business Services, 2010

Regionally Coordinated Economic Development

The Issue

Businesses operate on a regional basis. Politicians see municipal boundaries, but businesses don’t. In today’s global economy, it is city-regions — more so than provinces or countries — that are competing for talent and investment on a global stage. Companies are increasingly choosing between the Toronto region and greater London, for example, rather than between Canada (or Ontario) and Britain.

Coordination of regional economic development efforts is a way to ensure that the region — the relevant, single economic unit — operates as a cohesive and seamless business environment.

Selected competitor metropolitan areas pursuing at least some form of regional coordination include:

- Seattle
- San Francisco
- Boston
- London
- Paris
- Chicago
- Montreal

Benefits of regional economic coordination include:

- More attractive business environment
- Stronger economic performance and attract greater investment
- Efficient and effective use of tax dollars
- More potent international presence — promote region with one voice
- Less red tape for conducting business
- Better infrastructure to support business operations

The Challenge

In the Toronto region, regional coordination for transportation is the responsibility of Metrolinx. There is no Toronto region equivalent to coordinate economic development efforts. Through input received at roundtables, policy forums and one-on-one meetings, the Board’s members have strongly expressed the belief that regional economic coordination is a key component of our region’s future economic prosperity. It is important to think about ourselves as bigger than Toronto — and we need region-wide organizations that take a regional perspective.

Currently, there is limited regional economic development in Toronto. Research by the Boston Consulting Group (BCG) finds that, between the GTA municipalities, we spend close to $25-million annually and employ 160 full-time employees across more than 20 organizations, including municipal economic development offices.
For example, in just one area of economic development, international marketing and investment promotion, the Toronto region has more than three primary organizations that provide interested investors with various information and assistance. The Greater Toronto Marketing Alliance (GTMA) was established in 1997 and performs this role for the GTA. At the same time, the Toronto Region Research Alliance was established in 2003 and promotes research & development investment and building research capacity in the GTA, focused on four sectors. By contrast, Invest Toronto, created in 2008, promotes only the City of Toronto. The figure below reflects the more than 20 organizations in the area of international marketing and investment promotion in the Toronto region and their often overlapping areas of focus:

**Economic Coordination in the Toronto Region**

<table>
<thead>
<tr>
<th>Research</th>
<th>Marketing / Promotion</th>
<th>Targeting outreach</th>
<th>Incentives / Negotiation</th>
<th>Servicing</th>
<th>Retention</th>
</tr>
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<tbody>
<tr>
<td>GTMA</td>
<td>~$25 M and ~160 FTEs in total</td>
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<tr>
<td>Invest Toronto</td>
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<tr>
<td>Regional Economic Development agencies of the GTA (eg. Halton, York, Peel, Durham)</td>
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<tr>
<td>Municipal Economic Development agencies (eg. Toronto, Mississauga, Markham, etc.)</td>
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<tr>
<td>Toronto Region Research Alliance</td>
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<tr>
<td>Toronto Financial Services Alliance, other industry alliances</td>
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Some overlap, but focused on Ont.

| Ministry of Economic Development ~$350M |
| Foreign Affairs and int'l trade ~$100M |
| Fed Dev Ontario ~$18M over 5 years |

Indicates some overlap but not the focus

Source: Boston Consulting Group

These organizations have done good work to promote Toronto and help to bring investors here. But the question is not whether or not good work is being done. The question really is whether we could do a better job of promoting the Toronto region through a more thoughtful and coordinated approach that sees us speak to the world with one voice.

**Some Potential Solutions**

By focusing on the region, we can ensure our economic development efforts have the greatest impact. Other jurisdictions, such as Seattle (the Puget Sound region — see text box on page 15), Chicago and Stuttgart (highlighted in *Better Together: Driving Regional Economic Cooperation and Development*, as part of our VoteToronto2010.com campaign) are pursuing regional coordination in a variety of ways and are often achieving stronger economic results than the Toronto region.
Regional Coordination Success: The Puget Sound Regional Council (PSRC)

