

EMERGING STRONGER



2015

| Ontario's Path from
Recovery to Growth



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EMERGING STRONGER 2015

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WHAT THE LEADERS ARE SAYING



ANDREA HORWATH
Leader of Ontario's
New Democrats

People are the economy. New Democrats believe that Ontario's economy can only emerge stronger if hard-working families are doing well. Like the authors of *Emerging Stronger*, New Democrats believe that by investing in people, and putting a strategic focus on research and innovation, we can lay the groundwork for a sound economic future. By targeting tax incentives, government can help business across sectors to create and protect good-paying jobs here at home in Ontario.



JIM WILSON
Interim Leader of the
Ontario PC Party

Emerging Stronger is a leader in promoting pragmatic public policy to create more private sector jobs. The Ontario PC Party will always stand by your side in supporting innovative ideas to drive economic growth. On behalf of the Ontario PC Caucus, I thank you for your valuable and thoughtful contributions to building a stronger Ontario.



KATHLEEN WYNNE
Premier of Ontario

As our economy continues to create more opportunities for people, our government is focused on completing the transition from recovery to growth by delivering our four-part economic plan. And once again, *Emerging Stronger* has valuable insights for government, business and not-for-profits, as we work together to build Ontario up. In a federal election year, these insights are particularly important. Ontarians have an opportunity to choose a federal government that helps our province and our country reach its full economic potential. I recommend they review the valuable recommendations contained in *Emerging Stronger 2015*.

LETTER TO ONTARIANS

Since 2012, *Emerging Stronger* has been at the core of our organizations' advocacy and research efforts. It is our five-year agenda aimed at spurring growth and prosperity in Ontario by providing clear and achievable recommendations to businesses, government, and the not-for-profit sector.

The fourth edition of the *Emerging Stronger* agenda comes at a critical time for the province. Ontario is projected to be among the leading Canadian provinces in GDP growth in 2015. However, our recovery from the economic tumult of the past five years is not assured. Many challenges identified in previous iterations of *Emerging Stronger* remain.

Ontario's debt is large and growing. The province suffers from a serious infrastructure deficit. Unemployment (among youth, in particular) persists while some sectors and regions suffer from skills shortages.

It is an opportune time to champion a focused and ambitious agenda for a stronger Ontario. The province has a majority government with a new, four-year mandate. Many municipalities have new leaders.

Later this year, Canadians will head to the polls to elect their next federal government. Ontarians have an opportunity to help steer a vision for Canada's economic future. We must work together to secure federal public policies that will help Ontario transition from a path of recovery to growth.

This edition of *Emerging Stronger* is based on our most rigorous consultation process to date. We invited leaders from government, business, and the not-for-profit sector to help formulate and evaluate our recommendations in a series of consultations. We have also had extensive feedback from leaders across Ontario's network of chambers of commerce and boards of trade.

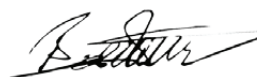
The result of these efforts is a focused and achievable set of recommendations. Most are targeted at a government beginning a four-year mandate, but the entire agenda is based on the premise that building Ontario up is a shared responsibility.

This is the penultimate edition of *Emerging Stronger*. It has fewer recommendations than previous versions. We have passed the halfway mark in our agenda and need to focus our efforts on those measures that will take us furthest on the path from recovery to growth. We aim to finish the *Emerging Stronger* campaign strong.

Thank you,



ALLAN O'DETTE
PRESIDENT & CEO,
ONTARIO CHAMBER OF
COMMERCE



WILLIAM FORWARD
ACTING DIRECTOR,
THE MOWAT CENTRE

ABOUT EMERGING STRONGER

Emerging Stronger is a five-year agenda aimed at spurring growth and prosperity in Ontario. It is the product of extensive consultation conducted by the Ontario Chamber of Commerce, the Mowat Centre, and Leger.

Each year, we present recommendations that we believe are crucial to help Ontario emerge stronger from this period of economic transformation. We also present a regional economic outlook and an assessment of business confidence. The contents and recommendations reflect what we have heard from Ontario's business and civic leaders, representing thousands of businesses and not-for-profit organizations from across the province.

Our recommendations are organized around five priority areas:

