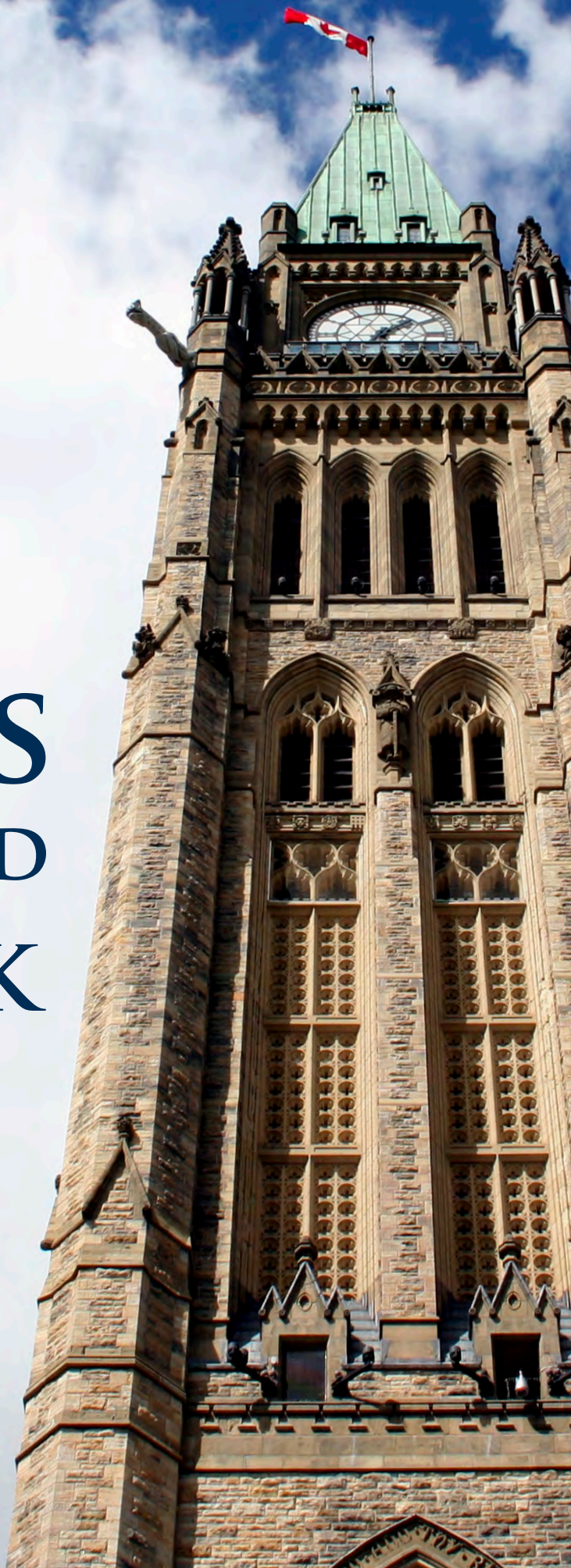
C.D. Howe Institute

Annual Report 2015

Canada's Most-Awarded Think Tank



INSTITUT
C.D. HOWE
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C.D. Howe Institute Award-Winning Publications

2014 Purvis Prize
Canadian Economics Association

Tax Policy for a New Era: Promoting Economic Growth and Fairness

By **Kevin Milligan**

2012 Purvis Prize
Canadian Economics Association

Toward Improving Canada's Skilled Immigration Policy: An Evaluation Approach

By **Alan G. Green, Charles M. Beach** and **Christopher Worswick**

2012 John Hanson Memorial Award
Actuarial Foundation, United States

Legal for Life: Why Canadians Need a Lifetime Retirement Saving Limit

By **James Pierlot** and **Faisal Siddiqi**

2010 Purvis Prize
Canadian Economics Association

Once on the Lips, Forever on the Hips: A Benefit-Cost Analysis of Fiscal Stimulus in OECD Countries

By **Bev Dahlby**

2004 Donner Prize
The Donner Canadian Foundation

Two Percent Target: The Context, Theory, and Practice of Canadian Monetary Policy since 1991

By **David E.W. Laidler** and **William B.P. Robson**

2002 Purvis Prize
Canadian Economics Association

Most Favored Nation: Building a Framework for Smart Economic Policy

By **Jack M. Mintz**

2001 Policy Research Initiative Award
Government of Canada

Will the Baby Boomers Bust the Health Budget? Demographic Change and Health Care Financing Reform

By **William B.P. Robson**

1995 Purvis Prize
Canadian Economics Association

Social Canada in the Millenium

By **Thomas J. Courchene**

1994 Purvis Prize
Canadian Economics Association

The Great Canadian Disinflation: the Economics and Politics of Monetary Policy in Canada, 1988-93

By **David E.W. Laidler** and **William B.P. Robson**

Our Mission

The C. D. Howe Institute is an educational charity whose mission is to raise living standards by fostering economically sound public policies. It is Canada's trusted source of essential policy intelligence, distinguished by research that is nonpartisan, evidence-based and subject to definitive expert review. It is considered by many to be Canada's most influential think tank.

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C.D. Howe Institute

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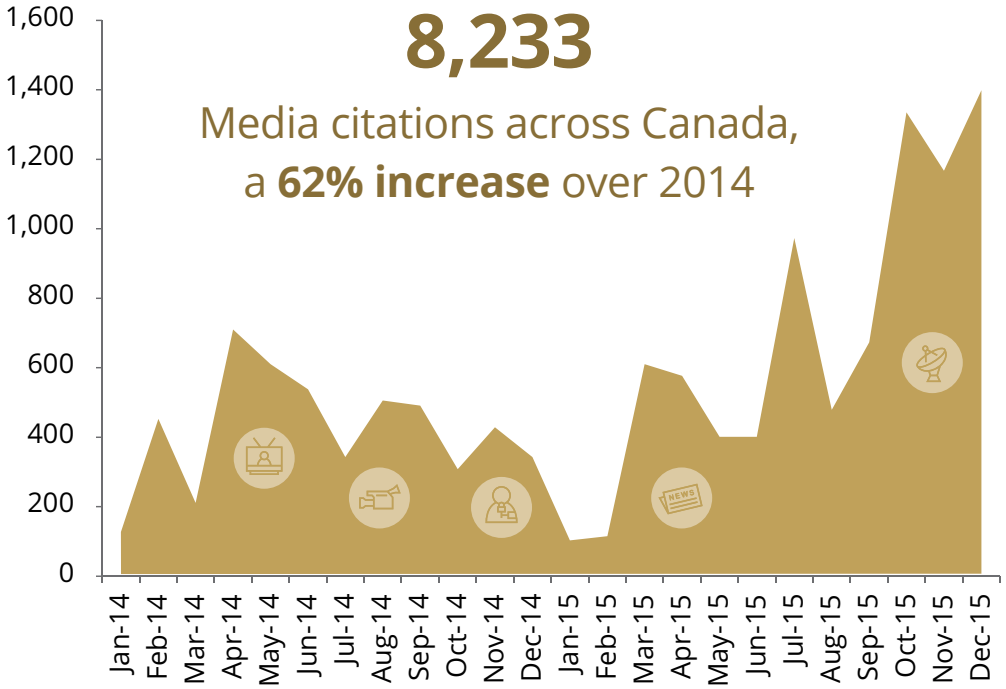
2015 BY THE NUMBERS

66
Widely Cited, Comprehensive Research and Council Reports

73
Exclusive, Policy Events

Stimulating Debate

8,233
Media citations across Canada, a **62% increase** over 2014



Policy Outreach

191 Interviews

90 Op-Eds

39 policy outreach presentations to influencers and policymakers

Most cited think tank in the ***Globe and Mail*** and ***National Post***, Canada's two national dailies

Policy Source of Choice

518
Citations during Canada's 41st Parliament



413,305
Website Pageviews, a **23% increase** over 2014

Message from the Chairman



Hugh L. MacKinnon
Chair,
C.D. Howe Institute

The C.D. Howe Institute continues to distinguish itself with truly independent, evidence-driven analysis of the issues defining Canada's future. The relentless pursuit of dispassionate, quality work is unmatched. As a result, the Institute is a tour de force among Canada's top policy-making circles, able to work with senior decision makers of every political stripe.

As Chair of the Board, I help oversee the Institute's governance on behalf of its primary stakeholders – the individuals, associations, corporations, postsecondary institutions and foundations that give so generously to support our policy work.

As this report indicates, the Institute made an impressive range of contributions to Canadian public discourse in 2015, holding a record 73 policy events and publishing 66 research studies.

On behalf of the Board, I would like to thank the Institute's President & CEO, Bill Robson, for his stalwart leadership, and Duncan Munn, who ensures the Institute, despite being relatively underfunded compared to its competitors, continues to punch well above its weight. Thanks are also due to the outstanding research team, scholars and staff of the Institute for another terrific year of achievement.

