



THEMATIC SUMMARY REPORT



sixth annual
Ontario Economic Summit

November 2nd - 4th 2009, Niagara-on-the-Lake, Ontario

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‘What a Difference a Year Makes’

That was the sentiment expressed by many presenters and participants at the 6th Annual Ontario Economic Summit (OES), held November 2–4, 2009 in Niagara-on-the-Lake. The Summit brought together leaders from business, not-for-profit, academia, labour, and government to address critical questions about the province’s economy in the face of one of the most difficult economic years the province has experienced in decades.

A general consensus emerged that “the worst is over” and that recovery has begun in Ontario, Canada, and at the global level. However, participants agreed that the recovery is still weak, and the road ahead will be rocky. As well, that road may lead in some previously unexplored directions: toward an economy based on ingenuity and creativity rather than traditional manufacturing, and to global markets that are no longer dominated by U.S. consumers.

Although good economic news will increasingly begin to outweigh bad, it is unlikely that the recession is over or that the economic recovery will be rapid. Economies are currently experiencing a rebound produced by historically low interest rates, massive infusions of government spending, unprecedented liquidity in the banking system, and the running down of existing inventories.

As summit co-chair and former Bank of Canada governor David Dodge remarked, “The challenge is how to turn a rebound into a sustainable recovery.”

For Ontario to meet that challenge, all sectors must harness their strengths and address their weaknesses. We must work to transform the province’s twentieth century manufacturing economy into a twenty-first century success story, by focusing on value-added production and a knowledge-driven green economy.

Canadians must be prepared for a major restructuring of our economy—in part because the direction of economic relationships is moving increasingly toward emerging markets, but also because the population is aging. While Canadians prepare to do business in new markets, with new products and new approaches, we must cope with the increasing burden of health care costs, along with a decreasing supply of skilled, well-educated workers.

During the Summit, leaders from all sectors in the province agreed that collaboration and cooperation are the keys to rebuilding the economy and reinforcing the recovery. This will require that business, labour, government, and academia work together to create a stable and sustainable economy and a brighter future for Ontario.

“Ontario really matters. As goes Ontario, so goes Canada. We’re an extraordinary region blessed with so many possibilities”

- David A. Dodge, Summit Co-Chair, Senior Advisor, Bennett Jones LLP, Former Governor, Bank of Canada

“What we’re talking about is important to all the citizens of Ontario, all the citizens of Canada, and is extremely relevant to Canada’s position in the world.”

- J. Robert S. Prichard, Summit Co-Chair, President and CEO, Metrolinx

the new, the old, and the green

Looking to the future of Canadian and Ontario Economies

“We are on the road to recovery, but it will take us back to a place that is far different from the one we left behind in 2005 and 2006.”

- Warren Jestin, Chief Economist, Scotiabank

Both the Canadian and Ontario economies are beginning to recover from the worst effects of the recent economic downturn. However, a recovery will be slower than in the past and will no longer be as tightly tied to the performance of the U.S. economy, as the global financial system continues to be increasingly driven by emerging economies.

Scotiabank Chief Economist Warren Jestin said “It’s no longer possible to talk about Ontario and Canada without talking about what’s happening globally; Ontario is very much part of a rapidly evolving world.”

Jestin said the future of the Canadian and Ontario economies will be driven by three paradigms: “the new, the old, and the green.” To contextualize his predictions for the future, he briefly outlined the major economic events of the past 18 months.

In early 2008, as the housing crisis in the United States and many other developed countries loomed larger, many Canadians believed that Canada’s economy would be sheltered from those effects, Jestin explained. The Canadian economy was still adding jobs. Although gasoline prices were high and problems had begun to emerge in some industries tightly linked to the U.S. economy, such as the building supply and automotive sectors, Canadians felt insulated from a potential recession because of the strength of the country’s banking system, government surpluses, and stronger household balance sheets. That feeling of insulation came to an abrupt halt in September 2008, as the Canadian economy was absorbed into the global economic downturn. That change had little to do with events in Canada, Jestin said. “When the world’s emerging economies began to put on the brakes and gas prices dropped, it took away the enormous cash flow into the country that was cushioning us.”

From September 2008 to March 2009, Canada’s economy was in decline, Jestin said. Then for the next several months, “it was bouncing along the bottom,” with the occasional piece of good economic news amidst mostly bad news. However, Jestin predicted the news will increasingly improve.

“The good news is there will be less bad news; this phase is extremely important because it changes attitudes and confidence.”

Jestin said two major factors are driving the recovery. The first is depleted inventories, particularly in the automotive sector. As built-up inventories started to run out, automotive employers began ramping up production again. Jestin predicted this will add 2% growth to the U.S. economy in 2009, and half that in Canada. The second driving factor is extremely low interest rates, which is encouraging Canadians to make major purchases.