**1 FOSTERING A CULTURE OF INNOVATION AND SMART RISK-TAKING
IN ORDER TO BECOME A PRODUCTIVITY LEADER**

2 BUILDING A 21ST CENTURY WORKFORCE

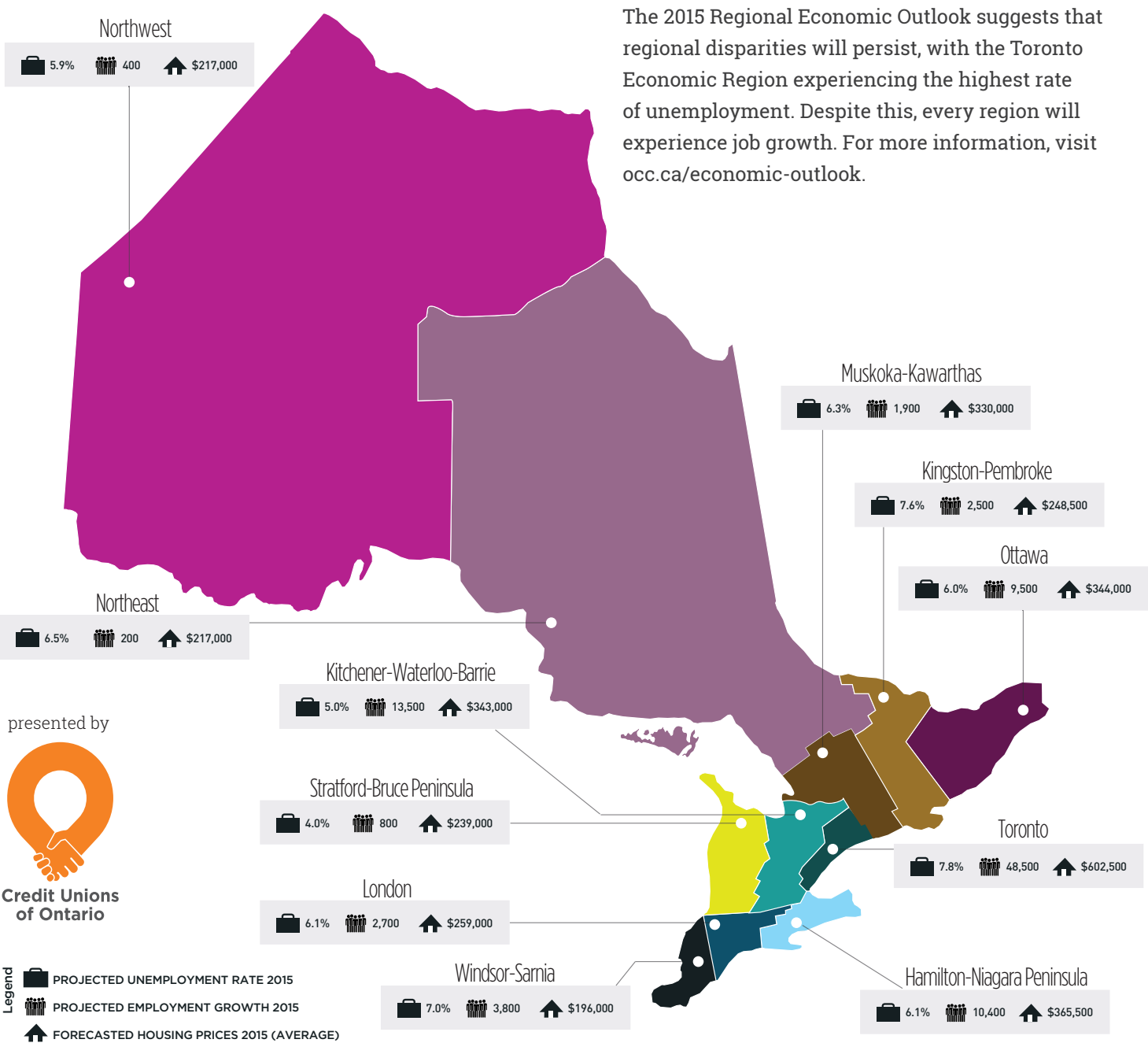
**3 RESTORING FISCAL BALANCE BY IMPROVING THE WAY
GOVERNMENT WORKS**

**4 TAKING ADVANTAGE OF NEW OPPORTUNITIES IN THE
GLOBAL ECONOMY**

**5 IDENTIFYING, CHAMPIONING, AND STRATEGICALLY INVESTING
IN OUR COMPETITIVE ADVANTAGES IN THE GLOBAL ECONOMY**

2015 REGIONAL ECONOMIC OUTLOOK

The 2015 Regional Economic Outlook suggests that regional disparities will persist, with the Toronto Economic Region experiencing the highest rate of unemployment. Despite this, every region will experience job growth. For more information, visit occ.ca/economic-outlook.

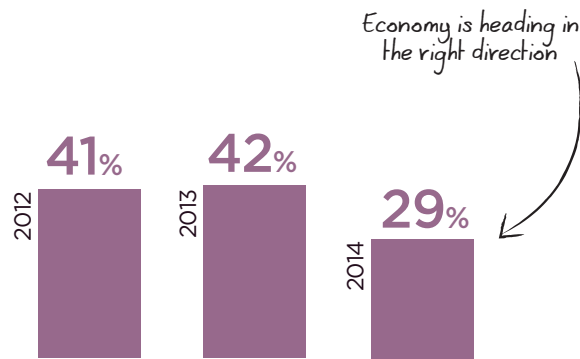


ONTARIO BUSINESS CONFIDENCE INDEX

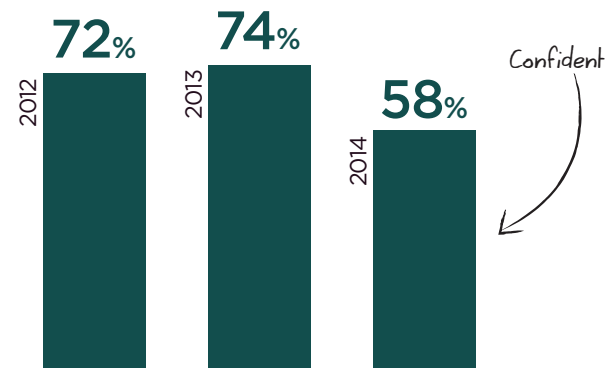
The Ontario Business Confidence Index, presented by Leger, assesses businesses' confidence in their own organizations and the broader provincial economy. This year, the Index summarizes feedback from almost 1,500 businesses across the province. Compared to last year, businesses are much less confident in Ontario's economy and in their own organizations' economic outlook.

IN A GLOBAL CONTEXT

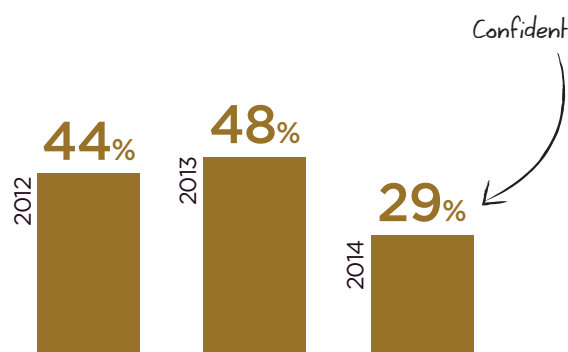
DO YOU BELIEVE THE ONTARIO ECONOMY IS GOING IN THE RIGHT OR WRONG DIRECTION?