It is my pleasure to acknowledge Dallas Howe, Steve Parker, Catherine Swift and Jonathan Tétrault who stepped down from the Board in 2015 and to thank them for their invaluable service. In 2015, we were delighted to welcome Brian Johnston, Heather Munroe-Blum and Ronald P. Mathison to the Board.

Finally, we pay tribute to Institute's members and friends. Your commitment to building a better Canada makes the Institute's work possible. Every charitable dollar enables our scholars to respond decisively to the most pressing issues facing Canada. Thank you.



"Every charitable dollar enables our scholars to respond decisively to the most pressing issues facing Canada. Thank you."

Message from the President & CEO

As the C.D. Howe Institute works to improve economic opportunities for Canadians through better public policy, the quality of the Institute's research, and association with eminent thinkers are vital assets. 2015 was an outstanding year on both fronts.

Fellow-In-Residence Kevin Milligan won the Doug Purvis Memorial Prize, widely considered the most prestigious award in Canadian economics, for his Institute publication "Tax Policy for a New Era: Promoting Economic Growth and Fairness." Since the inception of this award in 1994, Institute publications received it six times – powerful evidence of the high calibre of Canadians who contribute to our research.

During the year, we added significantly to our research team. We welcomed leading economist and policy analyst Craig Alexander, whose analytical abilities and wide expertise make him a tremendous asset. Jeremy Kronick joined us as a Senior Policy Analyst, providing extra capacity in the business cycle, monetary and financial services programs. Three new junior researchers also joined the team: Aaron Jacobs, Ramya Muthukumaran and Jennifer Tsao made immediate contributions in areas as diverse as healthcare, competition policy, human capital, international trade, fiscal policy, and urban issues.

As for our advisory groups, the Institute's National and Policy Councils continue to bring distinguished Canadians with diverse expertise together for high-level advice on the research program.

Our community of research fellows continued to grow. Notable additions include: Janet Davidson, former Deputy Minister of Alberta Health; Philip Howell, former CEO of the Financial Services Commission of Ontario; Warren Jestin, former SVP and Chief Economist at Scotiabank; Louis Lévesque, former Deputy Minister, Transport, Infrastructure and Communities, and International Trade; and John Murray, former Deputy Governor, Bank of Canada.

The Institute's ability to engage top talent was equally evident in our events program. Former Ontario Premiers Bob Rae and Ernie Eves, and former Ontario Finance Minister Greg Sorbara, helped us unpack opaque government budgets. And from Quebec Minister of Finance Carlos Leitao and Montreal Mayor Denis Coderre, to Alberta Minister of Finance Joe Ceci and Alberta Energy Minister Margaret McCuaig-Boyd, leaders from every level of government and political persuasion across Canada engaged Institute members, and energized the Institute's research with rich discussion.

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William B.P. Robson
President and
Chief Executive Officer

"...C.D. Howe Institute works to improve economic opportunities for Canadians through better public policy, the quality of the Institute's research, and association with eminent thinkers are vital assets."

I am proud to acknowledge the contributions to the accomplishments documented in this Annual Report by so many eminent members of the Institute's community. I salute my colleagues, the Institute's Fellows, its board members, and the many leaders in business, government, academia and the professions who support our work. To them, and to our members, subscribers and donors, I extend my sincere gratitude. Thanks to you, the C.D. Howe Institute made further contributions to Canadian prosperity in 2015. We look forward to more success in 2016 and the years to come.



Institute reports undergo the industry's most rigorous peer-review process.

C.D. Howe Institute books, Commentaries and E-Briefs undergo a rigorous two-stage review by internal staff, and by outside academics and independent experts. The Institute publishes only studies that meets its standards for analytical soundness, factual accuracy and policy relevance. The Institute subjects its review and publication process to an annual audit by external experts.

Message from the Senior Vice President & COO



Duncan Munn
Senior VP and
Chief Operating Officer

Continued growth in memberships and donations enabled the Institute to further its investments in key strategic areas over the course of 2015. These increases in capacity allowed the Institute to accomplish a number of operational goals that enhance the impact of our policy work.

Here is how the Institute performed in meeting our core operational goals in 2015:

Goal: Increase national and generational reach of the Institute's events program

Result:

We continued to build our events program across the country, hosting a record 73 events across four Canadian cities; Toronto, Calgary, Montreal, and Ottawa. This has increased the ability of members in these cities to participate in our unique off-the-record policy development dialogue.

2015 also saw the launch of our Health Partnership Series, a conference aimed at discussing, and exploring solutions to, the most pressing issues in Canadian healthcare. We also continued to grow our Entrepreneurs Debate Series, aimed at engaging the next generation of public policy leaders.

Goal: Launch new initiatives in key policy areas

Result:

This past year the Institute laid the groundwork for its new Human Capital Council, co-chaired by Kathleen Taylor and Neil Yeates, and is set to launch in mid-2016. In the months and years to come, it will focus on the numerous human capital issues facing Canadian policymakers.

Goal: Increase the Institute's outreach and media presence

Result:

2015 was a banner year for the Institute as it relates to communications. We continued to punch above our weight, as C.D. Howe was the most cited think tank in both the Globe and Mail, and National Post. We also continued to expand the Institute's national reach, as media citations grew by 62% across Canada in 2015.

2015 also saw the Institute launch its revamped website, and traffic to the website increased by 29% compared to 2014. Each of the Institute's social media channels saw over 100% increases in followers, as we continue to find new and innovative ways to engage senior decision makers, as well as the next generation of policymakers.

The goals that were achieved over the past year have advanced the Institute's research agenda and increased the effectiveness of our policy work. The new initiatives discussed in this report could not have taken place without strong and loyal member support, the involvement of policy leaders and scholars, and the hard work and expertise of my colleagues at the Institute. Thank you all, for helping us make a positive contribution to Canada's future through the development of essential policy intelligence.





The **Honourable Howard I. Wetston**, former Chair and CEO of the Ontario Securities Commission

The Institute's 2015 Research Mission

The Institute's research addresses four key policy challenges faced by Canadians and their governments: finding ways to generate stronger economic growth and prosperity; ensuring fiscal and financial stability; maximizing opportunities for individual Canadians; and enhancing the effectiveness of our economic and social policy institutions.

As the Institute sought to deepen our understanding of these challenges and of policy options to address them, its research output continued to grow. In 2015, this growth was notably the result of the Energy Policy program, supported by an engaged advisory Council. Papers published under the aegis of the program addressed very timely energy-related issues, including taxation, transportation, and social acceptance of energy projects.

Also of note, Institute's health policy research was in full bloom last year, with ten papers published containing practical recommendations on issues as timely as vaccination policy and access to needed drugs, and as timeless as the need to get better outcomes for Canadians for the money in health budgets.

The Institute's analytical depth in pensions, financial issues, tax policy and the effectiveness of public infrastructure spending also enabled it to address in a timely way economic issues that were top-of-mind for many Canadians, and to inform governments, at an early stage of decision-making, of important considerations and policy options regarding these files. Of note here is the work pertaining to the adequacy and sustainability of pensions and pension arrangements, risks in the housing market, the impact of high marginal tax rates, and the reduction of congestion.

The Institute's work on trade, innovation, competition and education, detailed in the next few pages, also contributed to a better understanding of how policies in these areas can best contribute to Canadians' well-being.

As exciting as these advances were, I was especially gratified by the addition to the C.D. Howe Institute's research team in 2015 of five individuals, ranging from established top-notch economic talent to promising recent graduates. Apart from bringing fresh insights and intellectual energy, they have enthusiastically embraced new ways of disseminating the research, working with the Institute's editing and communications team to ensure that research results are accessible to a wider audience and across more platforms than previously possible.

The Institute's research is strictly non-partisan. The Institute does not accept donations that are conditional on the work reaching a given conclusion or supporting a particular policy stance, or otherwise inhibiting its independence. Authors are required to disclose conflicts of interest, and papers are subjected to a best-in-class peer-review process, involving academics and practitioners, ensuring high standards of quality and relevance.

As a sure sign of continued relevance and quality, the Institute's 2014 Benefactors Lecture, "Tax Policy for a New Era," written and presented by University of British Columbia Professor Kevin Milligan, received in 2015 the Purvis Prize, one of the top accolades awarded for economic policy writing in

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Daniel Schwanen
Vice President, Research

Canada. This is the sixth time that the Institute has received this award, established in 1994.

In sum, I can say with confidence that in 2015 the Institute's research has expanded and deepened our understanding of key economic issues affecting Canadians' standards of living, and of the options available to address them. And that it remains of the highest quality and relevance to issues affecting Canadians' well-being.

