



ONTARIO ECONOMIC SUMMIT

2011 ONTARIO ECONOMIC SUMMIT TOWARDS ONTARIO'S NEXT GREAT ERA

NOVEMBER 21-23, 2011
FAIRMONT ROYAL YORK HOTEL
TORONTO

PROGRAM FRAMEWORK

ABOUT THE OES

The Ontario Economic Summit (OES), now in its 8th year, is recognized as one of the most unique and engaging initiatives aimed at bringing increased prosperity through thoughtful, multiple-sector dialogue and collaboration. Building on a number of projects conducted throughout the year, invited leaders from business, academia, labour, government and non-profit organizations are brought together for 2 ½ days to discuss some of the most pressing issues affecting our province. The provincial government has been strongly represented at each Summit. Roundtables with Ontario Cabinet Ministers have provided delegates with an opportunity to meet with key ministers and share ideas on what all of us can do - not merely government - to spur economic growth. The Premier and leaders of all provincial political parties have been active participants in the OES. A number of federal ministers have also contributed to compelling OES programs.

Fostering open dialogue is a priority of the Summit and we will continue with this mandate in 2011 and beyond. Over the years, we have seen several ideas and recommendations develop into positive commitments and diverse collaborative initiatives. These creative ideas and partnerships aim to support and help sustain Ontario's long-term economic growth and prosperity and will help position Ontario for its next great era. Highlights from past Summits include:

- Grand Opening keynote addresses delivered by former U.S. President Bill Clinton, Federal Minister of Finance Jim Flaherty, internationally respected humanitarian Stephen Lewis, author and scholar Thomas Homer-Dixon and Europe's foremost economic visionary, Hamish McRae.
- Past co-chairs have included David Dodge (former Governor, Bank of Canada), Linda Hasenfratz (CEO, Linamar Corporation), Gordon Nixon (President & CEO, RBC Financial Group), Michael Sabia (President & CEO, BCE) and Ray Tanguay (Chairman, Toyota Motor Manufacturing Canada Inc.).
- Strong representation from the Government of Ontario through leadership presentations, attendance of the Premier and Cabinet and Deputy Ministers.
- Provocative and insightful economic forecasts by leading senior economists such as Don Drummond (TD Bank Financial Group), Greg Ip (The Economist), Warren Jestin (Scotiabank), David Rosenberg (Gluskin Sheff + Associates) and Robert Shiller (Yale University).

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180 Dundas Street West • Suite 505 • Toronto • Ontario • M5G 1Z8 • Tel: 416-482-5222 • Fax: 416-482-5879 • www.occ-oes.com



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- First Nations and Métis Nation representation at the OES has included keynote remarks from former First Nations National Chief Phil Fontaine, panel and OES participation from Chief Isadore Day of Serpent River First Nation and Métis Nation of Ontario President Gary Lipinski.

TOWARDS ONTARIO'S NEXT GREAT ERA

Following one of the deepest global recessions in history, many would agree that while the situation remains fragile, Ontario's economy has successfully "turned the corner". This seems like a reasonable statement, especially when compared to other jurisdictions, against which Ontario has fared well in its post-recession recovery. Others believe that we are not yet out of the woods. Although it would appear that real GDP and employment figures are approaching pre-recession levels, and that the province has recovered 91% of jobs lost during the global downturn, experts remain cautious not to get lured into a false sense of security. Despite real GDP growth being projected at 2.4% in 2011, Ontario must still deal with a \$16.7 billion deficit and the challenges that remain for its manufacturing sector, so negatively impacted by global markets and economic transition. Government stimulus from federal and provincial levels combined with historically low interest rates were among the most significant measures put in place to kick-start the economy and mitigate the impact on employment. With this period of intervention coming to a close, and with increased interdependencies among countries - many of which have more fragile economies than our own - we have our work cut out for us. Adding to the mix are a fluctuating demand for exported goods, volatile markets and currencies, increasing oil prices, ageing infrastructure and populations. This is a pivotal time for Ontario. The Ontario Economic Summit has invited leaders from all sectors and corners of the province to become engaged in our important effort to move Ontario towards its next great era.