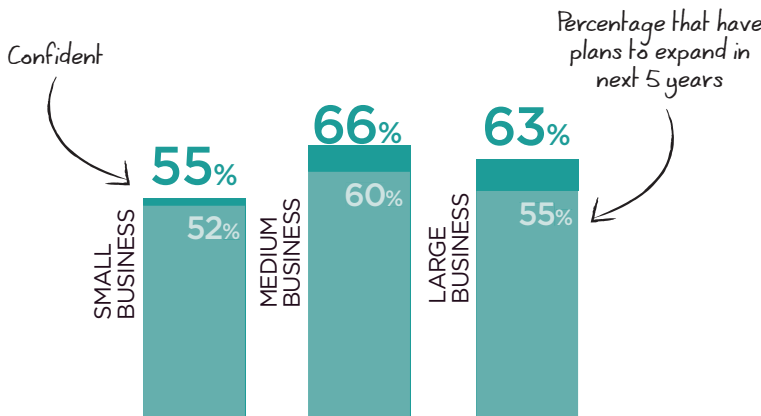
HOW CONFIDENT ARE YOU IN YOUR OWN ORGANIZATION'S ECONOMIC OUTLOOK RIGHT NOW?



HOW CONFIDENT ARE YOU IN THE ONTARIO ECONOMY RIGHT NOW?



CONFIDENCE BY SIZE OF BUSINESS



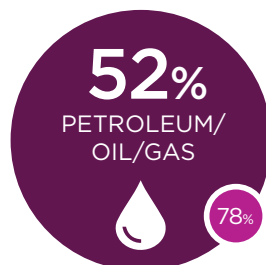
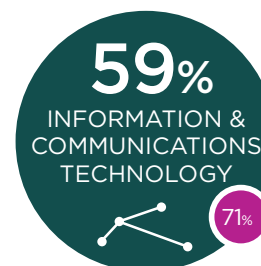
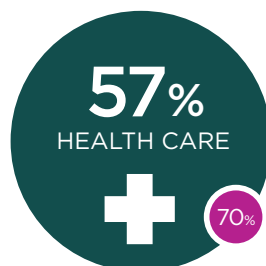
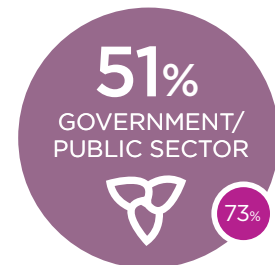
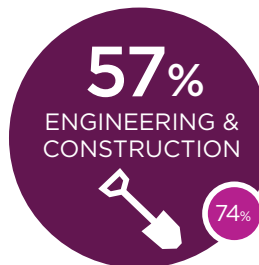
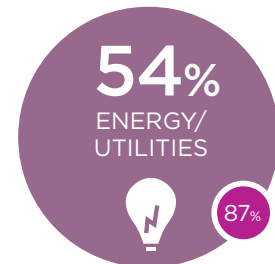
n=1,473 | Survey conducted September 2014 by Leger

How Confident are you in your Organization's Economic Outlook?

We asked businesses whether or not they are confident in their organization's economic outlook for 2015. The following infographic provides a sector breakdown of the proportion of businesses that were confident in their economic outlook. Compared to last year, confidence has declined in almost all sectors.

Legend

X% CONFIDENCE, 2013



presented by
Leger
THE RESEARCH INTELLIGENCE GROUP



1

Fostering a Culture of Innovation & Smart Risk-Taking in Order to Become a Productivity Leader

Since the first edition of *Emerging Stronger*, Ontario's productivity gap with the U.S. has widened. Since 2001, private sector productivity has grown 0.4 percent annually in Ontario compared to 2.4 percent in the U.S.

Governments have made concerted efforts to boost private sector productivity. The federal government has extended the accelerated capital cost allowance for new investment in machinery and equipment in the manufacturing and processing sector. The provincial government offers a variety of R&D tax credits and a number of innovation-related programs. They are also making large investments in public infrastructure. But, more needs to be done. This chapter identifies some additional steps to be taken.

Ultimately, businesses are the masters of their own productivity destinies. In past years we have called on the private sector to make the needed investments in the contributors to their productivity. We reiterate that recommendation in this chapter.

RECOMMENDATIONS

Make Ontario's regulatory system more open and responsive.

There is a strong correlation between regulatory efficiency and effectiveness and employment growth. With the new *Burden Reduction Reporting Act*, the Government of Ontario has established a framework for more responsive regulation. To further improve responsiveness and openness, we recommend the following:

1. **The Government of Ontario should follow the U.K.'s lead and adopt a crowd-sourced approach to regulatory changes.** The U.K.'s 'Red Tape Challenge' encourages the public to submit comments and suggest changes to the regulations that impact them. Thanks to this program, the U.K. government is currently in the process of amending or scrapping 3,000 regulations, which will save business over £850 million every single year.
2. **The government should conduct a robust and public cost-benefit analysis of all new regulations,** including proposed changes to the pension environment, to determine their impact on Ontario's competitiveness.

Transform procurement to generate greater downstream value.

In a context of fiscal restraint, public procurement is one of the primary tools with which government can have a meaningful impact on growth and innovation in the broader economy. However, the government's current approach to procurement, which applies a narrow, lowest-cost lens, discounts long-term value creation and life-cycle cost savings. Government's approach to procurement must change.

Procuring for complex public services and new technologies requires government to focus on outcomes rather than processes or inputs and relies on partnership and collaboration between government and providers.

Government should build internal capacity by creating a centralized, independent body with the goal of improving its ability to undertake strategic and complex procurement.