“Once we get through this inventory boost and the massive government spending, then we enter a new phase where interest rates aren’t at lifetime lows . . . when governments reverse policies and start to cut deficits.”

- Warren Jestin, Chief Economist, Scotiabank

Inevitably, interest rates will begin to rise again and governments will start to cut deficits, Jestin said. At the same time, changes in risk adjudication practices will make it much harder for businesses to borrow without an extremely strong balance sheet and good cash flow. As a result, growth will be slower than it has been in past economic recoveries.

Jestin stressed the ongoing and increasingly important effect of emerging economies on the Ontario and Canadian economy. "When the U.S. economy was shrinking by 2%, the bad news in China was that its economy wasn't growing by 12%, but only 8%."

As a resource-rich country in a resource-poor world, Canada will benefit from commodity price increases driven by emerging economies.

Jestin said that it is hard to predict how a higher Canadian dollar will affect the economy in the longer term, but he said it is inevitable that the dollar will continue to be strong. Better fiscal policy, lower debt, better household balance sheets, and Canada's wealth in commodities will continue to keep the dollar's value high.

Moreover, Canadians will be able to do little to change that. Interventions in the money markets have short-term impacts and the interest rate is already at an unprecedented low rate. Canadian businesses will need to adjust to the reality of a dollar that is near parity with the U.S. dollar.

An OES delegate noted that it is hard to predict the implications of emerging protectionism; however, they seemed to be at least partly driven by a strong sense of the importance of Canada's social safety net.

Jestin said that protectionism in the future would likely have a different focus than in the past, placing more attention on environmental and security issues. High unemployment and slow growth will mean that many Canadians will not participate in the recovery which could drive even stronger protectionist sentiments.

Jestin said these factors have led him to conclude that three fundamental themes will drive the future economies of Ontario and Canada:

- The new: The emerging world will change the way Canadians do business. Manufacturing will continue to be important but it will be more skills-oriented, with high value-added processes plugged into global supply chains and more of a focus on service.
- The old: Canada's population is aging, along with much of the developed world, which will create severe challenges for health and social security systems, at the same time that economies experience skills shortages. Importing skills is a losing equation for Canada; governments must find ways to build the necessary skills to compete in the global marketplace.
- The green: Climate change will drive the need for new environmental codes and energy efficiency regulations. A radical change is needed, and industries on the cutting edge of green technologies or environmental remediation will form the key to growth.

"When you put the new, the old, the green together, for almost any industry the equation will change dramatically," Jestin said. Successfully navigating those changes will mean ongoing sustainable success for the Ontario economy.

"We have to leave the comfortable and the traditional relationships and get used to dealing with the uncomfortable and the unknown. . . . We must rise to those challenges because they hold great opportunities."

- Warren Jestin, Chief Economist, Scotiabank

The U.S. Economy and Impacts on Ontario

“A collapse in real estate markets, a banking crisis which has led to a severe financial crisis, and now a currency crisis . . . it’s starting to feel like Canada 15 years ago—except with an extra decimal place.”

- Greg Ip, U.S. Economics Editor, The Economist

The U.S. economy is likely at a critical turning point and on its way to recovery. However, to understand the current state of the U.S. economy and where it is headed, it is necessary to understand what brought on the global and American economic downturn, said Greg Ip, U.S. Economics editor at The Economist.

In the last 10 years, a global savings glut developed, spurred by rapidly developing economies such as China and India. As this money flooded into other economies, it held down long-term interest rates. At the same time, it appeared that economies were less vulnerable to major economic downturns. When recessions occurred, they tended to be mild, and recoveries were rapid. This created housing bubbles in many developed economies, particularly the United States, where it was paired with “an obsession with home ownership,” Ip said.

When the housing bubble burst, the impact was felt most profoundly in countries with highly unregulated lending sectors. Unlike in Canada, the banking sector in the United States is only a small portion of the credit sector, and there are many non-depository financial institutions. These institutions were responsible for the worst excesses, and that’s where the collapse began.

In the U.S., the sub-prime mortgage crisis has created a domino effect, resulting in the worst recession by unemployment numbers since the Great Depression. At the beginning of the economic crisis, the United States had the second lowest unemployment rate in the G 8; now it has the second highest.

At the same time, productivity has risen, with companies becoming much more aggressive at cutting costs, jobs, and payrolls. Thus, the recall of employees has been slower than the improvements in GDP would usually predict.

However, the U.S. economy now appears to be at a positive turning point. The 2009 October Purchasing Managers’ Index (PMI) was better than expected, suggesting that the inventory cycle is in full swing and the inventory of unsold homes is at a 27-year low. Even though the demand has been at least partially artificially stimulated through government programs, Ip predicted that the next six to 12 months will see weak but steady growth in the U.S. economy.