The research team expresses its deep gratitude to members of the Councils that advise our research in many areas, to all Institute members for supporting and contributing to discussions informing the research program, and to Institute Fellows, authors and discussants that contribute so much to our policy work. The success of the Institute reflects, in the end, their willingness to share their deep knowledge, and their commitment to a stronger Canada.



Research Team



Daniel Schwanen
Vice President, Research



Craig Alexander
Vice President, Economic Analysis



Alexandre Laurin
Director of Research



Colin Busby
Associate Director, Research



Benjamin Dachis
Associate Director, Research



Jeremy Kronick
Senior Policy Analyst



Aaron Jacobs
Researcher



Jennifer Tsao
Researcher



Ramya Muthukumaran
Researcher

The Institute's 2015 Reviewers

C.D. Howe Institute publications undergo rigorous external review by academics and independent experts drawn from the public and private sectors. We thank the following reviewers for their support in 2015:

Owen Adams
Canadian Medical Association

Keith P. Ambachtsheer
University of Toronto

Steven Ambler
Université du Québec à Montréal

James Arnett

Albert Baker
Deloitte

Steve Baker
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Bob Baldwin

Noel Baldwin
Council of Ministers of Education, Canada

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Saskatchewan Ministry of Municipal Affairs

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Simon Fraser University

Harry M. Kitchen
Trent University

Paul Klemperer
University of Oxford

John Knubley
Innovation, Science and Economic Development Canada

Thorsten Koeppl
Queen's University

The Institute's 2015 Reviewers (continued)



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University of Western Ontario

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Formerly with Ontario Teachers' Pension Plan

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Canada Deposit Insurance Corporation

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Brookfield BRP Canada Corp

Nicholas LePan

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Carleton University

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Prince Edward Island, Education and Early Childhoos

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Genworth Canada

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Kevin Milligan
University of British Columbia

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Pierre Siklos
Wilfrid Laurier University

Noeline Simon
Canadian Life and Health Insurance Association Inc.

Andrew Sjogren
Mattamy Homes

Enid Slack
The Munk School of Global Affairs, University of Toronto

Rob Stewart
Department of Finance Canada

Arthur Sweetman
McMaster University

Almos Tassonyi
University of Calgary

Scott Thompson
Ontario Ministry of Finance

Ben Tomlin
Bank of Canada

Peter Tomlinson
University of Toronto

François Vaillancourt
Université de Montréal

Sandy Walker
Fraser Milner Casgrain LLP

Kevin Wark
The Conference for Advanced Life Underwriting

Thomas A. Wilson
University of Toronto

Christopher Worswick
Carleton University

Janet Yale
The Arthritis Society

Brian Zeiler-Kligman
Canada's National Brewers



The Honourable Joe Oliver,
Former Minister of Finance

The Institute's 2015 Research

2015 Research Reports

Ensuring Fiscal and Financial Stability

Pensions, the housing market, and the general state of the economy and of government finances following the previous year's steep decline in oil prices, were on Canadians' minds in 2015. The Institute's research, discussions and recommendations informed the public debate in each case.

Again in 2015, the Institute addressed head-on the question of whether Canadians saved too little for their retirement, suggesting that worries in this respect are overplayed because workers save more than generally acknowledged, and savings adequacy thresholds can vary quite substantively according to individual preferences and life experiences. Institute research also addressed the sustainability of pensions and pension plans from various angles. One paper examined the role and prospects for single-employer target benefit plans, while another reviewed the historical lessons of intergenerational transfers embedded within the Quebec Pension Plan for other public plans. The Institute also updated its earlier research reminding Canadian policymakers that rules around the drawdown of Registered Retirement Income Funds currently force a growing number of Canadians to run the risk that they will outlive their savings.

At the confluence of pensions and fiscal sustainability, the Institute's annual assessment of the true unfunded liabilities of federal employee pension plans continued to raise alarms about their impact on the sustainability of public finances. This work, and the work on the sustainability of pension plans generally, was underpinned by another publication which provided a sobering assessment of the factors affecting long-run real investment returns – concluding that they would likely remain low in the long run.

More generally, limiting the incipient flow of red ink through federal employee cost containment, while judiciously redeploying resources and revisiting policies in support of economic growth, was the theme of the Institute's 2015 Shadow Federal Budget, in a year in which weak resource prices promised to exercise downward pressure on public revenues.

The Institute also contributed regular insights on macroeconomic policy through the regular discussions of its Monetary Policy Council, informing the current stance of Canadian monetary policy. As well, on the monetary front, the Institute produced research aimed at finding ways to better enable the Bank of Canada to meet its inflation target, by using an alternative short-term inflation indicator. At the intersection of monetary policy and financial stability, the Institute published work arguing for a new macro-prudential policy framework for Canada. Looking this time at the intersection of money and economic growth, another paper argued for a modernization of Canada's payment system, which would lead to the abolition of paper cheques.

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Fiscal and Tax Policy

Challenges, Growth and Opportunity: A Shadow Federal Budget for 2015
April 14, 2015 – Alexandre Laurin and William B.P. Robson

By the Numbers: The Fiscal Accountability of Canada's Senior Governments, 2015
April 16, 2015 – Colin Busby and William B.P. Robson

The Taxation of Single-Employer Target Benefit Plans – Where We Are and Where We Ought To Be
March 4, 2015 – Barry Gros, Ian McSweeney, Jana Steele and Karen Hall

Ottawa's Secret Debt: The Burden and Risks of Federal Employee Pensions
May 7, 2015 – Alexandre Laurin and William B.P. Robson

Small Business Preferences as a Barrier to Growth: Not so Tall After All
May 20, 2015 – Benjamin Dachis and John Lester

Adaptability, Accountability and Sustainability: Intergovernmental Fiscal Arrangements in Canada
July 14, 2015 – Alexandre Laurin and William B.P. Robson

Drilling Down on Royalties: How Canadian Provinces Can Improve Non-Renewable Resource Taxes
September 23, 2015 – Benjamin Dachis and Robin Boadway

Tax Reform Priorities for Canada: Creating More Income to Go Around
November 19, 2015 – Alexandre Laurin and Craig Alexander

Business Tax Burdens in Canada's Major Cities: The 2015 Report Card
November 24, 2015 – Adam Found, Benjamin Dachis and Peter Tomlinson

Shifting the Federal Tax Burden on the One-Percenters: A Losing Proposition
December 3, 2015 – Alexandre Laurin

The Institute also weighed in last year with insights and proposals on the risks posed by the state of the housing market and housing debt – another issue close to Canadians' pocketbooks and the preoccupations of policymakers. One paper looked in detail at the distribution of household mortgage debt and identified specific pockets of risk in Canada on that basis. Another paper explored the possibility of "backstop insurance" to deal with the risk to the economy of a housing market crash, while at the same time one study looked at ways of strengthening the efficiency of mortgage lending.



Paul Rochon, Deputy Minister of Finance

Fiscal and Tax Competitiveness Council

CHAIR

Michael Horgan
Former Deputy Minister of Finance, Canada

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Barbara Sulzenko-Laurie
Insurance Bureau of Canada

Ted Tomkowiak
RBC

Thomas A. Wilson
University of Toronto

#1 Awarded Think Tank

The C.D. Howe Institute congratulates Fellow-In-Residence Kevin Milligan for winning the 2014 Doug Purvis Memorial Prize, for his Institute report "Tax Policy for a New Era: Promoting Economic Growth and Fairness."

"Kevin Milligan has put forward a compelling plan to modernize Canada's tax system," stated Bill Robson, President and CEO of the Institute. "All of us at the C.D. Howe Institute are delighted by this recognition of his work."

This marks the sixth time that a C.D. Howe Institute publication has won the Purvis Prize, which is awarded annually by the Canadian Economics Association to authors of highly significant, written contribution to Canadian economic policy. To date, Institute publications have won over a quarter of all prizes.