In 2015, the Ontario Chamber of Commerce and numerous partners will host a pilot program based on the U.K. Commissioning Academy to enhance procurement capacity across the entire ecosystem of public services (Ontario Public Service, the broader public sector, the not-for-profit sector, providers, and the legal/financial community).

Develop a targeted and coherent intergovernmental strategy for Ontario's manufacturing sector.

Ontario's days as a manufacturing hub are far from over. The province is home to an ever-growing number of specialized and niche manufacturers. Further, some manufacturing is reshoring from emerging markets.

However, American and Mexican jurisdictions are increasingly aggressive in attracting investment. The provincial and federal governments need to develop a shared and targeted strategy focused on attracting and fostering manufacturing investments in areas where Ontario can be globally competitive.

For their part, Ontario businesses need to invest more in productivity-enhancing technology. A previous *Emerging Stronger* recommendation is worth repeating: firms and sector organizations need to benchmark their productivity relative to their global peers and, where they fall behind, invest more in productivity-enhancing technology.

Create an entrepreneurship advantage in Ontario.

Ontarians start fewer businesses per capita than any of their provincial peers. Many point to a lack of entrepreneurial culture in Ontario to account for this trend. Government can take corrective action by creating a grade 11 'Introduction to Business and Commerce'

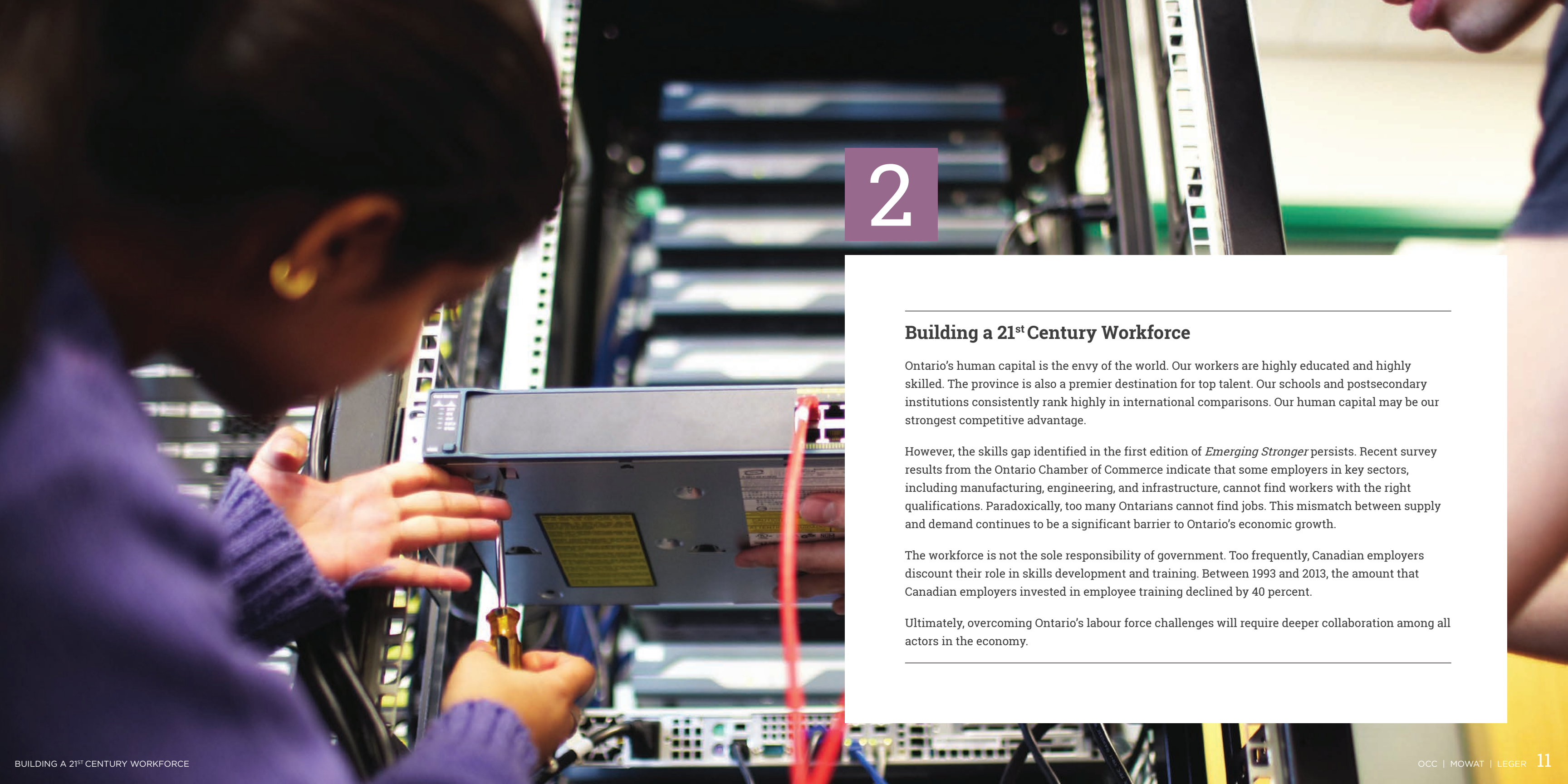
course. Further, the province should consider emulating successful programs from elsewhere that pair students with local business people to create a business, design a product, and sell it.

Businesses also have a role to play. Business leaders need to invest more time mentoring new entrepreneurs and small business owners.

Facilitate access to capital for start-ups and small businesses.

Canadian businesses suffer from a shortage of available seed, venture, and risk capital, and a lack of access to angel-stage funding. Ontario should do more to ensure start-ups and SMEs have access to capital at all stages of their development. As a first step, government should look to improve access to capital as it reviews its financial sector legislation, including the *Credit Unions and Caisses Populaires Act* and crowdfunding regulations.

