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Canada
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at Work

ANNUAL REPORT 2016



INSTITUT
C.D. HOWE
INSTITUTE



OUR MISSION

The C.D. Howe Institute is an independent not-for-profit research institute whose mission is to raise living standards by fostering economically sound public policies. Widely considered to be Canada's most influential think tank, the Institute is a trusted source of essential policy intelligence, distinguished by research that is nonpartisan, evidence-based and subject to definitive expert review.

Celebrating Canada's 150th year!

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The C.D. Howe Institute has won more research awards than any Canadian think tank, including over a quarter of all Purvis Prizes, the highest honour in Canadian economic policy writing.

Essential Output

66

high-quality
research and
policy council
reports

82

exclusive,
off-the-record
events

Stimulating Debate

8,569

Citations in Canadian
and international media

4,288

Citations in social media

584,037

Website pageviews

Impacting Government

46

Policy outreach
presentations

Stimulating Debate

141

Interviews

221

Citations in *the
Globe and Mail*
and *National Post*



MESSAGE FROM THE CHAIRMAN

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

The C.D. Howe Institute's mission is simple: **to raise Canadian living standards by fostering economically sound public policy.** As citizens across the country celebrate our 150th anniversary, the Institute takes great pride in its many decades of contributions to Canada's enviable position as a global economic leader.

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 2016, holding a record 82 policy events and publishing 66 research and policy council reports. This work generated over 8,000 citations in Canadian and international media, and over half a million webpage views.

On behalf of the Board, I would like to thank the Institute's President & CEO, Bill Robson, for his first-rate leadership, and the Institute's Senior Vice President and Chief Operating Officer, Duncan Munn, who ensures the Institute, despite its relatively modest funding, operates a lean and highly effective operation. 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 Dianne Craig, Murray Edwards, Richard Legault, Heather Munroe-Blum and William B. Thomas, who stepped down from the Board in 2016, and to thank them for their invaluable service. Last year, we were delighted to welcome Gordon Fyfe, Rich Kruger and Cyrus Madon to the Board.

Finally, we pay tribute to the Institute's members and friends. Your philanthropic support enables the Institute to work towards a stronger and more prosperous Canada. Thank you.

Sincerely,
Hugh L. MacKinnon



MESSAGE FROM THE PRESIDENT & CEO

William B.P. Robson

President and Chief Executive Officer,
C.D. Howe Institute

Canada's sesquicentennial is an apt time to reflect on our country's many achievements – not least the economic dynamism that has underpinned the success of our businesses, the quality of our public services, and the living standards of our citizens.

While the C.D. Howe Institute is not as old as the country, for more than half a century, it has been an authoritative provider of analysis and advice on the economic policies that matter for prosperity. And that successful record is a direct result of the intellectual and financial contributions of the Institute's members and supporters.

That support has allowed the C.D. Howe Institute to make its voice heard across the spectrum of economic policies. Among the areas where the Institute's work has made a positive difference are: liberalization of international trade and investment; inflation control and the development of inflation targets; the transparency of governments' financial reporting; reforms that put the Canada and Quebec Pension Plans on a sustainable footing; policies affecting major sectors such as manufacturing, energy, financial services, telecommunications and transportation; and growth-friendly changes to personal, business and sales taxes.

More recent changes show how the Institute's work continues to help Canadians and governments at all levels frame and address challenges in these and other areas.

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MESSAGE FROM THE PRESIDENT & CEO (CONTINUED)

2016 marked the signing of the Canada-EU Trade Agreement – the latest major reduction of barriers to foreign trade and investment. The federal government also announced plans to ease foreign ownership restrictions on domestic airlines. The Bank of Canada renewed its inflation target agreement for another five years with a 2% target – a development that would once have appeared inconceivable.

The quality of financial reporting by Canada's senior governments continued to improve; Ontario's 2016 Annual Report and Consolidated Financial Statements devoted a section to the Institute's fiscal accountability grades. And at the municipal level, Toronto announced plans to use tax-increment financing – an innovative form of financing first prefigured in Institute research – as one of the largest portions for financing its Smart Track plan, and Quebec municipalities are following suit.