Jeremy Rudin, Superintendent, Office of the Superintendent of Financial Institutions

Financial Services Research Initiative

CO-CHAIRS

Nicholas Le Pan
Former Superintendent of Financial Institutions, Canada; Director, CIBC

Edward P. Neufeld
Former Assistant Deputy Minister of Finance, Canada; former Executive VP and Chief Economist, RBC

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Financial Transactions and Reports Analysis Centre of Canada

Bryan Davies
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Don Forgeron
Insurance Bureau of Canada

Blake C. Goldring, M.S.M., CFA
AGF Management Ltd

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Export Development Canada

Gail Harding
Canadian Western Bank

Natalie Higgins
Intact Financial Corporation

Philip Howell

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Scotiabank

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Thorsten Koeppl
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Investment Industry Regulatory Organization of Canada

Brenda Leong
British Columbia Securities Commission

Peter Levitt
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2015 Research Reports

Monetary Policy, Financial Services and Pensions

The Taxation of Single-Employer Target Benefit Plans – Where We Are and Where We Ought To Be
March 4, 2015 – Barry Gros, Ian McSweeney, Jana Steele and Karen Hall

Ottawa's Secret Debt: The Burden and Risks of Federal Employee Pensions
May 7, 2015 – Alexandre Laurin and William B.P. Robson

Do Canadians Save Too Little?
June 4, 2015 – Malcolm Hamilton

Securing Monetary and Financial Stability: Why Canada Needs a Macroprudential Policy Framework
June 24, 2015 – David Longworth and Paul Jenkins

Drawing Down Our Savings: The Prospects for RRIF Holders Following the 2015 Federal Budget
July 2, 2015 – Alexandre Laurin and William B.P. Robson

Mortgage Insurance as a Macroprudential Tool: Dealing with the Risk of a Housing Market Crash in Canada
July 8, 2015 – James MacGee and Thorsten V. Koeppl

Improving on the CPI: A Proposal for a Better Inflation Indicator
August 12, 2015 – Aaron Jacobs and Finn Poschmann

How to Make the World Safe for (and from) Covered Bonds
August 20, 2015 – Finn Poschmann

Money in Motion: Modernizing Canada's Payment System
August 25, 2015 – John Chant

The Benefits of Hindsight: Lessons from the QPP for Other Pension Plans
October 1, 2015 – Luc Godbout, Suzie St–Cerny and Yves Trudel

One Percent? For Real? Insights from Modern Growth Theory about Future Investment Returns
October 7, 2015 – Craig Alexander and Steve Ambler

Mortgaged to the Hilt: Risks From The Distribution of Household Mortgage Debt
December 9, 2015 – Craig Alexander and Paul Jacobson



Steve Ambler, **Gregor Smith**, and **Pierre Siklos**

Generating Stronger Economic Growth and Prosperity

Businesses' confidence to invest underpins the expansion of Canadians' incomes and employment. Unfortunately, capital investment per worker in Canada has stalled recently, and remains below that in other advanced economies as the Institute's most recent annual "Tools for Workers" report showed. In that light, the Institute in 2015 sought to deepen our understanding of the competition, trade, investment and regulatory conditions within which Canadian businesses operate.

The Institute research made clear that governments are unable to systematically pick firms or sectors that will become growth leaders. Instead, governments can enhance the likelihood that these will emerge, by promoting vibrant competition and not hindering innovation. This is because of the "yeast and mushrooms" pattern to economic growth – a pattern which suggests that successful firms or sectors emerge in unpredictable ways from conditions supporting economic growth more generally.

Another "deep dive" paper looked carefully at the possibility that tax advantages available only to smaller businesses might discourage them from growing beyond that size. The authors did find such a "clustering" of Canadian businesses just below the size threshold at which such advantages disappear. This tax benefit of staying small does not stop all firms from growing past this threshold. However, support for small businesses results in an otherwise less efficient Canadian economy.

The Institute's research continued to highlight the negative impact of high marginal tax rates on investment and on work. The Institute's work in that vein included an empirical examination of the limiting impact on Canada's tax base of high marginal tax rates on higher incomes, and more generally how smart taxation can support higher incomes for all Canadians. The Institute also updated in 2015 its ground-breaking ranking of the business tax burden in Canada's major cities, and produced research detailing reforms to provincial royalty regimes that would spur resource development.

A study of the recent trade agreement between Canada and South Korea showed that Canada would gain in areas in which it has comparative advantages, such as agriculture and food, despite coming late to the table in that market. The Institute further pursued the comparative advantage theme in a study outlining the importance of removing international trade and investment barriers in financial services, an area of emerging strength for Canada. Institute research also uncovered ways to help smaller firms "learn by exporting." Canada can simplify how it applies some onerous international trade rules to smaller shipments.

The research also highlighted ways to simplify the Canadian rule book for inward foreign investment, and delved into ways that smarter regulation and pricing around rail transportation, urban congestion and waste recycling issues could support the economy. The Institute also examined how the government should be using evidence in challenging proposed mergers and the need for improved oversight of the Competition Bureau. Papers on the value of copyright in recorded music and a critical look at new proposed takeover rules by Canadian securities administrators rounded out a rich year of research on the conditions underpinning Canadian economic growth.

2015 Research Reports

Public Governance

By the Numbers: The Fiscal Accountability of Canada's Senior Governments, 2015
April 16, 2015 – Colin Busby and William B.P. Robson

Adaptability, Accountability and Sustainability: Intergovernmental Fiscal Arrangements in Canada
July 14, 2015 – Alexandre Laurin and William B.P. Robson

First Nations Own-Source Revenue: How Is the Money Spent?
October 14, 2015 – John Richards and Mark Krass

The Effect of First Nations Modern Treaties on Local Income
October 28, 2015 – Fernando M. Aragón

Building Better Budgets: Canada's Cities Should Clean Up their Financial Reporting
November 18, 2015 – Benjamin Dachis and William B.P. Robson

From "Social Licence" to "Social Partnership": Promoting Shared Interests for Resource and Infrastructure Development
December 1, 2015 – Geoffrey Hale and Yale Belanger

International Economic Policy Council in 2015

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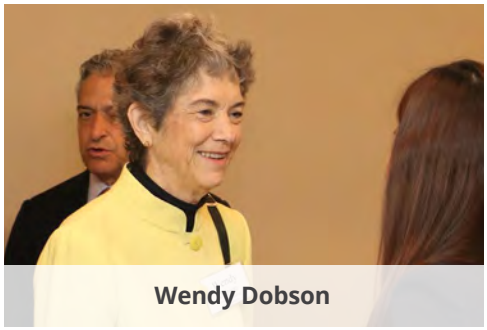
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2015 Research Reports

Competition, Investment, Trade and Innovation

The Canada-Korea Free Trade Agreement: What it Means for Canada
January 15, 2015 – Ali Dadkhah, Dan Ciuriak and Jingliang Xiao

The Value of Copyrights in Recorded Music: Terrestrial Radio and Beyond
February 18, 2015 – Marcel Boyer

Tackling Traffic: The Economic Cost of Congestion in Metro Vancouver
March 9, 2015 – Benjamin Dachis

Railroad Blues: How to Get Canada's Rail Policy Back on Track
April 2, 2015 – Benjamin Dachis

Challenges, Growth and Opportunity: A Shadow Federal Budget for 2015
April 14, 2015 – Alexandre Laurin and William B.P. Robson

Simplifying the Rule Book: a Proposal to Reform and Clarify Canada's Policy on Inward Foreign Direct Investment
May 3, 2015 – A.E. Safarian

Small Business Preferences as a Barrier to Growth: Not so Tall After All
May 20, 2015 - Benjamin Dachis and John Lester

An Opportunity not to be Wasted: Reforming Ontario's Recycling Program
July 23, 2015 – Aaron Jacobs

Making Free Trade Deals Work for Small Business: A Proposal for Reform of Rules of Origin
August 6, 2015 – Dan Ciuriak

Mushrooms and Yeast: The Implications of Technological Progress for Canada's Economic Growth
September 2, 2015 – Peter Howitt

The Future of Poison Pills in Canada: Are Takeover Bid Reforms Needed?
October 29, 2015 – Anita Anand

Opening up New Trade Routes for Financial Services: Canada's Priorities
December 10, 2015 – Dan Ciuriak, Daniel Schwanen and Jeremy Kronick

A Crisis of Capital: Canadian Workers Need More Tools, Buildings and Equipment
December 16, 2015 – Aaron Jacobs, Benjamin Dachis and William B.P. Robson

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2015 Research Reports — Energy and Infrastructure

Tackling Traffic: The Economic Cost of Congestion in Metro Vancouver
March 9, 2015 – Benjamin Dachis

Railroad Blues: How to Get Canada's Rail Policy Back on Track
April 2, 2015 – Benjamin Dachis

Peak Power Problems: How Ontario's Industrial Electricity Pricing System Impacts Consumers
June 11, 2015 – Anindya Sen

Drilling Down on Royalties: How Canadian Provinces Can Improve Non-Renewable Resource Taxes
September 23, 2015 – Benjamin Dachis and Robin Boadway

First Nations Own-Source Revenue: How Is the Money Spent?
October 14, 2015 – John Richards and Mark Krass

From "Social Licence" to "Social Partnership": Promoting Shared Interests for Resource and Infrastructure Development
December 1, 2015 – Geoffrey Hale and Yale Belanger



The Honourable Joe Ceci, Alberta Minister of Finance, and **The Honourable Marg McCuaig-Boyd,** Alberta Minister of Energy

Fostering Opportunities for Individuals

A major component of the Institute's research consists in finding ways to improve opportunities for Canadians' personal and economic betterment. This question has informed in particular the work of Institute research published in 2015 on Education and Skills and on Healthcare.