Government also needs to undertake a holistic review of the capital ecosystem with the objective of removing unnecessary regulatory barriers to accessing capital, while enhancing pools of capital for start-ups and high-growth potential companies.

A person in a blue sweater is working on a server rack. They are using a screwdriver to adjust a component on a server unit. The server rack is filled with various electronic equipment and cables. The background is slightly blurred, showing more of the server environment.

2

Building a 21st Century Workforce

Ontario's human capital is the envy of the world. Our workers are highly educated and highly skilled. The province is also a premier destination for top talent. Our schools and postsecondary institutions consistently rank highly in international comparisons. Our human capital may be our strongest competitive advantage.

However, the skills gap identified in the first edition of *Emerging Stronger* persists. Recent survey results from the Ontario Chamber of Commerce indicate that some employers in key sectors, including manufacturing, engineering, and infrastructure, cannot find workers with the right qualifications. Paradoxically, too many Ontarians cannot find jobs. This mismatch between supply and demand continues to be a significant barrier to Ontario's economic growth.

The workforce is not the sole responsibility of government. Too frequently, Canadian employers discount their role in skills development and training. Between 1993 and 2013, the amount that Canadian employers invested in employee training declined by 40 percent.

Ultimately, overcoming Ontario's labour force challenges will require deeper collaboration among all actors in the economy.

RECOMMENDATIONS

Employers need to invest more in building a 21st century workforce.

On the whole, Ontario employers underinvest in their workforces. Yet, many say that they cannot find qualified workers. This problem will only worsen as the population ages.

It is time for the private sector to recognize its role in upskilling the workforce. A good model for this is the recently formed Ontario Manufacturing Learning Consortium with a mandate to recruit and train young people for advanced manufacturing jobs in Ontario.

Further, the Governments of Ontario and Canada announced the roll out of the Canada-Ontario Job Grant, a training program available to employers to train workers in need of skills upgrading. With up to \$10,000 available to employers from government to cover the cost of training prospective and current employees, the Job Grant represents an opportunity for employers to play an increasingly central role in determining the level and type of training their workers receive. Businesses need to take advantage of this opportunity.

Meanwhile, government must continue and enhance investments in postsecondary education.

Despite the need to reduce expenditures, government must resist the temptation to roll back investment in the province's human capital generators. The labour market

is undergoing fundamental change across industrial economies, with increasing demand for creativity, management, and problem-solving skills. Meanwhile, many jobs are at risk of being displaced by automation. The province's colleges and universities play a crucial role in preparing Ontarians for success in the modern workforce.

Partnerships between postsecondary institutions and business provide an essential link between education and full-time employment by supplying students with real work experience and arming them with the skills demanded by employers. Deeper collaboration between employers and colleges and universities is a pre-condition to Ontario's global competitiveness.

Improve the quality and availability of labour market information.

Both provincial and federal governments operate in a data vacuum when it comes to labour market information. Public policies and programs are crafted without adequate information and evidence.

The U.K. Commission's Employer Skills Survey has given the U.K. government access to reliable, timely, and valuable insight into the skills issues being faced by employers and the actions they are taking to address them. The first survey in 2011 gathered answers from more than 91,000 businesses.

The Government of Canada must plug the labour market data gap with a similarly robust effort.

Develop an intergovernmental strategy, in partnership with Aboriginal and business groups, to increase labour force readiness among Aboriginal groups.

Aboriginals are the fastest growing segment of Ontario's population, which, on the whole, is aging. Many Aboriginal groups are also clustered around some of Ontario's most promising economic opportunities, such as the Ring of Fire. However, there are often significant training gaps that inhibit these communities from properly participating in these opportunities.

Businesses and educational institutions should build upon the growing trend of engaging in local training partnerships, while the provincial government should strengthen its support for Aboriginal people seeking education off-reserve. The federal government should actively engage Aboriginal communities and representative organizations, such as the Assembly of First Nations, in order to formulate a fully collaborative plan that addresses structural and funding flaws in the on-reserve educational system.

Modernize Ontario's apprenticeship system and the regulation of skilled trades.

Ontario continues to have some of the highest apprenticeship ratios in the country. Although some progress has been made by the Ontario College of Trades to reduce ratios, more can be done. Lowering ratios will allow businesses, particularly SMEs, to hire more apprentices and contribute to higher apprenticeship completion rates (which currently stand at 50 percent on average).

In 2014, the Government of Ontario commissioned a review of some aspects of the Ontario College of Trades. This is a positive step. However, the review must be comprehensive and include the decision-making processes on apprenticeship ratios.

To ensure that the apprenticeship system is more flexible and responsive to local labour markets, Ontario should transfer government apprenticeship administration to colleges. In addition, colleges should work more closely with local employers to determine the best mix of apprentices locally and how best to fill the need for apprenticeship positions.

3

Restoring Fiscal Balance by Improving the Way Government Works

In the 2013-14 fiscal year, the Government of Ontario spent \$10.5 billion more than it collected in revenue, increasing its net debt to \$267.2 billion. Over eight percent of the province's total spending is now devoted to interest charges on the debt. In the near future, the debt will continue to grow and consume an ever-increasing proportion of government resources.

Further, low projected growth, a rapidly aging workforce, pending interest rate hikes, and growing demand for some services means that Ontario must meet its target of eliminating its deficit by 2017-18 and thereafter begin paying down its debt.

The government has taken some steps in the right direction: it has stabilized the debt-to-GDP ratio; it has reduced the annual growth in health care spending to below GDP growth; it has successfully negotiated no or minimal salary increases with key public sector unions; it has introduced modest annual program review savings targets; and, it has indicated they will be generating more value out of public assets.