The federal government eliminated grain-carrying quotas for railroads, as recommended in C.D. Howe Institute work, and that marks a step forward for the railroads and their other customers. The Alberta Government adopted recommendations from its review of oil and gas royalties that would follow Institute recommendations to make the system more akin to a cash-flow tax.

Of course, much remains to do: as the following pages document, the C.D. Howe Institute's output in 2016 covered desirable policy changes in areas as diverse as commodity taxation, pensions, communications, services delivery in large Canadian cities, electricity sector governance and continuing care for the elderly. And the Institute launched a major research program devoted to addressing Canada's human capital issues, with a fresh look at the prevalence of non-standard employment.

In addition to its written output, the C.D. Howe Institute fosters informed discussion. Our policy councils, roundtable luncheons and special events bring policymakers, business leaders, academics and other experts together to exchange facts, analysis and points of view. Here too, the Institute both thrives in, and contributes to, Canada's tradition of open and civil debate.

I am proud to acknowledge the contributions to the accomplishments documented in this Annual Report from many eminent members of the Institute's community. I salute my colleagues, the Institute's Board members, its Fellows, 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 your support, the Institute has entered 2017 stronger than ever, and will contribute to Canada's dynamism and success in the years ahead.

Sincerely,
William B.P. Robson



THANK YOU FOR YOUR CHARITABLE GIVING



I support the C.D. Howe Institute because, in addition to conducting excellent research, it attracts great speakers from the business, government, academic and the not-for-profit sectors to its “off the record” luncheons and dinners on important public policy issues.

– Don Johnston, Member, Advisory Board, BMO Capital Markets



“Why should we support the Institute? Because it is only through support from civil society that an independent voice such as the C.D. Howe can survive.”

– Hélène Desmarais, C.M., Chairman & CEO, Centre d’entreprises et d’innovation de Montréal

2016 MAJOR GIFTS AND GRANTS

As a charity, private support makes the C.D. Howe Institute's work possible. People are often surprised by our modest resources. We have only one office, and about 30 staff. We have no eight-figure endowments or major, multi-year government grants. All donations are purely philanthropic – the Institute does not accept any donations that stipulate a predetermined result or otherwise inhibit the independence of its staff and authors.

Targeted major gifts and event sponsorships enable supporters to bolster the Institute's research and dissemination capacities in specific areas of interest. They complement the annual membership campaign, strengthening the Institute and enabling it to recruit scholars and support programs that enhance its ability to develop innovative solutions to policy challenges. We gratefully acknowledge the following donors and sponsors:

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MESSAGE FROM THE SENIOR VICE PRESIDENT & COO

Duncan Munn

Senior VP and Chief Operating Officer

2016 saw continued growth in Institute memberships and philanthropic donations. This allowed for strategic investments in its events and outreach programs. As a result, we were able to solidify our position as a trusted and independent source of essential policy intelligence.

Here is how the Institute performed in meeting its core operational goals in 2016:

Goal – Drive stakeholder engagement and enhance value for membership

Result:

83% of members reported strong value for membership over the course of 2016. This is in no small part due to the Institute's focus on increasing the value proposition for membership, implementation of member acquisition pricing strategies, and deepening relationships with our strong and loyal membership. As a result, we saw corporate membership contributions soar to an all-time high, and new membership revenue grow by over 100%. 2016 also saw the launch of our Inside Access conference call series, which give members unprecedented access to Institute authors and policy intelligence.

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MESSAGE FROM THE PRESIDENT & CEO
(CONTINUED)



Stephen Poloz

Goal – Broaden the reach of Institute events and grow the bottom line

Result:

A speakers lineup including the likes of Christine Lagarde, Stephen Poloz, and Frank McKenna helped turn 2016 into yet another banner year for C.D. Howe Institute events. A 10% increase in attendance, coupled with innovative programs, such as blockchain, bail-in bonds, and our annual health policy summit, also led to increased revenue and a 10% increase in year-end surplus. 2016 also saw a 30% increase in the number of dinners and conferences hosted by the Institute.