Ip cautioned that the recovery will not be characterized by rapid growth, as in previous recoveries from deep recessions. Past recessions have tended to be caused by monetary policy, whereas this one was the result of a severe economic shock. The collapse of real estate values has also impaired collateral values, which means there will be higher underwriting standards in the future, along with tighter credit. At the same time, people are focusing on rebuilding their savings.

“The economy of the U.S. in the future will be smaller than we would have projected in 2007 . . . There will be less consumption-driven growth, and consumption will be less dependent on borrowing.”

- Greg Ip, U.S. Economics Editor, The Economist

For the last 25 years, the United States has been a consumption-driven society where growth was fuelled by the readiness and enthusiasm of foreign trading partners to provide financing, and the availability of easy credit. That trend is now over, Ip said.

He supported Warren Jestin's prediction that the global economy's future will not look like its past.

As a share of GDP, the U.S. trade deficit is at only half of its previous levels. Emerging economies, not the United States, will be at the centre of economic growth in the next 10 years. Emerging economies like China and India did not actually fall into recession, while Brazil's recession was brief, and its economy has already recovered. Canada will continue to be strongly linked to the U.S. economy but, because of its resource sector, it will be more strongly linked to emerging economies than in the past.

Although it may not appear that way, judging by current television news coverage, several converging factors make it likely that government will grow in the United States, and it will continue its move away from economic conservatism. There is strong support for tighter regulation of the financial sector, ensuring more capital and less leverage. Labour is demanding that the unionization process be made easier. There is general support to move to a cap and trade system for environmental reasons. Health care reform of some sort seems inevitable, which will require higher taxes to finance it. And Americans appear to want more choice and higher-quality education.

“Free trade is like a bicycle . . . if it stops going forward, it falls over.”

- Greg Ip, U.S. Economics Editor, The Economist

Ip also cautioned against growing protectionist sentiments in the United States, and their potential impact on trade relations with Canada. A number of protectionist measures have been taken—mostly directed at developing economies and largely symbolic.

Kevin Johnson, U.S. Consul General in Toronto reinforced Ip's presentation, noting that from a policy point of view, Canadians must keep a close eye on the protectionist direction of U.S. policy. However, Canada must also avoid the temptation to retaliate, in favour of open dialogue and negotiation.

“Working collaboratively, we will use the momentum we have built during this recovery to bring us beyond our past performance and create a future as the economic leader for the nation—strengthening the economy and creating jobs for today and beyond.”

- Gary Goodyear, Minister of State (Science and Technology & Federal Economic Development Agency for Southern Ontario
(Extracted from video message to OES delegates)

in conversation with the Premier

There will continue to be rough waters ahead for the Ontario economy, and navigating them will require making tough choices and sacrifices, Premier Dalton McGuinty told Summit participants. However, this is not the time to abandon important initiatives. Rather, the province must continue to move boldly in new directions, re-establishing itself as the leader in innovation, and as Canada's economic engine.

While Ontario's \$25 billion deficit is daunting, McGuinty emphasized that it is absolutely necessary to stimulate the economy, invest in job creation, and help those who lost work to make the transition to other employment. Ontario's economy is entering a new world—a world of high energy costs, a strong Canadian dollar, global competition in manufacturing, and a growing older population with accompanying pressures for health care. In the old world, there were three consecutive balanced budgets; in the new world, there's a large but necessary deficit.

“Just as the government had a responsibility to go into deficit in an extraordinary situation, we have the responsibility to get rid of it.”

- Premier Dalton McGuinty

McGuinty said the deficit must be eliminated in a responsible, thoughtful, and reasonable way. While programs like full-day kindergarten should not be cancelled, commitments must be maintained to the government's key priorities: education, job creation, and health care.

Ontario's post-secondary education system gives us a real advantage and has helped build a strong workforce. Investing in the kindergarten program is in the province's enlightened self-interest and will lead to a more powerful, competitive workforce in the longer term.

The premier said his government will engage Ontarians before deciding the best options for cutting spending and dealing with the deficit. The government will start with an internal review of its own operations to see where services might be delivered more efficiently.

He cautioned that there were no quick fixes, and that tough choices would be required. Those choices will have to be made in cooperation and consultation with the public sector, private sector, and individual Ontarians. Making the right decisions will require thoughtfulness and thorough consideration, so the plan for moving forward will not likely be revealed before the next provincial budget in the spring.

Committing Ontario to a harmonized sales tax (HST) on July 1, 2010 was a difficult decision, but the right one for the province, McGuinty said. More than 130 countries already have a similar tax structure, as do four provinces. The government's tax package creates \$10.6 billion in individual tax breaks; 93% of Ontarians will end up with lower taxes. In fact, the HST program will operate at a net loss for the first three years. An independent report found that the proposed tax package, over 10 years and barring a worsening economy, will create more than 591,000 jobs and attract \$47 billion in new capital investments to the province.