While governments worldwide focus on stabilizing their economies, a tremendous opportunity exists for non-government sectors to play an even greater partnership role in meeting these challenges and spearheading growth opportunities. Given the extent of the deficit and the risk of a second economic downturn, Ontario's leaders must collectively address our most pressing issues, no matter how complex they may be. At the 2011 OES, we will address the following issues, critical if we are to propel Ontario towards its next great era of prosperity:

1. Innovation in Health Care Delivery
2. Ontario's Energy Future
3. Championing Urban Regions

Overcoming these challenges is going to take extraordinary leadership from all quarters. That means leadership from not only our elected representatives at all levels, but also from business, labour, the academic community and NGOs. Rather than simply seeing these as "elephants in the economic room", now is our chance to seize the economic opportunities linked to tackling these issues and springboard our economy into a new era. If we collectively choose to take up this challenge, we can position Ontario as a global centre of expertise and create a stable and secure foundation for future generations. The OES is well positioned to help facilitate the relationships and action required at this pivotal time in our history. Our next great era awaits.

I. Innovation in Health Care Delivery Exploring New Models of Efficiency and Sustainability

The Issue

Regardless of the governing party, the debate about Ontario and Canada's health care sustainability has continued to emerge with relatively little progress beyond renewed funding commitments. While quality and wait time improvements have been made, the larger question of maintaining our system over the long-term remains largely unanswered. The recent Ontario budget included a 1.5% increase to hospitals' overall funding base, as well as additional short-term money for operating costs. Likewise, the federal government has committed to a continuation of health care transfer payments to the provinces. However, increased investment in an ever-expanding system, while necessary, should be accompanied by a long-term plan for improving efficiency and achieving system sustainability. Health care costs currently make up 42% of government program spending in Ontario – and this continues to rise for a number of reasons, including an aging population and inflationary pressures among others. Many have raised concerns that increased spending on health care will ultimately translate into fiscal pressures on other public priorities such as education, transportation and infrastructure renewal. Health care experts and economists alike claim that we are reaching a tipping point and if reform to our Medicare system is not implemented quickly, health costs will eventually lead to critical fiscal conditions for governments. While Canadians continue to support a universally accessible, publicly funded system, organizations such as the Canadian Medical Association have found that there is room for improvement within this context. A report released in August 2011 calls for more effective engagement of industry in “creating a better, more efficient health care system.” The CMA also heard through a series of town halls that money should be reallocated towards front-line providers from administrative functions. Would this improve the system?

Is fundamental reform needed? Some have gone so far as to suggest a reform of the Canada Health Act itself. Others suggest measures to make the system more rational might include user fees or expanding health insurance programs to allow patients to purchase private insurance for select medical procedures, or having the private sector become more engaged in creating a better and more efficient - but publicly delivered – health care system. Successful models with this mix exist, such as in the Netherlands, Germany and France. By taking a serious look at these models and examining which elements may be transferable, Ontario could benefit in the long term and become a leader in addressing this important public policy concern affecting many North American jurisdictions.

Another significant challenge for Ontario's economy is the escalating cost of employee health care benefit plans. In light of an ageing population and the rise in chronic diseases around the globe, one cannot turn away from this issue. Some would argue that there is a direct correlation between drug development (drugs being a key component of benefit plan costs) and an innovative economy, whereby R&D activity leads to enhanced prosperity for all citizens. Investment in prescription drug development is therefore seen as important in moving an economy forward. Others would argue that such cost increases are becoming unsustainable and negatively impacting bottom lines. An organization that can no longer afford to cover its benefit plans might cut back on investments in human capital or new technologies aimed at improving productivity. Traditionally, health and wellness benefits have been a major component of an employee's overall compensation package. If these benefits are removed from the equation, those seeking employment opportunities may turn to other jurisdictions or countries that offer these benefits.