Goal – Enhance the Institute's position as Canada's leading voice on essential public policy matters

Result:

2016 saw the Institute punch above its weight in national media citations, as well as achieve strong growth on its social media channels and website traffic. We also launched our Intelligence Memos blog, which gave the Institute an ability to provide rapid and timely responses to pressing policy matters such as the fallout from Brexit and the US election. The launch of the C.D. Howe App also brought daily policy intelligence updates right to your fingertips.

As a philanthropic organization, the C.D. Howe Institute could not have achieved these results without our strong and loyal member support, the involvement of policy leaders and scholars from across the country, and the hard work and expertise of my colleagues. Thank you for helping the Institute make a positive contribution to Canada's future through the development of essential public policies that are raising living standards for all Canadians.

Sincerely,
Duncan Munn



THE INSTITUTE'S 2016 RESEARCH MISSION

Daniel Schwanen
Vice President, Research

The mission of the Institute's research team is to illuminate the important issues and policy choices faced by Canadian decision-makers in the public and private sectors, and to provide them with sound economic policy options.

The C.D. Howe Institute's research is organised around core areas of expertise. In nine of these, research efforts are supported by advisory Councils that represent a wealth of practical government, business and professional experience in the subject area, blended with strong academic insights.

The year 2016 saw the launch of the Institute's Human Capital Council, which supports research on policy questions related to education, skills, training, labour market, immigration and demographic trends. Enabled by the support from the Human Capital Council, the renewed focus on these crucial questions for Canadians' success and well-being has already begun to considerably magnify the impact of the Institute's work in this area.

The Institute seeks to maximize the impact of the resources it devotes to research. To this end, each Institute research paper must meet a three-pronged test of: relevance to an important policy issue facing Canadians; ability to make a timely and constructive policy recommendations on, or contribute to the understanding of, that issue; and ability of the Institute to execute on the project in the context of its overall resources and commitments.

The coherence of the research program across all areas is further ensured by the requirement that each C.D. Howe Institute paper address one or more of these four overarching challenges: generating stronger economic growth and prosperity; ensuring fiscal and financial stability and sustainability; promoting greater opportunities for individual Canadians to enhance their well-being; and enhancing the effectiveness of our economic and social-policy institutions.

Cont'd next page ...

THE INSTITUTE'S 2016 RESEARCH MISSION (CONTINUED)



Christine Lagarde

The Institute's work is conducted along strictly non-partisan lines, and its external authors are asked to disclose any conflict of interest. The Institute does not accept donations that are predicated on its research concluding in favour of a particular conclusion or policy stance, or otherwise inhibiting an author's independence.

Peer-reviewed publications constitute the bedrock of the Institute's research output. The quality of these publications is underpinned by the Institute's comprehensive, state-of-the-art external review process. In turn, the integrity of this external review process is assessed once a year through a formal audit conducted by academic or other experts.

The number of peer-reviewed Institute publications has been rising steadily since 2014. In addition, the Institute's research output also comprises the eight-yearly reports of our monetary policy council, as well as occasional conference reports, speeches and presentations, translations, and numerous op-eds published in Canada's key media platforms, resulting in a dynamic blend of research-based output suiting various occasions and our various audiences.

In that vein, a new and immediately popular Institute publication appeared on the scene in 2016: The "Intelligence Memo", a blog whose posts are written in the form of timely, reasoned advice to policymakers on the key issues confronting them. Intelligence memo contributors include Institute in-house experts, external fellows and other authors, and highly informed outside experts and decision-makers. I encourage you to read the "Intelligence Memo" blog for short, accessible expert takes on the important policy issues of the day.

This is an apt point at which to recognize the enormous intellectual contributions that Council members and other Institute members, fellows and authors, and expert reviewers across Canada and beyond, make to the quality of our deliberations and the relevance and quality of our research output. The Institute's reputation for authoritative analysis owes a great deal to their insights and advice, which stems from a shared commitment to improve the lives of Canadians through good public policy. To all of them, we are deeply grateful.