- Serves: the Puget Sound Region (Seattle and surrounding area)
- Created in: 1956
- Scorecard on Prosperity 2009 Economy rank (Seattle): 3rd
- Scorecard on Prosperity 2010 Economy rank (Seattle): 3rd
- Scorecard on Prosperity 2011 Economy rank (Seattle): 3rd
- Some notable companies headquartered in the Puget Sound: Microsoft, Nordstrom, Eddie Bauer, Amazon.com, Costco, Expedia Inc. and Starbucks
- A regional coordination, planning and governance body of the counties surrounding the Greater Seattle region.
- Responsibilities: transportation; growth management; and economic development planning
- Members: elected officials of the region’s counties, cities, towns, port districts, transit agencies and aboriginal tribes.
- Meets: as a General Assembly (annually) to vote on major decisions; as a 32-member Executive Board (monthly)

Puget Sound Regional Council

- Transportation Policy Board
- Growth Mgmt. Policy Board
- EcDev District Board
- Prosperity Partnership
- Enterprise Seattle

Source: PSRC and The Toronto Board of Trade

In 2003, the Puget Sound region’s Economic Development District, the federal body responsible for developing and updating the region’s Comprehensive Economic Development Strategy (CEDS), merged with the PSRC. In 2004, the Prosperity Partnership — a coalition of over 350 government, business, labour, education and non-profit leaders — was created to use public-private cooperation to develop the region’s CEDS. The Prosperity Partnership undertook a cluster strategy for economic development, convened working groups to study the region’s dominant clusters: aerospace; clean tech; information technology; life sciences; logistics and international trade; military; and tourism. Working groups devised strategies to support the cluster and its economic foundations (access to capital, human resources, technology, business climate, physical infrastructure, quality of life & social capital).

In the Puget Sound region, regional planning and cooperation extends into investment promotion. Seattle’s IPA, EnterpriseSeattle, is a member of the Prosperity Partnership. Its work plan aligns with the Prosperity Partnership’s policies and objectives and it has adopted an industry cluster focus to shape and drive its assistance and outreach programs (for example, it assigned specific business development managers to each of the five economic clusters prioritized in the 2005 CEDS).²

There are many global examples of effective bodies that coordinate regional international investment attraction and promotion efforts, such as EnterpriseSeattle (page 15), Think London and Montreal International. These regional bodies have proven successful in attracting domestic and foreign capital and investment: in 2009–10, Think London assisted 239 foreign-owned companies to set up and expand into London, creating 6,200 new jobs.

London was also the top destination for investment projects in 2008, 2009 and 2010.4

In the last decade, Montreal International has attracted $7.5 billion in investment, creating 43,000 jobs within the region’s leading industry clusters.

The Toronto region’s attraction as an investment location is undeniable. Even with the fragmented and often duplicative structure highlighted on page 14, Toronto attracted the second most foreign investment projects of North American cities in 2010 (although not in the top five based on capital investment or jobs created).5 With effective and coordinated promotion of the region, the Toronto region could potentially attract even more foreign and domestic investment. At the very least, such regional coordination would ensure that the significant tax dollars devoted to international investment attraction and promotion are being used as effectively as possible.

The Board’s members believe that coordinating the Toronto region’s economic development initiatives will help the region unleash its economic potential. A regional body, with members drawn from the public and private sectors, is needed. In the same way that the Province has coordinated regional transportation planning through Metrolinx, there is a potential role for the Province to make this regional coordination happen. The businesses making up our industry sectors are spread out across the region. As one example, only about half the businesses in Toronto’s information and communications technology (ICT) sector (one of Toronto’s “key business sectors” according to Invest Toronto) are in the City of Toronto.

It is also important that whatever form the regional coordination takes, it is funded sufficiently to support research, marketing and those other undertakings that would effectively promote the region. The lack of regional coordination in Toronto will continue to put us at an economic disadvantage globally.

What are Clusters?

Geographically concentrated, interconnected firms within related industries. They include suppliers, financial institutions, universities and trade associations.

Economic Cluster Strategies

The Issue

The Toronto region has many globally significant industry sectors. Pursuing an economic development strategy that seeks to promote our leading industry clusters is a proven way to grow the regional economy, including increased:

- Economic growth;
- Job creation and productivity (in the private sector, as well as not-for-profits and post-secondary institutions that support these clusters);
- Innovation, income and exports; and
- Capital and investment.