Productivity is also seen as an essential component of the health care debate, given the existing link between ill health and absenteeism levels. Worldwide, we are beginning to witness an increase in chronic diseases and mental health conditions. Who should be responsible for ensuring we have a sustainable health care system? Who should act as the main driver in establishing such a system? Can employees become further engaged in, and responsible for, their own health? If so, how? Can we find ways to minimize drug costs while still investing in essential R&D? These are complex, often sensitive questions. Whichever view one takes, it is clear though that Ontario has the potential to maintain its place, and even take the lead, as one of the major centres of health expertise in the world. That is a compelling argument for economic opportunity. For those willing to set aside

agendas and ideologies and work together, the OES will be a forum for valuable insight and for strategic recommendations that can meet our shared goal of highly innovative, efficient and sustainable health care delivery in Ontario. We look forward to bringing this crucial debate to the Summit.

The Objective

Through this year's OES, we will turn to our leaders across the various segments of our economy to spearhead the debate, define their roles and discuss solutions for building a long-term strategy for our health care system.

Given our society's changing needs and demographic makeup, what should the key components of a long-term health care strategy be for it to be viable, accessible and sustainable for all Ontarians? The focus of the debates will predominantly evolve around the following elements:

- *Reducing costs by driving efficiency:* Recent OECD studies have shown health spending continuing to rise inexorably, growing faster than the economy in most member states. Ontario suffers the same ordeal, with most of the spending currently coming from the public purse. Given the recent global economic downturn, countries are looking for ways to improve the efficiency of health spending. In what ways could the level of efficiency in our system be increased to maximize value for each dollar spent? How can we incent technology investments that will provide a rapid return on investment? Elements to consider in the debate could therefore include technological improvements and efficient implementations of these (including eHealth); innovative processes that would ultimately drive costs down; finding ways to further stimulate R&D; examining drug costs and using alternative and less costly means for delivering some health care services such as home care and expanding the range of services that non-physician professionals may provide.
- *Role of industry in helping to create a better health care system:* Historically, the role of the private sector in Canada's health care system has grown significantly since the end of the Second World War. This is true in terms of service delivery, health sciences research and as suppliers. Has this been a positive experience? The oil crisis in the 1970s, the recession in the 1980s and increased pressure on governments to balance budgets, led to a major restructuring of the system. One critical component of the reform was the increased involvement from the private sector to help cover rising health care costs. This collaboration led to renewed funding of health care services, cost containment and a more efficient use of resources. Some propose that rising costs requires us to expand the engagement of the private sector, while others clearly disagree. We know, from looking at other models globally, that there are systems in which the private sector is a stronger partner in creating more efficient health services, products and infrastructure. Given our current context, should this collaboration be further expanded as a means to achieve the highest level of efficiency while maintaining quality, accessibility and affordability in a publicly-funded system? If so, what is the best approach? If not, how else might we address long-term sustainability in health care delivery?
- *Looking to other models of best practice:* For years we have turned to the U.S. as a means of comparison. Given the complexities of our system, Ontario and Canada are unlikely to "fully replicate" one particular system entirely, but it is useful to review existing models and consider the best elements from each. Countries that may be considered include France, Belgium, the United Kingdom, Germany, Norway and the Netherlands, to name a few. Many OECD countries are focusing on improving health care efficiency through pay-for-performance, co-ordination of care, health technology assessment and clinical guidelines, pharmaceutical reimbursement policy and risk-sharing agreements.

- *Prevention as cost containment:* Over the years, our health care needs have changed drastically in light of an aging population and changing lifestyles. Increasingly, statistics are drawing us to consider the impact of chronic conditions such as diabetes, obesity and mental issues, more seriously. The impact on the balance sheet and the economy continue to translate in reduced productivity, absenteeism, low morale, to name a few of the more significant repercussions. What can organizations do to minimize the negative effects of chronic disease? As a starting point to the debate, we would encourage our leaders to think of ways to raise awareness around the understanding and treatment of chronic diseases, promote access to care services and establish supportive corporate environments that foster employee wellness. Not only can such reforms be implemented rapidly, but they can have a major positive impact on our society as a whole.