Sincerely,
Daniel Schwanen

Research Team



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President and CEO



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Vice President, Research



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Colin Busby
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Farah Omran
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Kristine Gray
Senior Coordinator, Research and
Executive Assistant to the Vice
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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 2016:

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2016 Research

Fiscal and Tax Policy

The High Cost of Getting Ahead: How Effective Tax Rates Affect Work Decisions by Lower-Income Families

February 11, 2016 – Alexandre Laurin

Where the Bucks Stop: A Shadow Federal Budget for 2016

March 16, 2016 – Alexandre Laurin and William B.P. Robson

Tapping the Land: Tax Increment Financing of Infrastructure

March 29, 2016 – Adam Found

Auditing the Auditors: Tax Auditors' Assessments and Incentives

April 5, 2016 – Kenneth J. Klassen

Controlling the Public Purse: The Fiscal Accountability of Canada's Senior Governments, 2016

April 11, 2016 – Colin Busby and William B.P. Robson

Modernizing Business Taxation

May 31, 2016 – Robin Boadway and Jean-François Tremblay

Two Sets of Books at City Hall? Grading the Financial Reports of Canada's Cities

November 24, 2016 – William B.P. Robson, Benjamin Dachis and Jennifer Y. Tsao

What do the Different Measures of GDP Tell Us?

December 8, 2016 – Philip Cross

Business Tax Burdens in Canada's Major Cities: The 2016 Report Card

December 13, 2016 – Adam Found and Peter Tomlinson

Promoting Fiscal and Financial Stability

Canada is recognized for its well-regulated financial, insurance and pensions systems. The stability and sustainability of those systems are fundamental to the ability of Canadians to plan their economic affairs with confidence.

These systems must constantly be re-evaluated in light of evolving broader economic, demographic and other external circumstances, and of updated assessment of risks. At the same time, an over-emphasis on sustainability and stability should not come at the expense of these systems' core roles in efficiently financing economic growth.

The Institute research in 2016 addressed a number of these and other issues related to fiscal and financial stability. For example, an Institute publication recommended strengthened backstop arrangements to address the ripple effect on financial markets of severe, one-off insurance industry loss due to earthquake or other catastrophic events. Another proposed the institution by the Bank of Canada of permanent emergency liquidity facilities to better prepare for the eventuality of another severe financial crisis.

While Canadians retiring over the next few years can feel secure relative to impending retirees in a number of other OECD countries, last year saw a vigorous debate over the need to expand the Canada Pension Plan, or even create a new public pension plan in Ontario, should CPP expansion not materialize. This debate took place in the context of an assumed shortfall in Canadians' retirement savings.

The Institute's research sought to illuminate these discussions in a number of useful ways. Given the sometimes confusing retirement preparedness debate, one Institute study reviewed five often-quoted studies to show how different prescriptions for retirement income policies could arise from fairly similar assessments of the facts.

Another publication provided a comprehensive assessment of the "fourth pillar" of retirement preparedness, in the form of assets that Canadians hold outside of public, workplace or registered retirement savings plans, and which they can draw upon to finance their retirement. The study suggested that this fourth pillar contributed in a substantial yet underappreciated way to Canadians' retirement preparedness.

The Institute's work also contributed to a better understanding of the impact of an expanded CPP on lower income earners, and of the impact of a likely significant decline in spending by retirees past a certain age on workplace pension plans.

Sound macroeconomic policy provides, by definition, the broad framework most conducive to growth in standards of living. As the new

Cont'd next page ...

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Former Deputy Minister of Finance, Canada

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federal government touted deficit financing in a period of economic slack, the Institute's 2016 Shadow Budget showed that a reasonably prompt return to budgetary balance at the federal level could not only be achieved without reducing essential support that Canadians expect at a difficult time, but could make room for well-thought-out measures to stimulate the economy. The Institute continued to draw attention to the unappreciated burden and risks for taxpayers of federal employee pension plans.

Two Institute publications examined questions facing the Bank of Canada and the government ahead of the 2016 renewal of the Inflation-Control Agreement. In that vein, the

Institute published research that confirmed the benefits of the current inflation targeting regime, and analyzed the conduct of monetary policy in a low interest rate environment.

The Institute made a number of original contributions in 2016 towards improving our understanding of economic data, notably through the creation of a new index of the diffusion of economic ups and downs by economic sectors, under the aegis of the Institute's Business Cycle Council, and a more specific examination of the monetary policy response to the ripple effects of oil price shocks. The Institute also published a guide to interpreting the various measures of GDP used by statistical agencies and economic commentators.