The Board’s members see a cluster strategy as a key “enabling factor” to regional economic coordination and potentially a short- to medium-term step toward the longer-term goal of regional coordination. The businesses making up our industry sectors are spread out across the region. As one example, only about half the businesses in Toronto’s information and communications technology (ICT) sector (one of Toronto’s “key business sectors” according to Invest Toronto) are in the City of Toronto.

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5 Ibid., pg. 10–12.
Shifting Into High Gear

Even Toronto’s most celebrated industry cluster — our financial services sector — is located throughout the Toronto region, rather than in any one municipality.

Cluster-based economic development is a strategy first championed by Harvard professor Michael Porter in the 1990s. Unlike government-directed industrial policy, which usually tries to “create” industries through subsidies and protectionist measures, economic cluster strategies target existing industries to strengthen assets, networks and relationships to grow the targeted industries and to, in turn, grow the economy as a whole, including education, health-care and retail industries, among others.

<table>
<thead>
<tr>
<th>Industrial Policy</th>
<th>Cluster Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted/favoured sectors</td>
<td>Sectors with clear competitive advantage or potential</td>
</tr>
<tr>
<td>Government picks specific local winners</td>
<td>Government supports all firms, domestic and foreign, in the industry</td>
</tr>
<tr>
<td>Government provides specific sectors with subsidies and protection</td>
<td>Government works collaboratively with the private sector to identify and remove obstacles to global competitiveness</td>
</tr>
</tbody>
</table>

For example, in Seattle, the defence sector’s working group convened by the PSRC’s Prosperity Partnership discovered a frustration shared by many of its clustering firms – veterans entering the private sector were unable to transfer their military driver licenses to civilian ones, costing firms time and money as their employees recertified. Because of their advocacy, military driver training can now count towards obtaining a civilian license. Another example from the Prosperity Partnership came from an analysis of the state’s educational institutes which found that they were only supplying 52 per cent of the region’s projected workforce demand in computer programming-related occupations. The Partnership pressed the state government for financing to increase enrolments in the needed programs, securing a commitment to finance over 9,000 new enrolments and a law codifying 10,000 more degrees by 2020.

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The Toronto region could be taking greater advantage of its existing, innovative clusters to create stronger economic growth. There are some economic development strategies focusing on certain industry clusters. For example, the Province, through the Ministry of Economic Development and Trade, already works with the notion of industry clusters. However, this work is generally provincial in scope, even when the companies making up the industry cluster are all located in a specific region. At the same time, there are some cluster-based economic development strategies in the Toronto region. But these strategies tend to operate in isolation from general economic development initiatives and the Toronto region does not currently have an explicit cluster-based approach to economic development.
As the chart below shows, the Toronto region has a number of strong employment sectors (the solid bars show, on the left-hand axis, the percentage of the Toronto region’s entire workforce employed in each of these sectors). The employment in some of these clusters is higher than the North American average (the line indicates, on the right-hand axis, the Toronto region’s level of employment in each sector relative to the North American average — a level above 1.0 indicates that the Toronto region has a higher level of employment in that particular sector than the North American average) and is quite competitive for many others.

The Board’s members believe that there are many industry clusters within the Toronto region that could benefit from a cluster strategy. As a first step, work must be done to organize five to seven of these clusters. For example, cluster strategies could be used to strengthen industries that offer high-paying, but low-to medium-skill jobs (such as food & beverage)\(^7\) and/or industries that will ensure the Toronto region has many high-value, high-skill jobs in the current and future digital economy (such as high tech, which includes ICT, digital media and life sciences).\(^8\)

At present, none of these clusters are effectively coordinating or collaborating to strategically advance their industry.

### Top 20 Employment Sectors in Toronto Census Metropolitan Area

<table>
<thead>
<tr>
<th>Sector</th>
<th>% Share in reg emp</th>
<th>NA Location Quotient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution &amp; Logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education &amp; Knowledge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-Tech</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tourism</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entertainment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport &amp; Logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Publishing &amp; Printing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive &amp; Parts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building, Fixtures &amp; Equip &amp; Serv.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heavy Construction &amp; Metal Manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemical Production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apparel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production Technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power Gen. &amp; Trans.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemical Production</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: High-Tech cluster’s employment was aggregated by the Toronto Board of Trade

Source: The Institute for Competitiveness and Prosperity

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\(^7\) The Toronto region’s food & beverage cluster is the second largest by employment in North America, after Los Angeles. This sector is made up of over 3000 establishments (mostly small businesses) and 114,000 jobs — more people are employed in this sector in Ontario than in the auto sector — generating another 500,000 indirect jobs in related industries.

