

And it's not a coincidence.



Finding a vision for Ontario Inc.

As we move headlong into an election, there is much ado about the environment but little about the province's long-term economic health. Here are six issues people should start talking about

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Ontario's long-term economic challenges are oddly missing from the debate leading up to the province's Oct. 10 election. The province's half-trillion-dollar economy has traditionally been the engine of the national economy. Yet one would think someone had waved a magic wand of silence over key issues that will affect Ontarians' prosperity for decades to come.

The province's short-term economic woes likely will figure into the political parties' campaigns. These include sluggish economic growth.

Ontario is now outpaced in growth by all nine other provinces.

The jobless rate exceeds the national average for the first time in history.

And the province has lost more than 200,000 manufacturing jobs over the past three years – about half of them in the GTA alone – as manufacturers struggle with rising energy costs, cheap imports and a dollar approaching parity with the U.S. dollar.

The almost 50 per cent rise in the value of the loonie since 2003, along with post-9/11 U.S. security measures, has also contributed to a steady decline in American visitors to Canada for the past eight years, sapping a \$20 billion tourism industry that employs 250,000 people.

Less immediately compelling, but arguably more important, are longer-term issues that will determine Ontario's economic vitality in 10 years' time. Here are some of the key ones.

Labour mobility

Ontario needs to work more aggressively to get the credentials of skilled newcomers readily recognized, amid a shortage of skilled workers ranging from family doctors to certified welders.

"We need to reform our balkanized economy and establish an integrated accreditation process across all levels of government," says Glen Hodgson, chief economist at the Conference Board of Canada and author of a forthcoming report on the impact of demographics on a skills shortage that is poised to become even more severe.

"Ontario's economic growth is going to depend increasingly on whether we can attract and retain skilled workers," Hodgson says.

Industrial centres of excellence

We need more concentrations of industrial prowess, modeled on Silicon Valley, that play to Ontario's strengths in medical research, aerospace, mining, telecommunications and other fields.

The existence of such informal centres of economic strength already accounts for the varied performance of Ontario cities and regions.

Toronto's concentration of robust financial services industries – which account for 8 per cent of provincial GDP – has had a positive spillover effect on local housing prices.

The so-called "technology research triangle" of Kitchener/Waterloo-Cambridge-Guelph, home of BlackBerry inventor Research In Motion Ltd., accounts for about two-thirds of Canada's high-tech start-ups. Sarnia is Ontario's leading centre for chemical production and petroleum refining. Hamilton and Sault Ste. Marie have benefited from high world prices for steel; and Sudbury is riding a global boom in nickel prices.

Toronto's seven-year-old MaRS Discovery District commercializes medical, infotech, engineering and social-sciences breakthroughs.

And Sudbury's newly launched Centre for Excellence in Mining Innovation at Laurentian University exploits a generations' old regional strength.

Similar centres are needed in autos, the single-largest creator of high-value jobs in Ontario; stem-cell research, arguably the most promising new field of medical research; aviation and avionics, built around the technological and export expertise of Bombardier Inc.'s operations in Downsview; and a forest products R&D initiative that strives for the quality and operating efficiencies of Scandinavia's state-of-the-art industry.

Infrastructure and governance

"The GTA is the centre of Ontario's economic growth, and if the GTA doesn't work effectively, the province doesn't work," says Hodgson.

The economist calls for greater investment in transportation and other infrastructure, including a rapid-transit line to Pearson similar to one underway in Vancouver for the 2010 Olympics; sensible intensification policies to curb costly urban sprawl; and more sophisticated greenbelt management.

"Politicians balk at the cost of spending on these areas," says Hodgson. "But we should focus on the cost of not doing it. It's better to take the bold step now in making the needed adjustments, than discovering later that we've fallen behind the curve and can't compete with other global cities."

Border bottlenecks

Post 9/11, proposed new U.S. security measures threaten the expeditious transport of manufactured exports to our biggest foreign market. They are also dissuading ever-larger numbers of American vacationers from travelling north.

Ontario and Quebec are especially hard hit on both counts, with their heavy emphasis on manufacturing and disproportionate number of tourist attractions close to the U.S. market.

This is a security and an infrastructure crisis.

The border crossings at Fort Erie-Buffalo and Windsor-Detroit (the crossing point for 28 per cent

of Canadian merchandise exports) each need a second bridge or tunnel to relieve congestion and maintain the vital flow of high-value trade.

A manufacturing renaissance

National employment statistics showing a current 33-year low in Canadian joblessness are distorted by Western Canada's explosive growth, itself based on a six-fold increase in the world price for crude oil this decade.

Weakened U.S. auto demand has cut employment in Oshawa and other centres. Windsor's jobless rate of 9.4 per cent is the highest in the nation.

Too many Ontario manufacturers are still reliant on the output of goods that can be readily copied and more cheaply manufactured abroad.

A forward-looking industrial policy would encourage Ontario's remaining manufacturers to upgrade the unique appeal of their goods, as the province's then-nascent quality wine sector was obliged to do in the early 1990s in compliance with world trade rules that forbade government subsidies.

The effort will require more internship programs and closer co-ordination among government, business and labour to identify global growth opportunities and seize them.

"We have a powerful financial services sector as a foundation, whose expertise could be more aggressively exported," says Michael Gregory, senior economist at the Bank of Montreal. Gregory is not among those who wring their hands over the ascendancy of service industries over manufacturing.

"Britain was an economic basket case three decades ago." Today, without benefit of a locally owned steel or auto industry, "Britain is Europe's healthiest economy, based on the same financial and business-services strength we have in Ontario," Gregory says.

Indeed, London is poised to overtake Manhattan as the world's most powerful financial centre, having focused on upgrading that sector for the past two decades.

Anchored by its own strength in financial services, Ontario could encourage a renaissance among manufacturers focused on unique, niche products boasting a worldwide cachet and pricing power to match.

Local examples include Toronto-based Roots and Ottawa's Lee Valley Tools. Ottawa has lately emerged as a world leader in anti-terrorism devices.

In neighbouring rust-belt Michigan, formerly traditional furniture-makers long ago abandoned generic products in favour of best-in-class office furniture that commands the industry's top prices, bearing such familiar names as Steelcase, Haworth and Herman Miller (maker of the status-seeker Aeron chair).

In manufacturing, the high-wage Germans don't compete on cost.

"But their vehicles have cachet," says Gregory. "The Chinese aren't going to build a cheaper BMW."

Whether it's auto, appliances or apparel, "We have to evolve into niche products that sell on quality and unsurpassed design," he says.

"Ontario will look different in 10 years," Gregory says. "The options are to decide to manage the inevitable change, or passively let it have its impact on you."

We've already suffered the negative consequences of the latter option.

Ontario has the creativity and capital to make its mark on the world stage and ensure its continued prosperity.

The question is whether we have the political will.