The Institute's research on education evaluated the impact of the Pathways to Education program, concluding that such programs have a positive impact on high-school students' graduation and post-secondary enrollment rates. In another study, expanded school choice in BC was also seen to significantly improve students' outcomes. A third paper concluded that improving Canadian students' math scores required focusing on student fluency with key concepts known to lead to future math success.

A sobering study comparing teacher compensation and student outcomes in six Canadian provinces concluded that higher compensation for teachers does not translate into better educational outcomes. At the same time, the Institute also dug into the causes of Canada's disappointing performance in international rankings of adult literacy and numeracy skills. This research concluded that Canada's performance is explained by the high mix of recent immigrants in its population relative to that in other advanced economies, rather than suggesting systemic failings.

The Institute's work on health policy continued to alert provincial governments to the need to put healthcare on a more sustainable cost footing, given large unfunded health care liabilities. It also explored ways of improving incentives to spend public funds in ways that are better aligned with incentives to improve health outcomes for Canadians. Thus the Institute showed how the problem of medical specialists who can't find work in Canada is related to the way public health spending is allocated in silos.

Health policy research at the Institute continued to rely substantially on examining best practices in the many advanced countries that can boast of better accessibility and outcomes than the Canadian healthcare system. Indeed, the Institute's work also devoted a paper to the question of how to better measure and report on such health outcomes, as methodologies in that area quickly becoming more patient-centric.

The Institute also reflected on the role that information technology can play in reducing costs and increasing accessibility and quality of services. In addition, Institute research led to specific recommendations on ways governments could encourage parents to have their children vaccinated in order to reach acceptable vaccination coverage targets. And it continued to propose cost-effective ways to enhance accessibility to services and to necessary medication, particularly for lower-income Canadians, by thinking through how to make pharmacare feasible in the federation, building up from existing provincial programs.



Andy Williams



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Patricia Jesselon and **Richard Alvarez**

2015 Research Reports — Health Policy

Delivering Healthcare to an Aging Population: Nova Scotia's Fiscal Glacier
January 7, 2015 – Aaron Jacobs, Colin Busby and William B.P. Robson

Managing Healthcare for an Aging Population: Are Demographics a Fiscal Iceberg for Newfoundland and Labrador?
January 8, 2015 – Aaron Jacobs, Colin Busby and William B.P. Robson

Managing the Cost of Healthcare for an Aging Population: Prince Edward Island's $13 Billion Healthcare Squeeze
January 9, 2015 – Aaron Jacobs, Colin Busby and William B.P. Robson

Managing the Costs of Healthcare for an Aging Population: The Fiscal Impact of New Brunswick's Demographic Glacier
January 16, 2015 – Aaron Jacobs, Colin Busby and William B.P. Robson

Doctors without Hospitals: What to do about Specialists Who Can't Find Work
February 5, 2015 – Aaron Jacobs, Ake Blomqvist, Colin Busby and William Falk

Rethinking Canada's Unbalanced Mix of Public and Private Healthcare: Insights from Abroad
February 25, 2015 – Ake Blomqvist and Colin Busby

A Shot in the Arm: How to Improve Vaccination Policy in Canada
March 12, 2015 – Colin Busby and Nicholas Chesterley

Missed Connections: The Adoption of Information Technology in Canadian Healthcare
March 26, 2015 – Denis Protti

Feasible Pharmacare in the Federation: A Proposal to Break the Gridlock
October 21, 2015 – Ake Blomqvist and Colin Busby

Measuring Outcomes in the Canadian Health Sector: Driving Better Value from Healthcare
November 12, 2015 – Irfan Dhalla, Jeremy Veillard, Niek Klazinga and Omid Fekri

2015 Research Reports — Human Capital

Evaluating Student Performance in Pathways to Education
January 22, 2015 – Adam Lavecchia, Philip Oreopoulos and Robert Brown

Doctors without Hospitals: What to do about Specialists Who Can't Find Work
February 5, 2015 – Aaron Jacobs, Ake Blomqvist, Colin Busby and William Falk

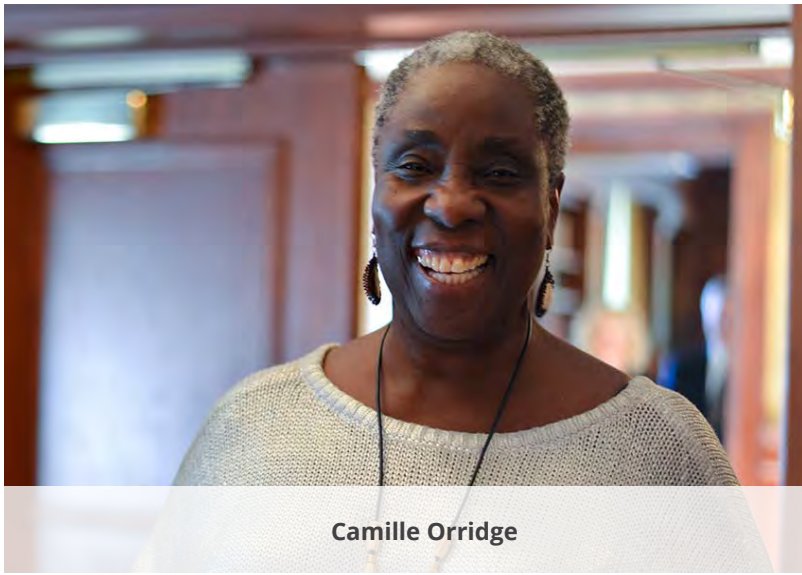
Expanding School Choice through Open Enrolment: Lessons from British Columbia
February 12, 2015 – Benjamin Cerf Harris, Jane Friesen and Simon Woodcock

What to Do about Canada's Declining Math Scores
May 29, 2015 – Anna Stokke

Value for Money? Teacher Compensation and Student Outcomes in Canada's Six Largest Provinces
September 1, 2015 – David Johnson

Underperforming Adults? The Paradox of Skills Development in Canada
September 16, 2015 – Andrew Parkin

Shifting the Federal Tax Burden on the One-Percenters: A Losing Proposition
December 3, 2015 – Alexandre Laurin



Camille Orridge

Enhancing the Effectiveness of our Institutions

The Institute's research program addresses the overarching question of the efficiency and good governance of the institutions at the centre of Canadian economic and social policy-making. In this vein, the Institute's work in 2015 focused on the accountability and transparency of financial reporting of various levels of governments, on intergovernmental fiscal relations, and on the approval process for large projects spanning multiple jurisdictions.

The Institute's annual report on the fiscal accountability of Canada's federal and provincial governments made waves once again. As well, the Institute once again urged municipalities in Canada to make their financial reporting more transparent, such as by using accrual accounting for capital expenditures. The thorough work and strong reputation that the Institute has built in both these areas led a number of governments to take the Institute's recommendations to heart, thus making Canadians better able to understand the implication of decisions taken by their representatives.

The Institute also weighed in on prominent issue related to First Nations governance, particularly in the context of natural resource and other economic development. One paper concluded that modern treaties had a positive effect on the incomes of First Nations that had signed them, as they provided a clearer governance framework for beneficial economic development. Another paper warned, however, that First Nations with higher own-source revenues did not automatically spend this income on education and housing – and that these plainly remained the responsibility of the federal government.

Another study examined ways to promote shared interests between First Nations, other levels of government across the country and investors in resource and infrastructure projects promising wider economic benefits for Canada. The study provided a guide, based on best practices, for enhancing the probabilities of mutually beneficial agreements.

Last but not least, the Institute's researchers delved deeply into federal-provincial fiscal relations with a major study aimed at informing senior governments ahead of negotiations on future fiscal transfers from Ottawa to the provinces. The study reviewed the history and theory behind such transfers, and emphasized that not only needs, but accountability of each level of government to citizens, needed to inform future transfer levels.