\(^8\) The Toronto region is home to 11,500 firms in the high tech sector (including 1/3 of all Canadian ICT firms) and directly employs almost 160,000 people. This sector is an “enabling sector” which creates the technology and IT solutions that allow other industries, such as health-care and financial services, to improve their productivity.
A Tale of Two Clusters: Financial Services and High-Tech in the Toronto Region

The fortunes of two industry clusters in the Toronto region reflect the benefits that can come from a cluster strategy — although there many factors leading to the results outlined below, with the pursuit (or not) of a cluster strategy being one of these factors.

The financial services industry has successfully pursued a cluster strategy and raised the industry in global rankings. On the other hand, the high-tech industry in the Toronto region continues to show much promise, but it is not coordinated as a cluster and its international standing has weakened in recent years.

Financial Services:
- 2001: Toronto Financial Services Alliance (TFSA) created by City of Toronto and private sector
- 2008: Ontario government became significant champion of this cluster
- 2009: Private sector came together and produced a vision for industry’s global advantage
  - Identified risk management as key global area of expertise and way to raise Toronto region’s profile as global financial centre
- 2010: Global Risk Institute opened, with funds from public and private sectors
  - Global Risk Institute will act as centre of excellence for risk management practices and work with post-secondary institutions to create relevant academic programs
- 2011: Toronto enters top 10 for first time in Global Financial Centres Index

High-Tech:
- Toronto region is home to one third of all Canadian ICT firms
- Made up of approximately 11,500 companies and employs over 160,000 people
- 2004: Toronto region ranked third in North America based on its concentration of private ICT firms and employment (after San Francisco and New York)\(^9\)
- 2009: Toronto region still ranks highly — the Milken Institute ranked Toronto among the top 10 high-tech centres in North America — but position has started to slip
- 2005: clean tech companies in Ontario received more investment for their initiatives than those in Seattle and Boston
- 2009: Seattle and Boston have pursued clean tech cluster strategies and investment attracted by clean tech firms in these regions significantly outpaces investment in Ontario firms

Shifting Into High Gear

Some Potential Solutions

Many places are pursuing cluster strategies. San Francisco, Boston and Seattle have been the top three ranking economic performers in the past two editions of the Scorecard on Prosperity. All three of these regions have long implemented varying forms of regional economic cluster strategies (with Seattle’s described on page 15.)

Both San Francisco and Boston capitalize on their strong post-secondary institutions and entrepreneurial culture by employing cluster strategies that are private sector-driven, public-private partnerships to help strengthen the region’s networks and advocate for supportive public policy decisions.

In San Francisco, following the recessions in the 1980s, Silicon Valley’s high-tech business leaders realized they could secure more benefits for the region by working together. In 1993, they formed Joint Venture Silicon Valley (JV:SV), a business driven public-private partnership.¹¹

Two recent JV:SV initiatives include:

- Joint Venture Federal Outreach Initiative: to improve the region’s relationship with the federal government and promote the region’s clean tech projects as commercially viable opportunities for federally funded programs; and
- Regional Workforce Action Plan: identified current and future needs and called for the creation of a regional skill-building network.¹²

Building on this private sector-led initiative, the Mayor’s Office of Economic and Workforce Development (OEWD) now uses a cluster lens to attract and support firms in the region’s six largest clusters (life sciences; clean technology; health care; IT & digital media; retail & hospitality; and film). The San Francisco Center for Economic Development (SFCED) is a private-sector sponsored organization partnered with the OEWD and affiliated with the San Francisco Chamber of Commerce, focused on business attraction and retention into these six key clusters. ChinaSF, an initiative of the SFCED run in partnership with the OEWD and financed by the private sector, is an effort to capitalize on the region’s strong social and economic ties with China and facilitate and direct interest and investment from Chinese firms into these six clusters.