“We're in this together and we're responsible for each other. Government is more than an arrangement between consumers and providers. . . We need one another. Sometimes that is not easy... Ultimately, I believe Ontarians will say that it's the right thing to do.”

- Premier Dalton McGuinty

In an earlier address to the Summit, Leader of the Official Opposition Tim Hudak strongly disagreed with the Premier, saying the government has taken an idea for reducing red tape and turned it into a massive “tax grab—pure and simple.” Premier McGuinty said the government intends to maintain its commitment to creating 50,000 green jobs in Ontario. He noted that the second largest solar farm in North America is in Napanee, and that Ontario’s green program is the most aggressive in North America. “The Green Energy Act is unleashing new money for sustainable development, and will enhance our competitiveness as a green jurisdiction.”

Societies that take advantage of innovation and imagination will flourish in the new economy, McGuinty said. The government has invested \$3.2 billion to promote innovation, because harnessing new ideas and accelerating commercialization will give Ontario a big competitive head-start. “In a world where you can borrow money and copy technology, education and innovation are the two things that can grow the economy.”

a knowledge-driven, creative economy

Our Pathway to Prosperity

“As an individual or as a company, complacency is the single biggest risk you will ever take and often the least productive.”

- Lyn Heward, Cirque du Soleil

Creative transformation, risktaking, and innovation are the keys to success in the new global economy, requiring collaboration, inspiration, and teamwork at all levels. Summit delegates heard that creative industries in Canada already account for \$46 billion of the gross domestic product (GDP), and are poised to take a leadership role in the new economy.

Ian Wilson, executive director of the Stratford Institute for Digital Media and Culture, emphasized the need for rapid collaboration at an unprecedented level across universities, governments, the private sector and NGOs. “We really need to form a competitive alliance.”

The key is to build nurturing environments that are conducive to productivity, creativity and growth, said Lyn Heward, creative consultant and executive producer at the Cirque du Soleil. The Cirque has built its astonishing international success through recognizing that good ideas can emerge from anywhere in an organization, and that teamwork promotes collective creativity. Creativity can be hard to sustain in isolation, because all team members need to be constantly reminded of their ultimate goal, as well as their share of the communal responsibility to achieving it.

“Our greatest economic asset is the people we choose to work with,” Heward said. “Passionate, creative leaders never lose sight of the human capital surrounding them.”

Success depends on teaming outgoing creative types, tough-minded entrepreneurial spirits, more disciplined, structure-oriented professionals, and focused inspirational coaches and mentors. Creative alliances that take advantages of strengths of different types of people, with different talents, from different backgrounds yield the most astonishing successes.

“Developing creativity is a multi-stage process,” Heward said. It requires that people be alert to the possibilities surrounding them, and be willing to tap into them and take risks.

Sara Diamond, president of the Ontario College of Art and Design, emphasized that collaborating to address changing markets and evolving challenges will require investments in post-secondary education and digital infrastructure. Bringing creativity into everyday life and using human resources inclusively and broadly pose real challenges, but also offers tremendous opportunities.

Diana Pliura, entrepreneur-in-residence at The Health Exchange, stressed the importance of reaching out across sectors to solve complex problems. Ontario’s economy is rich in medical technology and research facilities. By making connections with the digital community, new products will be created, grounded on evidence-based medicine to help confront the challenges of an aging population.

“Ontario has all the right tools to take advantage of opportunities for medical advanced technology- scientists, research communities, expertise, and international credibility,” Pliura said.

Periods of constraint can sometimes force creative solutions. Pliura said collaboration must be established rapidly to ensure that clinicians, physicists, and technology experts talk to one another, enabling more rapid creative solutions to some of the serious medical problems confronting Ontario and Canada.

Ontario is in a position to take advantage of excess manufacturing capacity, transforming it to meet the needs and realities of the new global economy, said Paul Rowan, co-founder of Umbra, a worldwide leader in casual contemporary home furnishings and accessories. In the past, the process of developing new products was very secretive, but this needs rethinking, he said. Future success depends on more open-source product development.

Wilson said new ways must be found to move “bright new ideas into the marketplace more quickly” by encouraging idea “incubators” and accelerators. Most creative solutions arise from bringing together people of different backgrounds. “We need a real understanding across society of the transformational impact of the new media we’re working with,” Wilson said.

“When you get people from many different backgrounds and perspectives working together, you get synergies and ideas bouncing around the room.”

- Ian Wilson, Stratford Institute for Digital Media and Culture

New technologies make it possible to collaborate globally, speakers agreed. Digital media knows no boundaries—, whether geographic, political or cultural. One of Ontario’s real competitive advantages is its diversity and the ability of people from different backgrounds to work together comfortably.

“Diversity gives Ontario a great advantage,” Rowan said, “by creating an international style that will allow the province to be a global leader in design work and innovation.”