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2016 Research

Monetary Policy, Financial Services and Pensions

Looking for Liquidity: Banking and Emergency Liquidity Facilities

February 9, 2016 – Jeremy Kronick

Mounting Evidence: Findings from Natural Experiments in Inflation Targeting

March 31, 2016 – Michael Parkin

Worse Than It Looks: The True Burden and Risks of Federal Employee Pension Plans

May 3, 2016 – William B.P. Robson
and Alexandre Laurin

DC Plans and the ORPP: Why Fees Matter

May 11, 2016 – Barry Gros and James
Pierlot

How Spending Declines with Age, and the Implications for Workplace Pension Plans

June 16, 2016 – Frederick Vettese

Toward the Next Renewal of the Inflation-Control Agreement: Questions Facing the Bank of Canada

June 29, 2016 – Steve Ambler

The Pressing Question: Does CPP Expansion Help Low Earners?

July 13, 2016 – Kevin Milligan and
Tammy Schirle

Taking the Economic Pulse: An Improved Tool to Help Track Economic Cycles in Canada

July 26, 2016 – Jeremy Kronick

Fault Lines: Earthquakes, Insurance, and Systemic Financial Risk

August 3, 2016 – Nicholas Le Pan

Ripple Effects: Oil Price Shocks and Monetary Policy

August 30, 2016 – Steve Ambler

Assessing the Retirement Income Prospects of Canada's Future Elderly: A Review of Five Studies

September 20, 2016 – Bob Baldwin

The Bigger Picture: How the Fourth Pillar Impacts Retirement Preparedness

September 27, 2016 – Jeremy Kronick
and Alexandre Laurin

Swimming with Whales: How to Encourage Competition from Small Banks

October 4, 2016 – John Jason

Putting Money to Work: Monetary Policy in a Low Interest Rate Environment

November 3, 2016 – Steve Ambler

Takeover Rules: In Support of the Longer Minimum Bid Period

November 10, 2016 – Sharon
Geraghty

Generating Stronger Growth and Prosperity

Over the decades, the Institute's work has improved our understanding of economic policy choices that matter most for Canadians' prosperity.

In that spirit, the Institute's work on tax policy, infrastructure, energy and trade, continued to focus in 2016 on ways that policies could spur productive investments in Canada, help Canadian firms access new markets, and remove or mitigate existing obstacles to economic growth.

The Institute published in 2016 a major study recommending the modernization of business taxation, addressing the current system's distortions of firms' investment and financing decisions, and discouragement of risk-taking and innovation efforts. As well, the Institute updated its seminal work on taxes in major Canadian cities, which points out the often-neglected but important impact business property taxes have on the overall tax burden falling on new business investments.

In light of the emphasis put by Canadian governments on modernizing Canada's infrastructure, the Institute published a paper on how to get more bang for the public infrastructure buck. Another paper showed how local governments can use so-called "tax increment financing" to finance certain types of investments.

On energy, the Institute provided an overview of the key energy policy issues facing the then new Canadian government, while another study made a strong argument for less rather than more political intervention in Ontario's electricity sector. Another Institute paper argued that upstream greenhouse gas emissions should not play a role in the National Energy Board's assessment of pipeline projects, since the former are already covered by the overall emissions price set by governments.

The federal government's plan to use nation-wide carbon pricing to reduce Canada's carbon emissions inspired a number of Institute contributions on the most effective and least economically costly ways to achieve this goal. Contributions illuminating the policy debate included papers on how to link the carbon-emissions policies of Canadian provinces to a nation-wide plan, on how Canadian LNG exports could help meet world GHG reduction goals, and on the complex topic of how best to promote low-emissions technology as part of the policy solution.

The Institute's work on trade policy in 2016 included an overview of Canadian trade priorities for 2016, affirming the importance of new trade agreements for gaining access to large or fast-growing markets, and the importance of continued efforts to reduce trade and border irritants with the United States. A little-known trade barrier is Canada's small threshold for applying taxes and duties on small parcels coming into Canada – the Institute's work showed that the cost of collecting these duties exceeds the revenues from them.