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In Boston, cluster strategies have been used for decades. One of the region’s first cluster initiatives was the Massachusetts Technology Park Corporation, developed by the state legislature in 1982. This was a partnership of government, industry and education to address the undersupply of engineers for the region’s thriving semi-conductor industry by creating a training facility for semi-conductor and microelectronic technologies. This initiative was renamed the Massachusetts Technology Collaborative and its mandate has broadened to supply economic research to industry and support industry stakeholder collaboration, particularly among the medical device companies. The legislature also created the Massachusetts Life Sciences Center in 2006, a quasi-public agency created to enable innovation and commercialization by funnelling public financing into higher education facilities and capital investments in supportive infrastructure.

The private sector has also led some of the cluster efforts. In 1977, the Mass High Technology Council was founded by 38 of the state’s high-tech sector CEOs largely as an advocacy body. This Council played a large role in advancing the creation of the Defense Technology Initiative in 2003. Boston is even turning to a cluster strategy as a means of spurring growth during the economic recovery. The Boston Financial Services Leadership Council was formally announced in October 2010, with a goal of advancing Boston’s role as a global financial centre and is seen as key in overcoming the damage done during the recession.

Based on the four steps to a successful cluster strategy identified on the prior page, the Board’s members believe that private sector leadership needs to drive a cluster strategy. Member feedback from initial consultations is that the Board can play an important role in helping to bring relevant groups within industry clusters together. As part of the diagnosis step, it is important to map out and quantify the region’s clusters. This will underscore the cluster’s impact on the economy and will identify its specific strengths and weaknesses. Mapping also brings to light the cluster’s pattern of infrastructure use, which can often highlight where investment is needed on a regional basis.

MaRS has already mapped out several industry clusters, including Ontario’s clean tech and clean water industries. It has also published industry-specific reports on the social networking, life sciences and health-care sectors. This is a step in the right direction. But these mapping initiatives and industry reports are provincial in scope, rather than having a regional focus. To pursue a cluster strategy, it is important that we have a solid understanding of the assets in those sectors the Toronto region has an advantage in, as part of the diagnosis step.

Once the members are mobilized and the cluster is mapped and analyzed, working groups from each cluster member firm, from small to large, should be devised to interpret the data, identify challenges and successes. Working groups should seek to devise action plans, strategies and initiatives to strengthen assets and to overcome obstacles to future growth. The Board’s members have expressed a strong belief that, by pursuing cluster strategies similar to what is being undertaken by the financial services industry, the Toronto region’s economy can power forward on the basis of stronger economic growth, increased capital and investment attraction, greater innovation and a higher international profile, all of which will create jobs.

**A Business Environment that Enables Economic Growth**

**The Issue**

Through the Scorecard on Prosperity, the Board has shown that many factors go into making a great global city-region. A regionally-focused, cluster-based approach to economic development is a beneficial strategy to promote economic growth. But such strategies need to be underpinned by a pro-competitive business environment that enables economic growth. As such, government policy (or, in some cases, the absence of government regulations) has an important role to play in giving the region a competitive advantage.

**The Challenge**

The Board has identified a number of factors that are of critical importance to the future competitiveness of the Toronto region.
A. Access to Capital, Innovation and Commercialization

Key Elements for Competitiveness: Starting up a new venture, seeking to expand and grow an existing company or investing in research and development (R&D) to gain a competitive advantage all require capital financing to be possible. Ready access to capital to fund businesses from start-up to initial public offering (IPO) is a strong driver of a productive and innovative economy.