John Stackhouse, SVP, Office of the CEO, RBC; Senior Fellow, C.D. Howe Institute



Gino Scapillati (foreground) with **Donald S. Reimer** (centre) and **Henry N. Jackman**

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2015 Policy Events

The Institute's off-the-record, invitation-only policy roundtables, conferences and special events bring together corporate executives, policy leaders, senior civil servants, and acclaimed scholars for substantive discussions on policy issues. The Institute held the following events in 2015 (in chronological order):

Philip Oreopoulos, Professor of Economics, University of Toronto
Building Strong Roots of Education: Evaluating the Pathways to Education Program
Toronto Roundtable Luncheon

The Hon. Mitzie Hunter, Associate Minister of Finance, Government of Ontario
The Ontario Retirement Pension Plan: Helping Ontario Workers Retire with Greater Financial Security
Toronto Roundtable Luncheon

Benoit Daignault, President & CEO, Export Development Canada
Canada's Trade Toolkit: EDC's Role in Growing Canadian Exports
Toronto Roundtable Luncheon
SPONSORED BY BOYDEN

Sophie Brochu, President and CEO, Gaz Metro
Canadians, the environment and energy: From Isolated Regional Ambitions to a shared National Aspiration
Montreal Roundtable Luncheon

Lt. Gen. Charles Bouchard, Country Leader, Lockheed Martin Canada
From Libya to Lockheed Martin
Ottawa Executive Briefing

Corporate Governance Initiative
Time for the Pill to Go? The Rights of Shareholders and Duties of Boards During Hostile Takeovers
Speakers:
- **Dominic Barton**, Worldwide Managing Director, McKinsey & Company
- **Anita Anand**, Professor, Law, University of Toronto
- **Sharon Geraghty**, Partner, Torys LLP

Moderator:
- **John Stackhouse**, Senior Fellow, C.D. Howe Institute

Toronto Breakfast Event

Driving Canada Forward: Enhancing SME Growth
Toronto Seminar
SPONSORED BY INDUSTRY CANADA

Hugh O'Reilly, President and CEO, OPTrust
Pensions as Problem Solvers: The Future of Retirement in Ontario
Toronto Roundtable Luncheon

Ian Telfer, Chairman of the Board, Goldcorp
Why do Canadian Resource Companies Complain so Much?
Calgary Roundtable Luncheon
SPONSORED BY RBC CAPITAL MARKETS

Noel Archard, Managing Director and Head, BlackRock Canada
In Challenge, Opportunity: How we Can Help Canadian Investors Do Better
Toronto Roundtable Luncheon

Making it in Canada: Challenges and Opportunities for Canadian Manufacturing
Toronto Seminar

Patrick Robinson, Head of Public Policy, Canada and Europe, Airbnb; and Christopher Schafer, Public Policy Lead, Canada, Uber
Game Changers: Implications of Innovation and the Sharing Economy
Toronto Roundtable Luncheon
SPONSORED BY MORGAN, MEIGHEN & ASSOCIATES

The Fiscal Accountability Rankings of Canada's Most Senior Governments
Speakers:
- **The Hon. Bob Rae**, Former Premier of Ontario, and Former Interim Leader of the Liberal Party of Canada
- **Ernie Eves**, Former Premier of Ontario
- **Greg Sorbara**, Former Ontario Minister of Finance
- **Bill Robson**, President and CEO, C.D. Howe Institute

Toronto Roundtable Luncheon

The Hon. James Moore, Minister, Industry Canada
Toronto Roundtable Luncheon

Jochen Tilk, President and CEO, Potash Corporation of Saskatchewan
PotashCorp: Room to Grow, The Road Ahead for Saskatchewan's Pink Gold
Calgary Roundtable Luncheon

Entrepreneurs Debate Series
Breaking Through the Barriers: How do we create successful entrepreneurs in Canada?
Speakers:
- **Arlene Dickinson,** CEO, Venture Communications
- **Nitin Kawale,** President, Enterprise Business Unit, Rogers
- **Greg Taylor,** Co-Founder, Steam Whistle Brewing and moderator
- **John Stackhouse,** SVP, Office of the CEO, RBC

Toronto Special Event
SPONSORED BY BUSINESS DEVELOPMENT BANK OF CANADA

Paul Rochon, Deputy Minister, Finance Canada
Economic Action Plan 2015
Toronto Roundtable Luncheon
SPONSORED BY THE CANADIAN BANKERS ASSOCIATION

David Dodge, Senior Advisor, Bennett Jones LLP; Chair, C.D. Howe Institute's National Council
Financial Regulation and Efficiency: Tradeoffs in the Post-Financial Crisis Era
Ottawa Roundtable Luncheon

Gerry Protti, Chair, Alberta Energy Regulator
The Innovation Imperative – Alberta's Energy Regulator
Calgary Roundtable Luncheon

2015 Directors Dinner



Victor Dodig, the President & CEO of CIBC, **Sam Sebastian**, Managing Director at Google, and **Bill McFarland**, CEO & Senior Partner at PwC Canada



Nitin Kawale and **Arlene Dickinson**

Michael Ferguson, Auditor General of Canada
Government Accountability: What do Canadians Expect?
Toronto Roundtable Luncheon

Suzanne Fortier, Principal and Vice-Chancellor, McGill University
Winning the Game: How Strategic Investment in our Universities can give Canada its Research and Innovation Global Edge
Montreal Roundtable Luncheon

Our Most Important Resource: Why Canada Needs to Invest in Human Capital
Speakers:
- **Harvey Weingarten**, President and CEO, Higher Education Quality Council of Ontario (HEQCO)
- **Heather Stockton**, Partner in Human Capital, Deloitte
- **Wilma Vreeswijk**, Associate Deputy Minister, Citizenship and Immigration Canada
- **Gina Wilson**, Associate Deputy Minister of Employment and Social Development Canada

Toronto Roundtable Luncheon

Jean Turmel, Chair, Ontario Teachers' Pension Plan
Multiplication of Asset Classes, Challenges and Opportunities for Large Pension Funds
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Health Partnership Summit: The Promise of Integrated Healthcare
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Annual Directors' Dinner
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Crisis Management to Crisis Leadership
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Mark Wiseman, President and CEO, CPPIB
Lessons from the Long Term
Calgary Roundtable Luncheon
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A Great Debate
How should the broadcasting and digital media content that Canadians have access to be publicly regulated and funded, through a public broadcaster or by other means?
Speakers:
- **Anthony Burman**, Distinguished Visiting Professor, School of Journalism, Ryerson University
- **Andrew Coyne**, Editorials & Comment Editor, National Post
- **Peter Miller**, Media Lawyer and Consultant
- **Lawson Hunter**, Counsel, Stikeman Elliott LLP

Moderator:
- **Ann Medina**, Former Senior Foreign Correspondent, CBC's The Journal

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Andy Byford, CEO, Toronto Transit Commission
Modernizing the TTC: The Halfway Point
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The Future of Financial Service: Competition and Growth
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Advancing Canada's Economic Prospects
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Rethinking Canadian Manufacturing
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For Your Consideration: AIMCo and the View from Alberta
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Expert Panel on Ontario's Recycling Framework
Speakers:
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- **Ken Friesen**, Executive Director, Canadian Beverage Container Recycling Association
- **Tom Chervinsky**, VP Campaigns, Canadians for Clean Prosperity

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Inside the Mind of a CEO Dinner
Speakers:
- **Sam Sebastian**, Managing Director, Google Canada
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- **Victor Dodig**, President and CEO, CIBC

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Federal, Provincial, and Municipal: Partners for Montreal's Economic Development
Montreal Roundtable Luncheon

The Rt. Hon. Conrad Black, Author, *Rise to Greatness: The History of Canada from the Vikings to the Present*
Toronto Roundtable Luncheon

2015 Policy Events
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Purvis Prize Reception for Kevin Milligan, Professor of Economic, University of British Columbia
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The Elephant in the Room: Climate Change and the Automotive Industry
Toronto Roundtable Luncheon
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The Financial and Economic Situation in Quebec
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The Hon. Deb Matthews, Deputy Premier, President of the Treasury Board & Minister Responsible for the Poverty Reduction Strategy
Our Plan to Build Ontario Up
Toronto Roundtable Luncheon

Expert Panel on The Agenda for Energy Policy in the New Parliament
Speakers:
- **Goldy Hyder**, President and CEO, Hill+Knowlton Strategies
- **The Honourable Darrell Dexter**, Vice-Chair, Global Public Affairs & former Premier of Nova Scotia
- **Rob Silver**, Partner, Crestview Strategy

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Pierre Marc Johnson, former Premier, Government of Quebec
CETA: An Important Consolidation in the Canada-EU Relationship
Montreal Roundtable Luncheon
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Patrons' Circle Dinner with Chief Risk Officers
Bridging Troubled Waters: Navigating International and Domestic Risks in 2015
Speakers:
- **Mark Hughes**, Chief Risk Officer, RBC
- **Laura Dottori-Attanasio**, Senior Executive Vice-President and Chief Risk Officer, CIBC
- **Rahim Hirji**, Executive Vice President and Chief Risk Officer, Manulife

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HOOPP – A Flexible Pension Model that Works
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Public Confidence in the Energy Sector
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William Robson, President and CEO, C.D. Howe Institute, Daniel Schwanen, Vice President, Research, C.D. Howe Institute, and Craig Alexander, Vice President, Policy Analysis, C.D. Howe Institute
Policy Priorities for Canada's New Federal Government
Ottawa Roundtable Luncheon

Jean-Denis Fréchette, Parliamentary Budget Officer
Activities and role of the PBO in a Newly Elected Government: What's Ahead
Toronto Roundtable Luncheon

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Inside the Auditor General's Office – Perspectives on Government Finances and Value for Money Audits
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New Directions in Tax Administration
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Keeping Pace in Changing Times: The Importance of Competition Advocacy
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Michael McCain, President and Chief Executive Officer, Maple Leaf Foods
Global Food Security Policy
Toronto Roundtable Luncheon