However, resolving Ontario's debt and deficit problem requires more transformational action. The federal government also has a role to play.



RECOMMENDATIONS

Take concrete steps to enhance productivity in the public service economy.

The public service economy—the mix of public, private and not-for-profit providers who deliver public services—represents 20 percent of the Ontario economy. This sector is larger than the manufacturing and the financial services sectors combined. Generating better returns and better outcomes from the public service economy must be a priority. This can be achieved in four ways:

1. **The Government of Ontario should establish baseline information about existing expenditures and program performance.** Once this information is obtained, government will be in a better position to determine the appropriateness of current versus new service delivery models and better target spending.
2. **Government should inject diversity and contestability in the delivery of public services** through new forms of partnership with the not-for-profit and private sectors (often referred to as alternative service delivery) when there is clear evidence that these arrangements can produce better outcomes for citizens.
3. **Government should shift funding and payments to outcomes-based funding for some public services.** Governments in several jurisdictions are now funding services based on positive social outcomes, rather than input- or activity-based indicators. By redirecting resources to high-performing service providers, governments can achieve improved

social outcomes, as well as increased accountability and greater value for money. Ontario has already done this with some public services through the Workplace Safety and Insurance Board, job training programs, and funding for homeless shelters. Government should accelerate this trend across the range of services it provides.

4. **Government should leverage third-party technology, capital, and business models to update antiquated IT and business models.** Many government transactions are conducted on outdated technology that requires significant upgrades. For example, the reconciliation of billing for OHIP is based on a 50-year old platform and rapidly retiring know-how. This antiquated system is a constraint on broader health care transformation.

Fix federal transfers by adopting a principle-based and accountable approach that treats Ontarians fairly.

Ontarians pay \$11 billion (or 1.9 percent of the province's GDP) more in federal taxes than what they receive in the form of program spending and transfers. The gap results from an unprincipled allocation formula for transfers directly to the provincial government, such as in the Equalization program, and in transfers directly to individual Ontarians, such as in the Employment Insurance (EI) program. The allocation of federal transfers should be clear and transparent, fair to Canadians regardless of where they live, consistent with the policy objectives of the transfer, and predictable.

With Canadians going to the polls later this year, the Government of Ontario, businesses, and citizens should send a strong message that the federal government needs to narrow this funding gap.

At a minimum, the federal government needs to undertake a comprehensive and public review of the transfer system. The last formal review of the transfer system happened more than ten years ago. The three main federal parties should also state in advance of the next election whether or not they will fix the EI system to address the concerns of Ontario workers and businesses.

Ease the fiscal burden on municipalities by fixing outdated labour legislation.

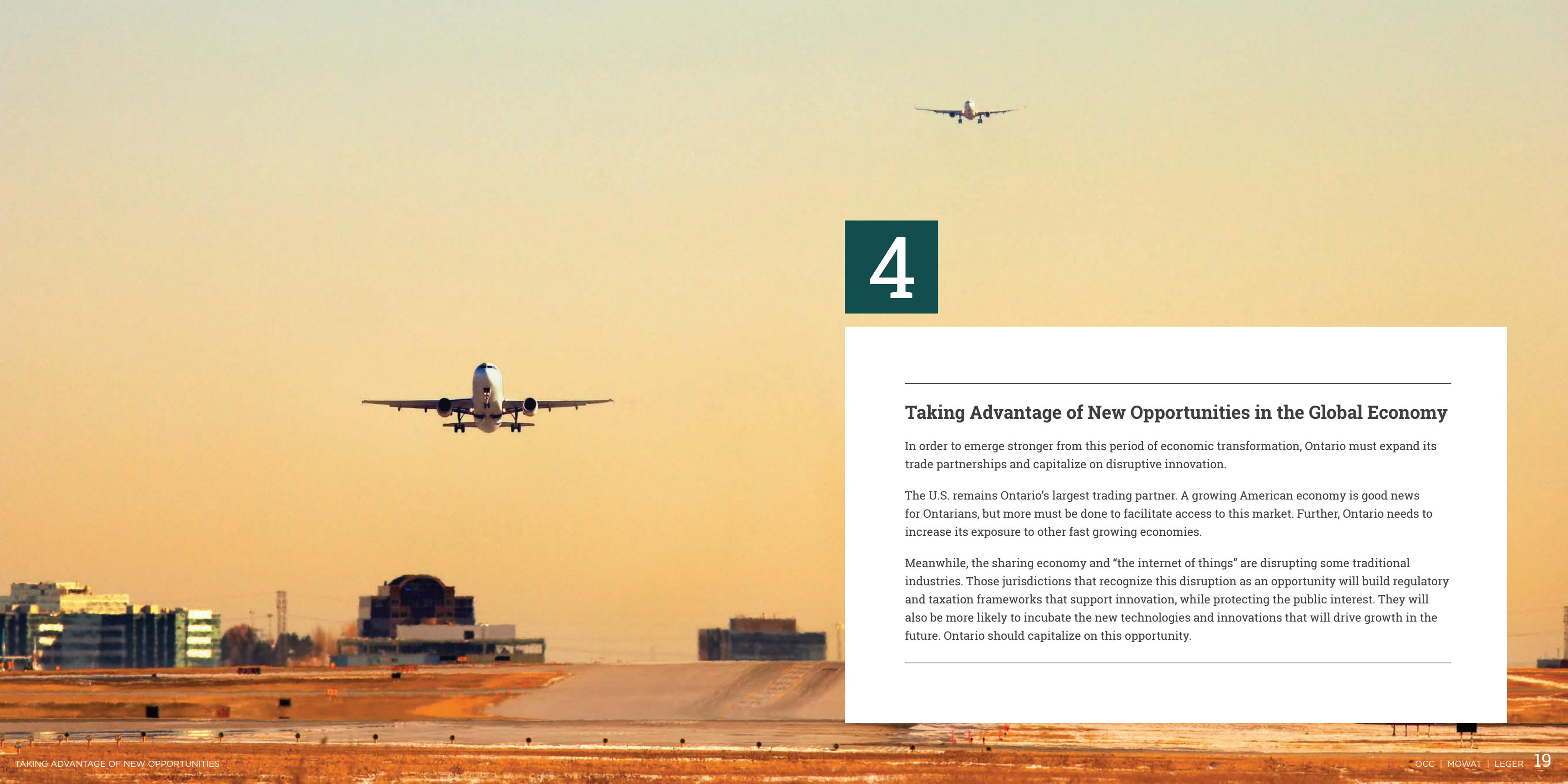
Many municipalities face ballooning costs as a result of faulty labour legislation and processes. This fiscal burden can be eased in two ways:

1. **Reform the interest arbitration system.** Partly as a result of Ontario's broken interest arbitration system, emergency service costs are outpacing inflation. Last year, we recommended that, among other things, arbitrator decisions consider municipalities' ability to pay. Unfortunately, little progress has been made. We urge the government to reform this system so that arbitrator decisions consider a municipality's economic and fiscal environment. Further, disincentives should be put in place that discourage negotiators from relying on the interest arbitration mechanism.

2. **Reform tendering of municipal contracts.** Ontario should reform its tendering rules by leveling the playing field for all qualified construction companies when competing for public contracts. Municipalities are treated as businesses under Ontario's *Labour Relations Act*. As a result, the Ontario Labour Board has been applying collective-bargaining rules for construction companies to municipalities. This has forced a growing number of municipalities to restrict tendering, resulting in higher costs for taxpayer-funded construction projects. Closing this loophole would ensure municipalities make the most of their infrastructure and taxpayer dollars.

Continue to implement and refine Alternative Financing and Procurement (AFP).

The Government of Ontario has committed \$130 billion to new infrastructure. Much of this spending will be dedicated to large, complex transit and highway projects as well as health care, justice, and postsecondary education facilities. The size and complexity of these projects make them susceptible to cost overruns. The beauty of AFP is that it transfers the risks of these overruns away from the taxpayer and onto the private sector. Many future projects will be excellent candidates for AFP delivery. In December 2014, the Auditor General made recommendations to improve the AFP model in order to deliver better value for money. We endorse the principle of continuous improvement in all government programs. However, we firmly believe that the AFP model delivers value and savings for Ontario and can continue to protect the taxpayer when building new public infrastructure.



4

Taking Advantage of New Opportunities in the Global Economy

In order to emerge stronger from this period of economic transformation, Ontario must expand its trade partnerships and capitalize on disruptive innovation.

The U.S. remains Ontario's largest trading partner. A growing American economy is good news for Ontarians, but more must be done to facilitate access to this market. Further, Ontario needs to increase its exposure to other fast growing economies.

Meanwhile, the sharing economy and "the internet of things" are disrupting some traditional industries. Those jurisdictions that recognize this disruption as an opportunity will build regulatory and taxation frameworks that support innovation, while protecting the public interest. They will also be more likely to incubate the new technologies and innovations that will drive growth in the future. Ontario should capitalize on this opportunity.

RECOMMENDATIONS

Tackle (and take measures to deter further) unnecessary regulatory fragmentation.

Countries around the globe are pursuing regulatory harmonization to boost trade. The U.S.-E.U. Transatlantic Trade and Investment Partnership negotiations and the Trans-Pacific Partnership are examples. However, Canada's federal, provincial, and territorial governments too often move in the opposite direction. Provincial governments are pursuing unique courses in pension reform, greenhouse gas reductions, the regulation of tradespersons, and waste diversion.

Sometimes, diversity in regulatory approach is justified by local conditions. On the whole, however, diversity imposes burdens on businesses who operate across Canada and hurts our value proposition to foreign investors. Governments within Canada must consider the opportunity costs in terms of internal and global trade and investment before pursuing uncoordinated solutions.

The federal government is, rightly, championing a modern internal trade framework. A revamped Agreement on Internal Trade should include regulatory harmonization and disincentives to further regulatory fragmentation.

Further, Ontario should lead the establishment of a provincial-state working group as part of the Regulatory Cooperative initiative between Canada and the U.S. with the aim of eliminating unnecessary regulatory barriers to cross-border trade.

Together with Ontario businesses, leverage the unique opportunity presented by the Pan Am and Parapan Am Games to establish deeper relationships with new trade partners.

In July and August 2015, the Greater Toronto and Hamilton Area will host the Pan American and Parapan American Games. The Games will be the largest sporting event ever hosted in Canada and will welcome thousands of visitors from Latin America. Ontario must use the Games as an opportunity to develop a comprehensive Latin American trade strategy.

Currently, Ontario trades little with Latin America (Mexico excluded). Only 0.23 percent of Ontario exports, for example, are destined for Brazil. As a start, Ontario should plan post-Games trade missions to Latin America.

Ontario businesses, for their part, should take advantage of the Toronto Pan American Economic Summit which will bring together 1,500 business leaders from across the Americas to take advantage of trade and investment opportunities.

Promote and encourage made-in-Ontario expertise to capitalize on the global infrastructure spending boom.

According to a recent report by PwC, global capital project and infrastructure spending will grow from \$4 trillion per year in 2012 to \$9 trillion per year by 2025, much of which will be focused on building public transit. From 2014-2025, this will amount to \$78 trillion in total investment. Ontario can capitalize on this spending boom in two significant ways:

- 1. Continue to build on world-leading Alternative Financing and Procurement (AFP) expertise.**

Ontario makes extensive use of the AFP model to build major infrastructure projects. Canada and Ontario have world-leading AFP expertise. Infrastructure Ontario is educating governments around the world on the model's potential. Several Ontario companies have been able to leverage this expertise to access foreign markets. Ontarians should be proud of their AFP expertise and continue to use the model where it makes sense.