- Board members identify greater access to venture capital (VC) as among their top policy priorities.
- VC-backed companies grow at five times the rate of the overall economy
- More than two-thirds of these companies perform R&D, which promotes innovation, productivity and income growth
- In the absence of available capital, many promising and innovative companies based in the Toronto region have been unable to continue operations
- As a result, they’ve sold out to larger (and often foreign) purchasers
- Alternatively, they’ve relocated their operations to competing jurisdictions (such as Quebec, B.C. or the U.S.) that offer the capital they need
- Low levels of investment in R&D by Canadian businesses relative to many companies in competitor countries is seen as a significant reason there is not more capital flowing to innovation in Canada

- Links between the private sector and post-secondary institutions (for research and commercialization), as well as links between innovative start-ups and more mature firms, are also important
- So is the strength of our intellectual property (IP) rights
- A key challenge in attracting international innovators and investors to Canada is attributed to weak IP rights

Toronto’s Record:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of patents per 100,000 population</td>
<td>12th (out of 24)</td>
</tr>
<tr>
<td>VC investment per $1-million of GDP</td>
<td>10th (out of 12)</td>
</tr>
<tr>
<td>Average investment per VC firm</td>
<td>9th (out of 12)</td>
</tr>
<tr>
<td>Average size of IPOs</td>
<td>18th (out of 24)</td>
</tr>
</tbody>
</table>

What’s Needed: In late 2009, the Board formed an Access to Capital Task Force (Task Force), made up of financial community leaders, the entrepreneurial sector and academia, to define the scope of the problem and come up with possible solutions. The Task Force’s work and deliberations reflected just how complex this issue is — the Task Force could not reach a consensus and there was no emerging winner in terms of a solution.

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Below is the inventory of options that the Task Force believes can help grow available capital and grow pools of capital in the Toronto region:

### Access to Capital Task Force's Recommended Options

<table>
<thead>
<tr>
<th>Short-Term Options</th>
<th>Medium-Term Options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Objective:</strong> Increase/ Accelerate flow of venture capital to fund Toronto-based start-ups</td>
<td><strong>Key Objective:</strong> Build a vibrant and self-sustaining venture capital industry in Canada</td>
</tr>
<tr>
<td>1A. Improve deal flow via existing mechanisms</td>
<td>6. Develop management talent and increase capacity in Canada</td>
</tr>
<tr>
<td>1B. Grow “fund of funds” structures at federal and provincial levels</td>
<td></td>
</tr>
<tr>
<td>1C. Leverage foreign VC funds through mixed public-private ownership structure</td>
<td></td>
</tr>
<tr>
<td>2. Improve effectiveness of SR&amp;ED tax credit program to help grow SME companies</td>
<td>7. Link capital policy to economic cluster strategy</td>
</tr>
<tr>
<td>3. Promote attractiveness of VC investments to high net-worth individuals</td>
<td>8. Encourage foreign investment into Canada through ongoing efforts to remove red tape</td>
</tr>
<tr>
<td>4. Improve attractiveness and efficiency of VC investments to retail investors</td>
<td></td>
</tr>
<tr>
<td>5. Consider a policy that would encourage institutional investors to set aside funds to invest in Canadian-based start-up and growth companies</td>
<td></td>
</tr>
</tbody>
</table>

### Marginal Effective Tax Rate on Capital Investment

![Chart showing marginal effective tax rate on capital investment](chart)

Source: TD Economics and Jack Mintz

#### B. Tax Rates

**Key Elements for Competitiveness:** Undoubtedly, the level of taxes has a large impact on the cost of doing business. Board members identify competitive tax rates as one of their top policy priorities.

**Toronto’s Record:** Provincial tax reforms initiated in the 2009 Budget, which included the HST, significantly improved Ontario’s cost competitiveness by removing sales taxes on business inputs and reducing the cost of manufacturing and doing business in the province. Based on the full implementation of this tax reform package, Ontario will go from having one of the highest marginal effective tax rates (METR) on capital in Canada in 2009 to having one of the lowest in 2018.
What’s Needed: It is important to the Toronto region’s global competitiveness that these tax reforms are maintained or enhanced.

- As these tax reforms fully take effect, it is incumbent on the private sector to take advantage of this supportive government policy to invest in productivity-enhancing and job-creating innovation.
- Research estimates that, by 2020, the reforms will spur significant economic growth
  - $47-billion increase in capital investment by Ontario companies
  - Almost 10% increase in the incomes of Ontarians
  - Almost 600,000 new jobs

C. Trade

Key Elements for Competitiveness: Easy access to buyers and suppliers in lucrative markets.