Economic success also depends on recognizing consumers’ needs and expectations. In the case of Cirque du Soleil, this has meant looking at the final product from the viewers’ perspective, ensuring that each show contains something new and engaging.

In the case of Umbra, success has meant looking at larger global markets for niche products that the relatively small Canadian market couldn’t sustain. Rowan said when markets are too small to sustain a new idea, successful enterprises must be prepared to plug into global markets. However, this requires understanding global consumers and tailoring products appropriately.

Presenters agreed that the future of creative enterprise in the province depends on a well-integrated, motivated workforce and a strong underlying educational foundation.

“Young people are creative and very adept at using technology and multi-media,” Wilson said. Even so, nearly one-quarter of the overall population is functionally illiterate. Technology presents an opportunity to create new ways to teaching and reach all Ontarians.

The ultimate key to success in the creative sector is strategic investment in, and support of, the institutions that encourage collaboration, creativity, innovation, and cooperation. This requires investment in digital infrastructure, increased work with social media, promotion of cross-sectoral activities, investment in post-secondary education, and the development of relevant curriculum.

Rowan said it is important to create open doors to education, and to forge strong links between curriculum development and creative internships with the corporate world. Ontario has the potential to become a centre of excellence for design and creative work, “but there are still a lot of silos that need to be torn down.”

“As an individual or as a company, complacency is the single biggest risk you will ever take and, often, the least productive . . . We all have to practice risk taking—the need to forge ahead, make a few mistakes and learn from them.

—Lyn Heward, Cirque du Soleil

Summit participants underscored the need to create stronger links and partnerships between post-secondary educational institutions and their communities, to boost Ontario’s creative and innovative spirit. One OES delegate recommended the province create a “cirque des solutions,” bringing people together, pushing them out of their comfort zones, and promoting cross-pollination of ideas and innovation.

OES delegates also recommended major improvements to the “architecture of education,” including giving credit for life and work experience to help harness new immigrants’ potential, as well as those who have not benefited from formal education but have a great deal of untapped creative potential.

setting the stage for new investment

“It struck home to me that Ontario is a very good place to do business. As a manufacturer and exporter we are in a much better position to take advantage of opportunities.”

- Mike Pley, COM-DEV International Inc.

Despite major changes affecting investment, including a higher dollar and increased difficulty accessing capital, there are still good opportunities to attract investment to Ontario. This is particularly true if the province enhances its existing strengths, and leverages the experiences of already prominent, well-positioned, internationally successful enterprises.

Panelists Allan Cosman, president and CEO of Ferrero Canada Ltd, and Mike Pley, chief operating officer of COM DEV International, said their companies’ experiences prove that Ontario has much to offer investors, even in challenging economic times. They also identified some unique opportunities that changing global economic realities bring to the province.

COM DEV International manufactures high-technology airborne satellites, which are marketed internationally. The company’s success relies on securing the best engineering talent available, which is why it was established 30 years ago in Cambridge, Ontario between two highly respected universities. The company came to Ontario to take advantage of the “local talent,” Pley said. If the government does not continue to make critical investments in education, the company would likely consider relocating. The average age of Ontario’s technical population is 40, while emerging countries like India offer a much larger, much younger skilled technical labour pool.

Pley emphasized the need to promote collaboration between industry and universities, and to nurture ties between graduate school population and key enterprises.

Another significant barrier threatening to dampen investment in the province is an outdated and overly complicated regulatory system, Cosman said. “Ontario’s regulatory system is 40 years out of date, forcing companies to make products differently north and south of the border.”

Cosman said his company, a major player in the food industry, is frequently frustrated by outdated packaging and labelling rules that have allowed other countries to get the jump on investment. Ontario’s government must work with industry to come up with harmonized, science-based systems. In addition, the province needs to advocate with the federal government to eliminate unnecessary duplication of regulatory requirements and certifications, and to ensure that legislation and regulation are based on common sense, rather than being just a patchwork which is difficult to navigate.

“We have to encourage the provinces and federal governments to work together to create a positive economic climate and ensure that we keep a view of Ontario as a good place to do business.”

- Allan Cosman, Ferrero Canada Inc.

Ontario’s great logistics are the key to keeping it attractive to investors. The province has an excellent labour pool, access to water, plentiful resources, and good proximity to the U.S. market, Cosman said. Infrastructure issues are crucial, and an open border is important, as is continued free trade with the United States, and expanded free trade with other jurisdictions, allowing easy export to Asian and European markets.

Some potentially serious threats to attracting investment are on the horizon, however. Cosman said environmental initiatives will have associated costs that will ultimately be downloaded to businesses. He urged the province to ensure its approach to waste management and other environmental concerns be rational and gradually integrated, and that businesses be given a period of time to absorb these costs into their operations.