Potential Next Steps

Further to the debates that will take place at the Summit, the OES and its partners will seek to identify new actions that help to address the most pressing issues and concerns identified by our economic leaders. Some possible outcomes:

- The OES and its key stakeholders could encourage new models of innovative health care delivery on a pilot/demonstration project basis, within the context of what is permissible by current legislation. The results would be tracked and reported on.
- Prevention seminars, in conjunction with corporate partners, could be developed, focusing on raising awareness and sharing strategies that aim to address a variety of employee wellness issues.

II. Ontario's Energy Future Today's Costs and Tomorrow's Opportunity

The Issue

Can economic opportunity be found on a transmission line? For Ontario, the answer might be “yes”.

Electricity prices are increasing and will continue to rise for the foreseeable future. The Ontario Ministry of Energy announced that as of May 1, 2011, “residents without fixed price contracts will see the price of energy portion on their electricity bills rise 3.8% or more”. Electricity prices are expected to rise by roughly 3.5% annually for the next 20 years, and 7.9% over the next five years. The rise in short terms costs is due to infrastructure upgrades and bringing new supply online. To help offset these costs to consumers, the Government of Ontario has implemented a 10% rebate (Ontario Clean Energy Benefit) for eligible consumers and moved the end of its peak pricing period to 7:00 p.m.

The impact of rising electricity costs on Ontario industry, already coping with a high Canadian dollar and a productivity deficit relative to our competitors, is significant. Energy cost is a key factor in Ontario's ability to attract and retain foreign investment and both price stability and reliability of supply are essential to ensure continued economic growth. Yet another challenge is that of energy trading: As the supply of renewable power generation increases, so do energy surpluses. Ontario has already had to take the somewhat ironic step of paying our neighbours, namely Québec and the United States, to take our surplus power when Ontario has more power on the grid than is required on a particular day. With fixed-price contracts for wind generation, this means wind generated power suppliers are paid contracted rates whether the generation is required or not. With 5,000 MW of wind set to come online by 2013, we can expect more days of surplus power in the future. The Independent

Electricity System Operator (IESO) is working with the industry to find a solution that integrates wind generation into the “dispatchable energy” mix on the grid. Some argue that in the rush to embrace alternative energy, we have created unfair market conditions for competition. Others cite an insufficient level of input from the private sector and local communities. Others say this is a small price to pay in transitioning from Ontario’s dirty coal-fired generation to clean, job-creating, renewable sources. Nevertheless, solutions need to be found to limit the rise in energy costs and provide businesses with a more competitive energy market in Ontario.

Moving beyond the electricity generation debate, one such solution might be found through the development and integration of smart grid technologies. The preface of Thomas Friedman’s book “Hot, Flat and Crowded” challenges us to rethink the way in which we use energy: “just as the Internet revolutionized communication and commerce, an Energy Internet could transform how we use electricity and enable the integration of renewable energy sources on a large scale.” His vision for America’s energy system can largely be applied to our own.

Ontario has been a true pioneer in recent years and the Government has set in motion an ambitious long-term energy plan. Its main goals are for the Province to benefit from cleaner air and a diversified and reliable energy supply mix, helping it to become a leading jurisdiction in North America in addressing climate change. Another is a commitment to shutter all coal-fired plants by 2014. Significant progress has been made towards this objective. In 2009, more than 80% of our generation came from emissions-free sources (wind, water, solar, biogas, nuclear). As a result of such commitments, the Ontario economic landscape has been significantly – and positively – impacted by a rise in businesses dedicated to innovation, exploration and mass proliferation of sustainable energy products and services. Ontario’s manufacturing sector has experienced a new revival and companies adopting sustainable practices are increasingly perceived as the ones doing “good business”.

Taking this to the next level, a national system, where the development and implementation of smart technologies lead to smarter consumption, distribution and storage of electricity could provide a major economic opportunity for Ontario, and Canada. Ontario has already started to make significant investments in smart grid technologies, with the aim of becoming a global leader in this area. The Province is unlikely to put the brakes on these efforts, which could not only deliver a smarter and more efficient electricity system but could also potentially offer significant wealth and job creation and foster much-needed innovation. The impacts would go beyond changing consumer behaviour: from the building of more efficient and cheaper electric cars, to the development of smarter energy storage facilities, such technologies could also bridge the gap between traditional electricity players and new players in this space, spanning across all industry sectors.