- Ontario (like the rest of Canada) is a trade-dependent economy
- Majority of our trade (imports and exports) is with the US
- Transportation infrastructure (road, rail and air links) is also important to keeping down transportation costs

Toronto’s Record: Toronto has an attractive value proposition to investors:

- Number 1 in North America (and top 5 globally) in terms of market potential in the Scorecard on Prosperity 2011
- Preferred access to the U.S. under the North American Free Trade Agreement (NAFTA);
- Preferential access to European Union and India being negotiated (US doesn’t have agreements with either of these markets);
- Unmatched diversity — highest foreign-born population in Scorecard on Prosperity 2011

What’s Needed: Continued emphasis on participation in international markets.

- Participating in the global economy is critical to improving competitiveness and innovation
- According to the OECD, the global expansion of markets has been a powerful driver of innovation and productivity gains, especially in small, open countries like Sweden and Finland
- Recent global recession highlighted need to diversify trading partners and reduce reliance on U.S. market
- Toronto region companies should build their capacity for growth by engaging in international markets
- Toronto region companies should leverage our diversity to build global networks and to gain access to lucrative markets for our innovative products and ideas

D. Energy

Key Elements for Competitiveness: The cost of energy is a major business-competitiveness issue.

- A sound and transparent governance system for the energy sector is also important to ensure that businesses and investors can be confident of strategic directions and a stable energy supply
- A secure and reliable supply of electricity is also important

Toronto’s Record: Board members have been expressing some concerns about energy issues, particularly the security and reliability of supply into the downtown core. The frequency of blackouts in Toronto’s core reflects the need for increased investments in transmission and distribution redundancies into the downtown core. Many parts of the Toronto region have aging energy infrastructure that will continue to deteriorate without significant investment.

As well, energy prices are rising both because of a global increase in prices and the move to more expensive green energy sources.

In November 2010, the Province unveiled its Long-Term Energy Plan (LTEP), which looks to invest approximately $87-billion over the next twenty years to make Ontario’s energy system greener and more reliable.

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What's Needed: Transparency in energy pricing and investments in infrastructure (which may include investments to create redundancies in high demand areas) could strengthen governance of this system. The security and reliability of the energy supply in Toronto's downtown core needs to be addressed. The LTEP did not address this critical issue.

A long-term plan for an integrated energy system that outlines future energy prices, system costs and investments will provide a long-term vision for the sector. While Ontario's demand management program has helped consumers decrease their consumption and costs, further gains could be made by making energy pricing more transparent and moving to true-cost pricing. At the same time, the relative cost of the types of energy making up Ontario's supply mix should be a consideration. Renewable energy sources tend to be relatively more expensive than other energy sources, such as natural gas, that can satisfy much of Ontario's future energy demands.

E. Health and Wellness

Key Elements for Competitiveness: The physical health of employees and a business' bottom line are inextricably linked.

- As the cost of Ontario's health-care system escalates, it is limiting the province's ability to invest in other priorities
- At the same time, health & wellness costs to businesses are rising: increased usage of employer's health-care benefits and rising employee absenteeism are driving up costs
- Increasing focus on health promotion and other prevention activities are increasingly important to our region's prosperity
- Mental health is increasingly being seen as a significant cost to society and to business

Toronto's Record: Long a competitive advantage over U.S. competitors, Ontario's health-care system is consuming a growing share of the provincial budget — and costs keep rising. Currently comprising 46 per cent of Ontario's budget, TD Economics has forecast that, on current trends, health-care will account for 80 percent of Ontario's budget by 2030.15 One factor driving costs are chronic diseases: 1 per cent of the population account for 49 per cent combined hospital and home care costs, five per cent of the population account for 84 per cent of combined hospital and home care costs.16

What's Needed: Moving away from a hospital-centric system to one that embraces preventative care and community-based care should help to contain costs. Improving the health-care system's ability to treat people in their home and greater use of technology, including electronic health records, should increase the level and quality of services that community-care centres can provide. At the same time, health promotion and prevention programs should encourage lifestyle habits that forestall the incidence of chronic diseases.

F. Infrastructure

Key Elements for Competitiveness: Infrastructure is a key component of a region's business environment and has a positive impact on productivity.

- Transportation infrastructure in particular has an impact on the region's business environment — missing deadlines because goods are stuck in traffic hurts a company’s bottom line
- Other types of infrastructure, such as water and wastewater systems, are also important

Toronto's Record: The Toronto region has a significant infrastructure deficit, which is becoming the leading impediment to our region’s ability to attract global business.