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2016 Research

Public Governance

Two Sets of Books at City Hall? Grading the Financial Reports of Canada's Cities

November 24, 2016 – William B.P. Robson, Benjamin Dachis and Jennifer Y. Tsao

Thinking Regionally: How to Improve Service Delivery in Canada's Cities

October 12, 2016 – Zachary Spicer and Adam Found

Worse Than It Looks: The True Burden and Risks of Federal Employee Pension Plans

May 3, 2016 – William B.P. Robson and Alexandre Laurin

Controlling the Public Purse: The Fiscal Accountability of Canada's Senior Governments, 2016

April 11, 2016 – Colin Busby and William B.P. Robson



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THE INSTITUTE'S 2016 RESEARCH (CONTINUED)

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Steven Ambler

As debates raged in Europe over the investor-state dispute settlement provisions of the Comprehensive Economic and Trade Agreement between the EU and Canada, the Institute published a study demonstrating that the trade deal provisions met key legitimate criticism of the dispute settlement system. The Institute also produced an in-depth examination of the impact of the ill-fated Trans-Pacific Partnership agreement, which concluded that the agreement was a net positive for Canada, in particular as it provided more certainty for Canadian services exporters. The Institute also updated its work on financial services trade, identifying key prospective foreign markets that Canada's trade negotiators should target to parlay Canada's growing strength in this overall sector.

Whether on taxes, infrastructure, energy or trade, the Institute continued in 2016 to contribute to a better understanding of the issues and options for decision-makers focused on delivering a better standard of living for Canadians.

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2016 Research

Competition, Investment, Trade and Innovation

Learning from Mistakes: Improving Governance in the Ontario Electricity Sector

February 24, 2016 – George Vegh

At the Global Crossroads: Canada's Trade Priorities for 2016

March 3, 2016 – Daniel Schwanen

Joint Venture: A Blueprint for Federal and Provincial Marijuana Policy

April 20, 2016 – Anindya Sen

Better in than Out? Canada and the Trans-Pacific Partnership

April 21, 2016 – Ali Dadkhah, Dan Ciuriak and Jingliang Xiao

Changing the Channel on Canadian Communications Regulation

May 25, 2016 – Daniel Schwanen and Benjamin Dachis

Rights of Passage: The Economic Effects of Raising the DMT Threshold in Canada

June 23, 2016 – Christine McDaniel, Simon Schropp and Olim Latipov

Clearing the Air: How Canadian LNG Exports Could Help Meet World Greenhouse Gas Reduction Goals

August 24, 2016 – James W. Coleman and Sarah Marie Jordaan

Investor-state Dispute Settlement in CETA: Is it the Gold Standard?

October 24, 2016 – Tony VanDuzer

Playing from Strength: Canada's Trade Deal Priorities for Financial Services

November 29, 2016 – Daniel Schwanen, Jeremy Kronick and Ramya Muthukumaran

2016 Research

Energy and Infrastructure

The Future of Canadian Energy Policy

January 7, 2016 – Benjamin Dachis

Getting More Buildings for our Bucks: Canadian Infrastructure Policy in 2016

January 13, 2016 – Benjamin Dachis

The National Energy Board's Limits in Assessing Upstream Greenhouse Gas Emissions

February 18, 2016 – Benjamin Dachis and Grant Bishop

Learning from Mistakes: Improving Governance in the Ontario Electricity Sector

February 24, 2016 – George Vegh

Tapping the Land: Tax Increment Financing of Infrastructure

March 29, 2016 – Adam Found

A Blueprint for Going Green: The Best Policy Mix for Promoting Low-Emissions Technology

July 19, 2016 – David Popp

Clearing the Air: How Canadian LNG Exports Could Help Meet World Greenhouse Gas Reduction Goals