Another potential threat comes from the threat of higher energy costs in the province. Pley stressed the importance of adopting more sustainable business approaches that are less environmentally damaging.

Cosman saw potentially higher energy costs as holding a great opportunity for Ontario. As energy costs increase, the whole global food chain will change, and the focus will increasingly shift to local production. Because the province is resource-rich, companies that want to produce close to the U.S. market may consider Ontario much more attractive.

“The food industry can share its successes in managing quality and distribution with other industries. Canada has a great track record for top quality and safe products. Creativity is where Ontario shines.”

- Allan Cosman, Ferrero Canada Inc.

go green and prosper

“Going green is not just the right thing to do; it’s the smart thing to do. . . . The companies that are going to be successful are the ones who see this not as a corporate social responsibility effort, but as a profitability initiative.”

- Gerald Butts, World Wildlife Fund Canada

Galen Weston, executive chair of Loblaw Companies Ltd, described a convergence of local, national, and international trends that will “fundamentally and profoundly change almost everything about the way we eat and live,” within the next generation. These changes will affect every person on the globe and require adaptation and leadership if the challenges they pose are to be met.

Weston identified the following key trends relating to sustainability and food issues:

- Population growth coupled with serious declines in many staple food commodities, such as fish stocks, which have declined by 70% over the last 20 years, and accompanying significant food cost inflation
- Climate change and its effects on agricultural production and potable water supplies—both in Canada and across the world. The beef industry in North America produces more greenhouse gas emissions than all the cars on the road, and may be affected by the institution of cap and trade systems
- Food safety issues, ranging from contaminated water and deli meats to the health care burden of obesity
- Spiraling health costs related to an aging population and several identified behaviourally-influenced conditions, including diet

While the future is not predictable, Weston said it will clearly be a time of great change, requiring new attitudes and behaviours. Business has the ability to embrace new approaches, drive innovation, and change public attitudes within the free market system, Weston said. He outlined several green initiatives in which Loblaw has shown leadership and been rewarded with increased profitability. The success of initiatives like eliminating plastic bags and marketing organic, local, and healthier foods has prompted others in the business to follow suit.

President and CEO of the World Wildlife Fund Canada Gerald Butts agreed that businesses willing to innovate and set the pace in the market positively influence consumers’ decisions to choose greener, healthier products that are better for the planet. At the same time, these businesses have a competitive advantage and a head start on tapping into new markets.

“These commitments come from visionary leaders who are willing to take risks to get out front. . . . What they did was to choose the highest possible standard, get there first, and let all their competitors deal with the compliance costs of catching up. . . . That’s good business.”

- Gerald Butts, World Wildlife Fund Canada

Transformative changes drive change throughout the whole value chain, Butts said. Ontario’s economy’s success has been largely based on its ability to seamlessly integrate itself into the global supply chain. Butts predicted the province’s strategic decision to focus its future on green business and the green economy will have a profound impact on its bottom line and its citizens’ quality of life.

The Canadian forestry industry provides another example of industry daring to take leadership on green sustainability issues. Nearly a decade ago, the CEOs of two of Canada’s largest forestry companies decided to certify all their lands through the Forester Steward Council of Canada. This prompted retailers looking for sustainable products to choose those companies. “Canada is not the world leader in FFC certification, and that’s a good-news story for the companies, the economy, our people, the forests, and our planet,” Butts said.

Highly effective transformative change need not always come from large initiatives, said Paul Rak, president of VeriGreen/VeriForm Inc. He outlined a series of simple, relatively small changes to processes and facilities that generated huge savings and increased efficiency at his company. While increasing sales by 28%, the company managed to significantly decrease its costs for energy. Overall sales per kilowatt rose from \$58 to \$131 per kWh.

“We took the words ‘profit’ and ‘green’ and made them coexist in the same sentence; it’s not an oxymoron.”

- Paul Rak, VeriForm Inc.

Increasing the province’s commitment to renewable energy will help kick-start markets for home-grown renewable energy technologies and products, speakers agreed. Lee White, director of economic development at Walpole Island First Nation, noted that the green economy provides opportunities for businesses and projects of all sizes, and opportunities for community-based projects on aboriginal lands are especially promising.

Although some Summit participants expressed concern that Ontario’s Feed-In Tariff for renewable energy might drive electricity costs up and damage industry, most agreed that new technologies and energy sources are worth the investment, comparing favourably to existing modes of generation when all the relevant factors are considered. Participants pointed to the cost savings associated with improved population health and reduced carbon emissions. They also noted the importance of learning valuable lessons from jurisdictions such as Germany, which have successfully integrated renewable energy into their energy systems.

Kenneth Field, chairman and founder of Greenfield Ethanol, emphasized the importance of moving to cleaner sources of energy. He also said business must rely on “good science” to help guide decision making.