- 2. Build a global centre of expertise in transit and transportation.** Ontario is rapidly building expertise and technical know-how in the development and execution of complex transit and transportation projects. This expertise, plus our manufacturing capacity in mass transit solutions, means that we are well poised to become a global player in the sector. Government and business need to collaborate on a strategy to ensure this opportunity is fully leveraged.

Provide information and support to enable Ontario businesses to take full advantage of the Canada-E.U. Comprehensive Economic and Trade Agreement (CETA).

Ontario businesses must be ready to take advantage of expanded access to E.U. markets. We urge the Governments of Canada and Ontario to play a facilitation role for small business in particular through business-to-business matchmaking and education programs focused on European regulatory regimes.

Embrace disruptive innovation.

The rapid growth of the sharing economy, represented by companies like Uber and AirBnB, is disrupting some traditional industries. It is also creating new employment and previously unforeseen economic opportunities. Ontario should position itself for success by developing the regulatory capacity to accommodate disruptive innovations.



5

Identifying, Championing, & Strategically Investing in our Competitive Advantages in the Global Economy

Ontario's value proposition in the global economy has changed dramatically over the last decade. New sectors and subsectors, many of which had much smaller footprints in Ontario before the recession, are now creating jobs at a rapid rate. Meanwhile, sectors of traditional strength are recovering thanks to a depreciated Canadian dollar and surging American demand.

This is all good news. However, Ontario cannot lose sight of a 21st century economic reality: economies rely increasingly on those sectors where they hold a comparative advantage. Federal and provincial policies must align around areas where Ontario has the best chance of capturing global market share.

RECOMMENDATIONS

Foster the conditions for SME growth.

Compared to other jurisdictions, it is relatively easy to start a business in Ontario. The challenge for SMEs is to grow into a mid-sized or large business. Governments should structure their tax policies and incentives in ways that encourage businesses to grow.

Break the stalemate in the Ring of Fire.

Ontario's Ring of Fire is one of the greatest mining opportunities in the province's history. An Ontario Chamber of Commerce analysis finds that the Ring of Fire will sustain 5,500 jobs in the province, generate \$32 billion in economic activity, and generate \$7 billion in government revenues. Despite its discovery seven years ago, not a single mine is in operation in the Ring of Fire. Progress has been stalled by seemingly interminable negotiation processes and a de facto moratorium on exploration permits. The logjam needs to be cleared.

As a start, government should set a clear timeline for opening the first mine in the Ring of Fire. For its part, the federal government must step up and match the provincial commitment for transportation infrastructure to the Ring of Fire.

Lift unnecessary visa requirements that stifle tourism and trade.

Canada's visa process is a barrier to trade and growth of the tourism and air travel industries. Canada currently requires visas from citizens of high growth countries such as Mexico, China, India, and Brazil. These emerging markets represent our best opportunities to diversify our trade partnerships. They are also growth markets for Ontario's tourism industry. According to the Conference Board of Canada, lifting visa requirements would significantly increase tourism from these countries.

Mitigate the impact of pension reform on the business climate.

The provincial government is moving forward with a mandatory pension plan, the Ontario Retirement Pension Plan (ORPP). Many businesses are worried about the costs it will impose. The government must conduct and publish an economic analysis of the impact of this new pension plan on business competitiveness, investment, and employment. In addition, pension reform must leverage the expertise of Ontario's world leading financial services industry.

Seize on the tremendous potential of Northern Ontario.

In addition to moving forward on the Ring of Fire, the Ontario government should take steps to create more economic opportunities in Northern Ontario. For example, Ontario should provide the forest products sector with consistent access to affordable, sustainable, and renewable wood. The North also has a number of opportunities in agriculture, mining, and tourism.

Bend the Electricity Cost Curve

Ontario's decision to phase out the use of coal-fired generation facilities has branded the province as a leader in modern, clean energy. Ontario's energy supply now consists of a strong mix of nuclear, hydro, gas, and renewables.

However, this path has not been without its challenges. The province's competitiveness suffers from its relatively high electricity prices for industrial users. While minor steps have been taken since the release of the 2013 Long Term Energy Plan (LTEP) to mitigate costs, further system-wide cost savings should be explored within the province's existing energy landscape. Further, Ontario should focus its investments in areas such as nuclear and data analytics where Ontario can be an innovation and export leader and that, at the same time, can lower long-term costs to consumers.

This is an issue that the Ontario Chamber of Commerce is exploring in 2015.

CONCLUSION

In 2012, the Ontario Chamber of Commerce, the Mowat Centre, and Leger launched the first edition of *Emerging Stronger*, a five-year agenda to help Ontario emerge stronger from this period of economic transformation.

Since that time, this agenda has been an integral part of our organizations' research and advocacy efforts. Across some priority areas, government has made significant progress. For example, Ontario is making the much-needed investments in infrastructure that will translate into real productivity gains in the future. The province is playing an important role in the development of a new securities regulator. In the context of a significant government debt and deficit, we are also seeing a growing interest in exploring new ways to deliver public programs and services more efficiently.

In other areas, however, we have yet to see change. Many employers, for example, remain hard-pressed to find workers with the skills they need.

In 2016, we will release the final edition of this five-year campaign. The final report will look back on the past five years: What progress has been made? How has Ontario changed? What remains to be done?

The report will also include a solid blueprint for 2016 and beyond. There is important work to be done in order to make the province the best place in the world to live, work, and do business, and to ensure our path from recovery to growth.

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Sincere thanks to the following organizations who provided photos for *Emerging Stronger 2015*.

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