Ray Gilmour, Deputy Minister of Alberta Treasury Board and Finance Fiscal Update
Calgary Roundtable Luncheon

Timothy O'Neill, Chair, IESO
Emerging Challenges and Opportunities for Ontario's Electricity Sector
Toronto Roundtable Luncheon

Goldy Hyder (centre)



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Building Public Trust in Pipelines
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- **Peter Wallace**, City Manager, City of Toronto
- **Bill Hughes**, Commissioner of Finance and Treasurer, Regional Municipality of York
- **Bill Forward**, former Deputy Minister of Municipal Affairs and Housing, Government of Ontario
- **Bill Robson**, President and Chief Executive Officer, C.D. Howe Institute

Toronto Roundtable Luncheon

Andrea Stairs, Country Manager, eBay Canada
Technology Enabling the Next Generation of Canadian Exporters
Toronto Roundtable Luncheon

Annual Benefactors' Dinner
Policy Priorities for Canada's New Federal Government
- **William Robson**, President and CEO, C.D. Howe Institute
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- **Craig Alexander**, Vice President, Policy Analysis, C.D. Howe Institute

Dawn Farrell, President and CEO, TransAlta
The Long Play: Managing Uncertainty by Mobilizing Action
Calgary Roundtable Luncheon

The Future of Canadian Telecommunications and Broadcasting
Special Policy Conference, Ottawa

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Toronto Pearson: Growth, Connectivity, Capacity – How Canada's Global Hub Airport Powers our Economy
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Economic and Energy Policy Priorities for the Province of Alberta
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A Model for Success: Business and Government Working Together
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Building the Future of Canada's Transportation Infrastructure
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Asset Managers and Global Financial Stability
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Craig Alexander, Vice President of Policy Analysis, C.D. Howe Institute, and Ross Finnie, Professor, Graduate School of Public and International Affairs, University of Ottawa
Opportunity and Prosperity in the Canadian Labour Markets
Ottawa Roundtable Luncheon

Heather Munroe-Blum, Chairperson, Canada Pension Plan Investment Board
Governance Matters: Making Public Service Count
Toronto Roundtable Luncheon
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Long-Term Vision in a Fast-Changing World: Policies to Support Canadians' Financial Security in Retirement
Toronto Seminar

Daniel Schwanen, Vice President of Research, C.D. Howe Institute, Ross Hornby, Vice-President, Government Affairs and Policy, GE Canada, and Sam Boutziouvis, Vice President, Government Relations and Multilateral Institutions, SNC-Lavalin Group Inc.
The Trans-Pacific Partnership: The Canadian Key to Trade with Asia?
Toronto Roundtable Luncheon



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Independent Auditor's Report

To the Members of C.D. Howe Institute

We have audited the accompanying financial statements of the C.D. Howe Institute, which comprise the balance sheet as at December 31, 2015, the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the C.D. Howe Institute as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario, Canada
May 4, 2016

C.D. Howe Institute
Balance sheet
as at December 31, 2015

	2015	2014
	$	$
Assets		
Current assets		
Cash and cash equivalents	**3,224,691**	3,307,651
Accounts receivable	**413,716**	107,364
Prepaid expenses	**56,646**	78,387
	3,695,053	3,493,402
Long-term investments (Note 4)	**5,293,661**	5,239,390
Capital assets (Note 5)	**592,846**	599,866
	9,581,560	9,332,658
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	**172,160**	133,450
Deferred revenue	**1,799,032**	1,675,694
	1,971,192	1,809,144
Long-term		
Deferred capital contributions	**213,837**	237,801
Deferred rent	**196,911**	207,039
	410,748	444,840
	2,381,940	2,253,984
Fund balances		
Invested in Capital Assets (Note 7)	**379,009**	362,065
Operating	**1,541,406**	1,491,118
Endowment Funds (Note 8)	**5,279,205**	5,225,491
	7,199,620	7,078,674
	9,581,560	9,332,658

Approved by the Board

Chair of the Board

Chair, Audit, Finance and Risk Committee

The accompanying notes to the financial statements are an integral part of this financial statement.

C.D. Howe Institute
Statement of revenue and expenses
year ended December 31, 2015

	2015	2014
	$	$
Revenues		
Contributions and subscriptions	**3,835,348**	3,632,413
Events revenue	**991,513**	742,813
Investment income – realized gains (Note 12)	**20,654**	36,409
Investment income – unrealized gains	**3,665**	5,011
Publication sales	**11,360**	10,538
Contract revenue	**48,595**	7,201
	4,911,135	4,434,385
Expenses		
Research, administrative and project expenses (Note 12)	**4,728,932**	4,171,131
Amortization	**114,971**	122,166
	4,843,903	4,293,297
Excess of revenue over expenses for the year	**67,232**	141,088

C.D. Howe Institute
Statement of changes in fund balances
year ended December 31, 2015

	Invested in Capital Assets Fund	Operating Fund	Endowment Funds	2015 Total	2014 Total
	$	$	$	$	$
Balances, beginning of year	**362,065**	**1,491,118**	**5,225,491**	**7,078,674**	6,533,611
Excess of revenue over expenses for the year	**(91,007)**	**158,239**	**-**	**67,232**	141,088
Unrealized gains (losses) on investments (Note 8)	**-**	**-**	**(125,041)**	**(125,041)**	147,208
Contributions received during the year (Note 8)	**-**	**-**	**50,000**	**50,000**	191,401
Investment income (Note 8)	**-**	**-**	**343,275**	**343,275**	322,240
Transfer to deferred revenue during the year (Note 8)	**-**	**-**	**(214,520)**	**(214,520)**	(256,874)
Purchases of capital assets	**107,951**	**(107,951)**	**-**	**-**	-
Balances, end of year	**379,009**	**1,541,406**	**5,279,205**	**7,199,620**	7,078,674

The accompanying notes to the financial statements are an integral part of this financial statement.

C.D. Howe Institute
Statement of cash flows
year ended December 31, 2015

	2015	2014
	$	$
Operating activities		
Excess of revenue over expenses for the year	**67,232**	141,088
Items not affecting cash		
Amortization of capital assets	**114,971**	122,166
Amortization of deferred capital contributions	**(23,964)**	(23,964)
Unrealized gains on investments	**(3,665)**	(5,011)
Amortization of deferred rent	**(10,128)**	(10,128)
	144,446	224,151
Changes in non-cash working capital items		
Accounts receivable	**(306,352)**	135,539
Prepaid expenses	**21,741**	(26,274)
Accounts payable and accrued liabilities	**38,710**	(23,655)
Deferred revenue	**123,338**	(165,668)
	21,883	144,093
Investing activities		
Purchase of capital assets	**(107,951)**	(61,319)
Purchase of investments	**(814,029)**	(1,336,216)
Proceeds on sale of investments	**763,423**	1,479,898
	(158,557)	82,363
Financing activity		
Endowment contributions and income, less expenses and transfer (Note 8)	**53,714**	403,975
(Decrease) increase in cash and cash equivalents during the year	**(82,960)**	630,431
Cash and cash equivalents, beginning of year	**3,307,651**	2,677,220
Cash and cash equivalents, end of year	**3,224,691**	3,307,651
Cash and cash equivalents is comprised of:		
Cash	**366,508**	316,795
Cash equivalents – interest bearing deposits	**2,858,183**	2,990,856
	3,224,691	3,307,651

The accompanying notes to the financial statements are an integral part of this financial statement.

1. Description of organization

The C.D. Howe Institute (the "Institute") is an independent, not-for-profit, research and educational organization. It carries out independent analysis and critique of public policy issues and translates scholarly research for action by the government and the private sector. The Institute is a registered charity exempt from paying income taxes under Section 149(1) (f) of the Income Tax Act. The Institute was incorporated under Part II of the Canada Business Corporations Act on April 23, 1958 and was continued under the Canada Not-for-Profit Corporations Act on June 6, 2014.

2. Summary of significant accounting policies

The financial statements of the Institute have been prepared in accordance with Canadian accounting standards for not-for-profit organizations published by the Chartered Professional Accountants of Canada using the deferral method and reflect the following significant accounting policies:

Contributions

Contributions are recorded as received, except when specified by the donor that they relate to the following year(s), in which case they are deferred until eligible expenses are incurred. Contributions of materials and services used in the normal course of the Institute's operations are recorded at their fair value when the amounts can be reasonably estimated. Endowment contributions are recognized as direct increases in the Fund balance. Transfers from the Endowment Fund to the Operating Fund are recognized when the transfer is authorized by the Endower.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Institute becomes a party to the contractual provision of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments. The Institute has elected to use the fair value option to measure investments, with any subsequent changes in fair value recorded in the Statement of revenue and expenses.