There is a popular misconception that going green or using renewable costs more, Rak said. Reports from other countries indicate that renewable sources like biogas cost only about 5% more than traditional sources. But they have other significant benefits. “If we launched into biogas development now, it would be possible to replace the majority of lost jobs in the automotive sector . . . the potential is huge but we have to move fast.”

Summit participants agreed that success in the green marketplace requires being bold and listening to consumers, scientists, communities, producers, and researchers. It means tapping into existing markets and developing new ones. It also depends on encouraging collaboration between all levels of government and all stakeholders, particularly educators.

“Business can’t drive all actions alone and we urge you—NGOs and government—to call upon us. We are moving fast in many different directions, as are you. We can be more effective if we work together.”

- Galen G. Weston, Loblaw Companies Limited

destination Ontario

“Community is the operative word; you’re building a family of brands. The state or province is the parent brand and the regions are sibling brands.”

- Alex Dobrochodow, Busy Street (Australia)

Making Ontario and its distinct local regions into a vacation destination is more than just tourism; it is forward-thinking economic development. Experiences from other parts of the world and from within the province itself prove that tourism is good for Ontario’s bottom line, good for businesses that choose to invest in regions, and good for the people who live within them.

The first block in building an effective approach to tourism is branding, said Alex Dobrochodow, creative strategist at Busy Street, who helped design the Seven Wonders of New South Wales Campaign in Australia. “As the world of tourism and promotion gets more competitive, you have to think of yourself as developing a brand and promoting a family of brands.”

Setting up regional tourism marketing and management bodies is a critical step, Dobrochodow said. Involving communities and building clear branding messages together will give regions and the province the competitive edge they need to succeed in this highly lucrative sector.

For years, New South Wales, Australia stumbled from one advertising idea to another without finding a message that strongly resonated with potential customers. As in Ontario, Dobrochodow said, the problem was that New South Wales had too much going for it: beautiful beaches, rainforests, Sydney, beautiful countryside, and mountains. Developing the Seven Wonders of New South Wales campaign made it possible to express the truth of the whole place, while highlighting individual regions and their particular attractions.

Regional tourism marketing and management boards shared the costs of the overall campaign with the state board. Service providers and operators started to come on board and cross-selling was strongly encouraged. As a result, tourists got a better idea of how much New South Wales had to offer. In the first year of the campaign, tourism increased by 12 %. That success was mirrored in the sub-branding at the regional level.

“Cohesion is the unity of thought and purpose for a unity of outcome . . . It is the glue for your brand. It has to hold true to the claims you’re making and it has to hold up to scrutiny and competition.”

- Alex Dobrochodow, Busy Street (Australia)

Success did not occur by accident, Dobrochodow said. It follows some basic rules, the “three C’s”—cohesion, cooperation, and consistency. The battle for tourist dollars is fought at the ground level, so cooperation is important. Small communities have small budgets, so all partners must work with the same mindset and avoid parochial attitudes and self-interest. Successful brands are not created overnight. Consistency builds confidence, while nothing destroys momentum and effort more than needless change.

Tourism in Ontario is a \$22 billion business, but it has the potential to become an even larger part of the provincial economy. Successfully attracting tourists requires adequate infrastructure, a well-trained workforce, and coordinated efforts from all levels of government.

Gil Blutrigh, founder and president of Skyline International Development Inc., described one of his company's recent projects, built on transparency and genuine engagement across two local communities. The project required provincial investment in basic infrastructure. Once that was in place, however, the other necessary investment was easier to secure. The infrastructure—in this case a reinforced seawall along a five-kilometre stretch of public beach—benefited local tourist operations, but also directly benefited those living in the community.

“We need roads and infrastructure built with a community vision. In communities, there is a huge willingness for positive change. Once the infrastructure is there, the private sector will do what's needed.”

- Gil Blutrigh, Skyline International Development

Rebecca LeHeup-Bucknell, executive director of the Ontario Culinary Tourism Alliance, said the province must strengthen its commitment to local infrastructure. The culinary sector depends on good roads, abattoirs for access to local meats, and cold storage facilities to ensure access to local food and artisanal food production. Without involvement from the provincial Ministry of Agriculture, it would be impossible for small communities to provide these facilities.

But regional and local governments play an important role, working together to initiate smaller infrastructure projects, and promoting cooperation and buy-in from local communities.

“I've come to think about regional tourism differently. I see it as a way to make things better for people who live in the regions. It changes people's lives. I'm helping my own people have a better life. Tourism is no longer an isolated expenditure, it's an economic driver. If it didn't exist, some towns wouldn't exist.”

- Alex Dobrochodow, Busy Street (Australia)

As important as local infrastructure investment is access to capital for small businesses, LeHeup-Bucknell said. In the culinary niche, money is available from the Ministry of Agriculture, but support from other ministries and the private finance sector is needed as well. “It's about bringing business development and tourism together; tourism can be an enormous driver of development in both urban and rural areas.”