- Toronto's 80-minute commute time ranks last in Scorecard on Prosperity 2011
- Toronto's expenditure per capita (from all sources) on public transit ranks 15 out of 21 in Scorecard on Prosperity 2011

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15 TD Economics, Charting a Path to Sustainable Health Care in Ontario: 10 Proposals to Restrain Cost Growth without Compromising Quality of Care (May 27, 2010). Pg. 6.
What’s Needed: Greater investment in our infrastructure is critically needed. Numerous regionally and provincially important projects, such as the Ontario-Quebec Continental Gateway Strategy, need coordination between governments and funding to move forward.

In particular, political will and creative financing is needed to implement Metrolinx’s regional transportation plan, The Big Move, and to present an investment strategy to fund the remaining $40-billion gap.

The second paper in the Board’s VoteOntario2011 Challenge Paper Series will explore this issue in much greater depth.

G. Human Capital and Education

Key Elements for Competitiveness: An educated workforce is necessary for a 21st-century economy.

- Continued attraction of talented new Canadians is needed for labour market growth
- The quality of the education system plays an important role in attracting greater business investment

Toronto’s Record:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign-born population</td>
<td>1st</td>
</tr>
<tr>
<td>Population with at least a bachelor’s degree</td>
<td>9th (out of 24)</td>
</tr>
<tr>
<td>Number of teachers per 1000 school-aged children</td>
<td>2nd</td>
</tr>
<tr>
<td>Population 25–34 years old</td>
<td>18th (out of 24)</td>
</tr>
</tbody>
</table>

What’s Needed: We should work to strategically grow our workforce to meet future labour needs, such as by enabling industry and higher-education collaboration to ensure worker skill sets are attuned to industry demand. We also need to ensure that existing human capital, in particular our large and growing population of new Canadians, is effectively integrated into the economy, since failing to recognize the qualifications and experience of foreign-born workers already costs the Toronto region $1.5–$2.25 billion annually.

Despite today’s high levels of unemployment, it is likely that the Toronto region will face skills shortages in the years ahead. For example, Canadian ICT companies are expected to face a shortage of 106,000 qualified positions in 2011–2016.17 As labour market growth in Toronto is dependent on immigration, it is critical that we improve our record on integrating these talented newcomers to ensure future prosperity.

Applied learning and other forms of entrepreneurial education can help to encourage continued growth and creation of small and medium-sized businesses, which tend to fuel job creation.

4. Conclusion: Tackling Our Challenge

The 2011 provincial election will be largely focused on growing Ontario’s economy to foster greater job creation. But what are the parties’ visions for the future of Ontario’s economy, what kind of jobs are they looking to bring to Ontario and how will they achieve this? In particular, the Toronto region will be key to this vision of Ontario’s economic future. So, what are their plans for the Toronto region specifically?

As the Board’s Scorecard on Prosperity has shown for three years running, the Toronto region is blessed with significant resources and assets that should position the Toronto region among the globe’s leading regional economies. But these advantages are only leading to middle-of-the-pack results among the world’s leading city-regions, largely due to poor productivity growth. This challenge — the measures needed to help Toronto region businesses be more productive, more innovative and create more jobs — is one that confronts the next provincial government.

It is a challenge that the Board’s members believe all political parties and the public need to grapple with. In this paper, the Board sets out what our members believe are key components to this solution: the regional coordination of economic development efforts (including international investment promotion and marketing) underpinned by a regional cluster strategy, with economic growth and job creation enabled by a pro-competitive business environment. The Board and its members seek out the political parties’ and the public’s specific solutions to unleashing our region’s economic potential.

In tackling this challenge, the private sector should take the first steps: show confidence, making the most of supportive government policy and investing in productivity-boosting machinery and equipment. The public sector should be a partner with the private sector to put in place policy that will ensure the most attractive regional business environment and the most effective use of public money to support private sector-led regional economic growth and job creation.

Together, this challenge can be met. And all of Ontario’s businesses and residents can benefit from the world-leading economic performance that the Toronto region’s abundant advantages can and should produce.
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