Such a system requires both a behavioural and economic shift. Once underway, it could allow utility companies to bring more renewable energy sources on board, such as solar and wind, an already significant component of Ontario’s energy landscape. Several organizations have taken the leap in investing in the smart system, to fully exploit the growth opportunities linked with smart distribution, storage and management of electricity.

Critics of alternative and renewable energies remain cautious and question the success of the Green Energy Act (GEA), particularly on the job creation front. The GEA promised to help create 50,000 jobs across the province. Some claim this goal was unrealistic, given that higher energy costs are contributing to employment losses in other sectors of the economy, especially the most energy intensive ones. Experts have noted that Germany suffered a similar fate when it implemented its own green energy program. Nevertheless, the GEA has been recognized internationally as a bold step forward in an effort to stimulate a strong base of green industries that are contributing to a positive transformation of Ontario’s manufacturing capabilities.

Ontario’s ability to overcome its energy challenges will be measured by how well it responds to the following challenges: an ageing infrastructure requiring immediate attention – primarily transmission and distribution lines as well as upgrading ageing nuclear facilities – , a growing and increasingly urbanized population which will inevitably lead to increased demand in certain regions and finally a social responsibility to protect the environment while maintaining a diversified supply mix of energy. But more importantly, Ontario’s position as a global energy leader may be measured by how well it embraces (or fails to) the economic opportunities linked with smart grid technologies. A review of the above elements will be an integral part of the debate at this year’s OES.

The Objective

A balanced energy portfolio would include renewable energy while ensuring that our electricity demand is met with a reliable, sustainable and cost-competitive energy supply. Furthermore, our discussion will explore the economic opportunities associated with the proliferation of a smart grid infrastructure in Ontario. To help reach some answers, the 2011 OES will look to address some of the following issues:

- What are Ontario companies doing now to mitigate rising electricity costs?
- Can the development of a “Smart Grid” present us with tangible economic opportunities for the province?
- To establish a long-term viable strategy, one can argue in favour of a more open and free market that allows real return on investment, guarantees price reliability and affordability as a result of more competition, and safeguards businesses from fluctuations linked to government changes. Is this the right strategy and, if so, what would the main components of such a strategy be?
- Should the private sector play a more significant role in the electricity system, from infrastructure renewal to delivery and policy-related issues?
- What new measures, if any, can we take to guarantee securing the \$87 billion of estimated capital investments and the 50,000 jobs promised by the GEA?
- The Feed-In-Tariff (FIT) system has been successful in bringing into the market a vast number of players focused on generating energy through clean renewable sources. Controversy however has been mounting over the initial costs of setting up such a landscape and the large amounts of government incentives granted to the industry. How can we best balance our efforts to become a green energy leader while ensuring a cost-competitive energy supply? Should Ontario reduce the rates paid to renewable energy suppliers as an alternative solution? If so, how?
- Is it time to evaluate the benefits and shortfalls of a cap-and-trade system?
- Would a carbon tax be more effective than a cap-and-trade system in boosting investments by providing more price certainty? Would it promote the development of more green technologies and encourage businesses to reduce their emissions?
- What about diversifying our energy supply mix further through the untapped value coming from Energy from Waste (EFW)?
- Is there a need to revisit Ontario’s nuclear energy strategy given global concerns about safety?
- As for conservation, another key element of the energy debate, how can we best continue to encourage businesses to lower their costs and carbon footprints and educate their employees about the benefits of such practices?
- Is time-of-use pricing an appropriate means to influence consumption and thereby curb demand on our energy supply?

Potential Next Steps

- OES could profile innovative solutions that various OES participants have undertaken or plan to implement at their organization to reduce energy costs.
- OES delegates may wish to agree to a broad based declaration pertaining to energy policy or an economic opportunity associated with the sector.