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the Statement of revenue and expenses.

Cash and cash equivalents

Cash and cash equivalents are defined as cash, interest bearing deposits that are redeemable on demand, and Canadian securities with original maturity dates of three months or less.

Short-term investments

Short-term investments are accounted for on the settlement date basis and any transaction costs are expensed as incurred.

Capital assets

Capital asset additions are recorded at cost. Amortization is calculated using the straight-line basis at 33-1/3% per annum for electronic equipment, and computer hardware and software and 10% per annum for furniture, fixtures and equipment. Conference equipment is amortized on the straight-line basis over six years. Signage and leasehold improvements are amortized on the straight-line basis over the term of the lease.

2. Summary of significant accounting policies (continued)

Publications

Publications are not recorded as inventory. Costs are accrued for publications in progress. All costs of publications that have entered the production stage by the end of the year are expensed.

Deferred capital contributions

Deferred capital contributions relate to funds received for office leasehold improvements and are amortized on the straight-line basis over the term of lease.

Deferred rent

Deferred rent, consisting of tenant allowances, free rent and reduced rent, is amortized on the straight-line basis over the term of the lease.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect amounts reported therein. Areas which involve a significant degree of estimation include the valuation of short-term investments, accounts payable and accrued liabilities, deferred revenue and the useful life of capital assets. Actual results may differ from such estimates.

Description of funds

Operating Fund
Amounts received, used or held for the research and educational goals of the Institute, are recorded in the Operating Fund.

Endowment Fund
Endowment Funds represent amounts received which are externally endowed, together with any designated unspent investment income.

Invested in Capital Assets Fund
The Invested in Capital Assets Fund records the Institute's cost of capital assets, less accumulated amortization and unamortized deferred capital contributions.

3. Commitments

The Institute has a lease commitment for premises located at 67 Yonge Street, Toronto, Ontario. The lease expires on November 30, 2024. Future minimum commitments (excluding operating costs) under the lease are as follows:

	$
2016	85,284
2017	85,284
2018	85,284
2019	87,061
2020 and thereafter	524,141
	867,054

4. Investments

Investments are recorded in the following funds:

			2015	2014
	Endowment	Unrestricted	Total	Total
	$	$	$	$
Long-term	**5,279,205**	**14,456**	**5,293,661**	5,239,390
Long-term investments consist of:				
Fixed income			**1,952,201**	1,946,876
Canadian equity			**1,724,255**	1,857,770
US equity			**849,605**	769,252
International equity			**767,600**	665,492
			5,293,661	5,239,390

5. Capital assets

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Furniture, fixtures and equipment	**416,242**	**327,359**	**88,883**	76,259
Computer hardware and software	**607,312**	**550,460**	**56,852**	35,776
Electronic equipment	**67,186**	**61,307**	**5,879**	4,732
Conference equipment	**84,874**	**52,688**	**32,186**	41,997
Signage	**12,289**	**5,311**	**6,978**	5,446
Leasehold improvements	**701,237**	**299,169**	**402,068**	435,656
	1,889,140	**1,296,294**	**592,846**	599,866

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include $Nil (2014 – $Nil) with respect to amounts owing to the Government.

7. Invested in Capital Assets Fund

The Invested in Capital Assets Fund balance consists of:

	2015	2014
	$	$
Capital assets (Note 5)	**592,846**	599,866
Deferred capital contributions	**(213,837)**	(237,801)
	379,009	362,065

8. Endowment Funds

	Roger Phillips	**Jack Mintz**	**Special Studies**	**Sylvia Ostry**	**Monetary Policy**	**2015 Total**	2014 Total
	$	**$**	**$**	**$**	**$**	**$**	$
Balances, beginning of the year	**1,132,839**	**227,939**	**2,270,083**	**708,594**	**886,036**	**5,225,491**	4,821,516
Revenue							
Contributions received	**-**	**-**	**-**	**-**	**50,000**	**50,000**	191,401
Unrealized gains (losses)	**(29,765)**	**(5,989)**	**(59,636)**	**(9,194)**	**(20,457)**	**(125,041)**	147,208
Investment income	**74,461**	**14,982**	**148,864**	**48,881**	**56,087**	**343,275**	322,240
	44,696	**8,993**	**89,228**	**39,687**	**85,630**	**268,234**	660,849
Transfer to deferred revenue	**(46,039)**	**(9,263)**	**(92,245)**	**(28,972)**	**(38,001)**	**(214,520)**	(256,874)
Balance, end of year	**1,131,496**	**227,669**	**2,267,066**	**719,309**	**933,665**	**5,279,205**	5,225,491

8. Endowment Funds (continued)

The Roger Phillips Endowment Fund was established to advance social policy dialogue. The capital is to be invested and the investment income earned is available to fulfill the purpose of the endowment.

The Jack Mintz Endowment Fund was established to support an annual visit and economic seminar by an eminent expert. The capital is to be invested and the investment income is available to fulfill the purpose of the endowment.

The Special Studies Endowment Fund was established to support special projects which would otherwise be difficult to fund through annual membership contributions. The capital is to be invested and the investment income earned is being retained in the Fund to fulfill the purpose of the endowment.

The Sylvia Ostry Endowment Fund was established to stage an annual lecture in Sylvia Ostry's name, featuring a distinguished speaker on a topic related to international economic policy. The capital is to be invested and the investment income earned is available to fulfill the purpose of the endowment.

The Monetary Policy Endowment Fund was established during 2009 to support research, publications and events resulting in further understanding of, and offer policy advice on, Canadian Monetary policy. During the year, further contributions of $50,000 (2014 – $165,000) were received. The capital is to be invested and the investment income earned is being retained in the Fund to fulfill the purpose of the endowment.

During the year, in accordance with the wishes of the Endowers, $214,520 (2014 – $256,874) was transferred to deferred revenue for the purpose of funding future activities over the fiscal years 2016 to 2018.

The Endowment Funds have been invested in long-term investments (Note 4).

9. Pension plan

The Institute sponsors a group registered retirement savings plan for its employees. The Institute's liability is limited to matching contributions for the year and these amounted to $87,675 (2014 – $73,286).

The Institute sponsors a registered pension plan and contributions for the year amounted to $35,457 (2014 – $43,062).

10. Guarantees

In the normal course of business, the Institute enters into agreements that meet the definition of a guarantee. The Institute's primary guarantees are as follows:

(a) The Institute has provided indemnities under a lease agreement for the use of operating facilities. Under the terms of the agreement, the Institute agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) Indemnity has been provided to all directors and/or officers of the Institute for various items including, but not limited to, all costs to settle suits or actions due to involvement with the Institute, subject to certain restrictions. The Institute has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Institute. The maximum amount of any future payment cannot be reasonably estimated.

(c) In the normal course of business, the Institute has entered into agreements that include indemnities in favour of third parties, such as confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements,

10. Guarantees (continued)

leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Institute to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparties as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Institute from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Institute has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the financial statement, with respect to these agreements.

11. Risk management

The Institute follows a Statement of Investment Policies, which provides the investment objectives, performance expectations and guidelines for the management of its investments.

Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the specific individual investment or factors affecting all securities traded in the market. To mitigate this specific risk, the Institute invests in a diversified portfolio of investments in accordance with the Institute's investment policy.

Interest rate risk

The Institute is exposed to interest rate risk with respect to its long-term investments. Changes in the prime interest rate will have a positive or negative impact on the Institute's interest income. Such exposure will increase accordingly should the Institute maintain higher levels of long-term investments in the future.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Institute's investment policy defines permitted investments and provides guidelines and restrictions on acceptable investments, which minimizes credit risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Institute invests in non-Canadian equities and is therefore directly exposed to currency risk, as the value of equities denominated in other currencies will fluctuate due to changes in exchange rates.

12. Comparative amounts

The following 2014 amounts have been restated to conform with the current year's financial statement presentation:

	As originally presented	**As restated**
	$	**$**
Investment income – realized gains	(6,842)	**(36,409)**
Research, administrative and project expenses	4,141,564	**4,171,131**
	4,134,722	**4,134,722**



Become a Member

Your membership is a philanthropic investment in research that seeks to advance systems, structures and policies that support our businesses, and improves the economic and social well-being of all Canadians. Your support of these efforts means a great deal to the Institute.

For more information about becoming a member of the Institute, please contact: Stephane Paris at 416-865-1904, ext 0238, or email SParis@cdhowe.org

Support the Institute

Your personal support is critical to the Institute enhancing its policy impact. As a charity, we ask that you to take a moment and consider making a personal contribution to the C.D. Howe Institute today. You can call in your donation at 416-865-1904 or send an email to cdhowe@cdhowe.org.

Contact Us

You can contact us by telephone at 416-865-1904 or visit our website at cdhowe@cdhowe.org.

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