Even in the face of a strong Canadian dollar, there is room for growth in Ontario's tourism sector, Blutrigh said. Eighty percent of tourism is domestic—“staycations.” “We're building resort communities for Canadians, not international travellers. We're introducing Ontario to Ontarians. Looking for visitors from the U.S. and Europe doesn't make sense; it makes more sense to invest the money right here.”

“We are at a cusp now. It will be increasingly more evident to the users of infrastructure what's possible and what the benefits of these projects are. . . People will come to see this is the sort of infrastructure investment we should be making- what's required for a competitive, comprehensive community.”

- Fausto Natarelli Director, Windsor Border Initiatives Implementation Group, Ontario Ministry of Transportation

big impact infrastructure

While creativity may be the driver for future economic growth, infrastructure provides the road upon which it must travel and upon which its success depends. A successful economy depends on both “hard” infrastructure, such as roads and bridges, and “soft” social infrastructure. Panelists from labour, industry, the not-for-profit sector, and government agreed sound sustainable infrastructure is the key to prosperity for Ontario.

To ensure that Ontario is ready to face future economic challenges, sustained, stable investment must be made in infrastructure today, panelists agreed. Whether investing in social infrastructure, like education, health care, and social assistance, or physical infrastructure, governments must take the long view and build the infrastructure needed for the movement and support of people and goods.

Money must be available to sustain infrastructure over the long term, said Lloyd McCoomb, CEO and president of the Greater Toronto Airports Authority (GTAA). “The boom and bust cycle does not work. . . . We need to take a long-term view, a life cycle view of these critical investments.”

Warren (Smokey) Thomas, president of the Ontario Public Service Employees Union, said that transfer payment agencies, which provide the majority of public services in the province, also require stable funding. Continuing to invest in youth, education, and training is extremely important. “Every dollar spent on youth today saves society seven to 10 dollars down the road.”

Due to the impending need to deal with the province’s large deficit, Thomas said it’s likely that the provincial government will be looking for places to cut expenditures. He urged them to immediately create a dialogue between government, labour, and business to determine how to move forward with a spirit of cooperation, shared investment, and responsibility driving the province’s future economic development.

Bill Smith, vice president of Energy at Siemens Canada, said Ontarians must shift their attitudes about energy infrastructure and its importance to the province. Communities must embrace new clean, green projects as the portal to a better future. New programs like the Feed-In Tariff (FIT) for renewable energy are a good start, but the government must take appropriate measures to promote the programs to the public to counterbalance the “not in my back yard” attitudes so prevalent today.

Big-impact infrastructure investment and forward-thinking projects will ensure that Ontario is equipped to reap the benefits of the economic recovery when it takes hold. Fausto Natarelli, director of the Windsor Border Initiatives Implementation Group & Detroit River International Crossing said “You can’t just-in-time these kinds of mega-projects with a 100-year life cycle. . . . If we’re not ready for the turnaround, we risk choking off economic opportunity.”

Other panelists emphasized that the same forward-thinking investment is required to ensure an adequate skilled workforce is in place and ready to face the challenges of the knowledge-based economy.

“Ontario has a great talent pool,” Smith said. “We have to deploy it to build out the infrastructure that we need, while taking full advantage of the infrastructure we already have.”

next steps: ideas to action

The 6th Annual Ontario Economic Summit provided senior leaders from across our economy with a unique opportunity to assemble with each other and discuss many of the most critical challenges and opportunities facing our province.

Several delegates have expressed an interest in building on their participation by putting their ideas into action through concrete, tangible initiatives that can be undertaken this year. After all, the OES must be more than a two day event in order to be truly impactful. In some cases, this may involve additional research. Next steps may also take the form of new partnerships that aim to address key themes or challenges discussed at the Summit. Where appropriate, the OES Secretariat is willing to assist with the formation and coordination of highly-focused task force groups. Such groups must have a clear mandate, deliverables and start/finish timeframe. The OES Secretariat is exploring potential projects with partner organizations and welcomes additional proposals for consideration.

As part of a 2010 outreach plan, OES personnel will visit several communities across Ontario to engage additional companies and other stakeholders that share our vision of creating a stronger, more prosperous Ontario. OES participants are encouraged to nominate senior-level individuals and organizations that would be ideal candidates for participation at OES in 2010. Current OES participants that are interested to play a more active role with the OES throughout the year are encouraged to contact us directly at (416) 482-5222 x225 or via email at trevormcpherson@occ.on.ca.

Thank you once again for your commitment to Ontario's central forum for economic stewardship. We look forward to your participation at the 2010 Ontario Economic Summit, scheduled November 1-3, 2010 in Niagara-on-the-Lake.



ONTARIO ECONOMIC SUMMIT

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