III. Championing Urban Regions The Economic Importance of Major Centres on Province-wide Prosperity

The Issue

If the “age of nations” is over and the new “urban age” has begun - as renowned thinker and geo-strategist Parag Khanna proclaimed in 2010 – how are Ontario’s urban regions doing in comparison to their international competitors? In what ways do they shape and contribute to growth and prosperity in the broader provincial economy? If we look back at the themes of discussion at the Ontario Economic Summit over the last seven years, from human capital development and retention to transportation infrastructure and accelerating the innovation climate, we can draw strong links between these themes and the economic health of our urban centres. The question for leaders to consider at this year’s Summit is straightforward: what can all of us do collectively to see that our urban regions are in the best position to help us move towards Ontario’s next great era? Certainly, our provincial and federal governments have a significant role to play in setting policy and allocating long-term funding to urban priorities. However, like most of our economic challenges, there is an important role for the private sector, the labour movement and for academia to develop strong, talent and infrastructure-rich metropolitan regions that can act as supportive centres for a new era of foreign investment and vibrant economic growth across Ontario.

A recent study released by the Canadian Urban Institute cites congestion as the “biggest threat to competitiveness” in the Greater Toronto Area. This won’t be surprising to most OES delegates who participated at the 2010 OES, at which we were reminded that the population of the Greater Golden Horseshoe area is projected to increase by up to 50% over the next 30 years, resulting in one million more car trips during a typical rush hour each day. If we add to this the record prices for gasoline, our need for a more efficient and coordinated transportation infrastructure becomes more pressing. A survey report released by the Federation of Canadian Municipalities (FCM) in 2010 revealed that 70% of Canadians would support a GST increase if the revenue was dedicated to upgrading and renewing local-level infrastructure.

Today’s large urban economies are also discovering that “going green” and embracing environmentally sustainable energy, transportation, waste diversion and urban planning practices are increasingly attractive to both families and business investors alike. With seventy-five percent of the world’s energy being consumed by cities, both altruistic and bottom-line rationales can be supported, provided they lead to innovative, smarter and cost-effective measures that address our urban environmental challenges .

Finally, we must consider the all-important human capital component of the urban economy. In order for our large metropolitan centres to influence growth in its core industries, it is important to have sound strategies that both leverage existing human capital and continually build new capacity. Furthermore, there are likely specific opportunities for large urban centres and their core constituencies to do more in working with underemployed segments of the population to meet skills shortages. For example, it has been noted that more can be done to facilitate the integration of young aboriginal workers in today’s large urban economies.

The Objective

In examining the current needs and opportunities for Ontario’s large urban regions to continue their vital contribution to the province’s overall economic prosperity, OES participants may wish to consider the following issues:

- If it is accepted that strong metropolitan regions are essential if Ontario’s economy is to move towards its next great era of economic growth, what role must the federal and provincial governments play in providing a platform for such growth? Does Ontario lack a long-term strategy for ensuring that its large urban centres can both meet the needs of growing populations and develop the types of economies that continue to attract international investment and grow internationally competitive firms?

- Are we on the “right track” when it comes to addressing the obvious infrastructure deficits of our largest city regions, including transportation, water/wastewater systems, and other critical systems?
- What additional roles might there be for non-governmental players such as business, academic institutions, labour groups and others to share in the responsibility of maintaining economically sound urban centres?
- Looking outside of Ontario, where are there some unique examples of large urban centres that have faced, or continue to face, similar concerns to that of Ontario and/or Canada? Where can the most innovative strategies be found and which are transferrable?

Potential Next Steps

- Following the Summit, the OES could strike a working group involving the participation of a cross-section of economic leaders that would work with all levels of government in helping to coordinate sound, long-term strategies for large urban regions of Ontario.
- Throughout the year, the OES could raise awareness around the successes linked to sustainable practices by profiling “models of success”, and featuring stories of metropolitan regions that have raised the bar in encouraging collaboration within the community to further local economic prosperity.