August 24, 2016 – James W. Coleman and Sarah Marie Jordaan

Carbon Copies: The Prospects for an Economy-Wide Carbon Price in Canada

September 15, 2016 – Tracy Snoddon

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2016 Research

Human Capital

**Students in Jeopardy: An Agenda for
Improving Results in Band-Operated
Schools**

January 28, 2016 – Barry Anderson and
John Richards

**Job One is Jobs: Workers Need Better
Policy Support and Stronger Skills**

February 2, 2016 – Craig Alexander

**Unequal Access: Making Sense of EI
Eligibility Rules and How to Improve
Them**

May 18, 2016 – David M. Gray and Colin
Busby

**Moving Parts: Immigration Policy,
Internal Migration and Natural
Resource Shocks**

March 10, 2016 – Michel Beine, Robin
Boadway and Serge Coulombe

**Precarious Positions: Policy Options
to Mitigate Risks in Non-standard
Employment**

December 2, 2016 – Colin Busby and
Ramya Muthukumaran



**Neil Yeates and
Kathleen Taylor**



Lawrence Herman

Promoting Opportunities for Canadians

For too many Canadians, growth in the country's overall prosperity does not translate into opportunities to enhance their personal well-being. Notably, technological and demographic changes present both opportunities and challenges to which our labour markets, healthcare and education systems could do a better job of responding for the benefit of all Canadians.

As part of a series of papers providing policy suggestions to the then-new government in Ottawa, the Institute's work pointed to the need for better policy support and training for Canadian workers to meet the challenges of quickly changing workplace. Specific suggestions to that effect were also at the core of policy recommendations of another Institute study examining the phenomenon of non-standard or "precarious" work, despite the study finding that non-standard employment is not rising as fast as is often thought.

With growing ranks of unemployed Canadians in 2015 and 2016, particularly in resource-based regions, an Institute report endorsed the federal government's announced boost to eligibility to employment insurance for new entrants and re-entrants to the labour force, and recommended a lower, more geographically uniform, hours-based requirement for employment insurance. In the same vein, the Institute also addressed the changes in Canada's labour market brought about by the sharp fluctuations in oil prices – concluding that openness to temporary foreign workers where they are needed should be carefully calibrated to not crowd out opportunities for workers that would add permanently to Canada's human capital.

The Institute also continued to point out the high costs of getting ahead in the job market, due to high effective tax rates on lower-income families. Building on past research addressing unsatisfactory education outcomes for First Nations' students, another study recommended a greater focus on measurable goals and on band accountability for on-reserve students. This was followed by a workshop where a variety of expert perspectives were presented on next steps.

The Institute's work in 2016 also continued to focus on questions of both affordability and preparedness of the health and long-term care systems for the challenges ahead. One study recommended that Canadians that are financially capable should be encouraged to purchase long-term care insurance, so as to lessen the burden on the next generations. At the same time, the Institute's research reasserted the need to challenge vested

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interests in the medical system, if Canadians are to be able to take full advantage of medical innovation.

The Institute produced its annual assessment of whether the healthcare cost curve was bending as much as it appeared from yearly budget projections. While on that basis the year-to-year increases seem restrained, this unfortunately does not take into account the fact that each year's final spending tally is often higher than the amount initially budgeted. This means that cumulatively, the increases are higher than what one would gather from adding each year's projected increase.

In the same vein, with a view to assessing the sustainability of the system, the Institute also published a study of past cycles of booms and restraints in public health care spending, showing that current provincial restraint on healthcare spending may have come at expense of distorting spending in certain parts of the system, and for that reason may not be sustainable.

The upshot of this work is that the incentives within health and long-term care systems need to be substantially reformed, if Canadians are to be able to count on these systems in the years ahead.



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2016 Research

Health Policy

Shifting Towards Autonomy: A
Continuing Care Model for Canada
January 19, 2016 - Ake Blomqvist and
Colin Busby

Challenging Vested Interests: National
Priorities for Healthcare in 2016
January 20, 2016 - Ake Blomqvist and
Colin Busby

The Naylor Report and Health Policy:
Canada Needs a New Model
July 6, 2016 - Ake Blomqvist and Colin
Busby

Hold the Applause: Why Provincial
Restraint on Healthcare Spending Might
Not Last
August 9, 2016 - Colin Busby and Livio Di
Matteo

Healthcare Spending Decelerating? Not
so Fast!
September 7, 2016 - William B.P. Robson



John McCallum

Enhancing the Effectiveness of Our Institutions

The Institute's work in 2016 continued to emphasize the need for transparency in governments' dealings with its citizens, the need for competition and governance rules that support a more efficient Canadian economy, and regulation that achieves its goals effectively, notably in light of evolving technologies.

The Institute's annual report card on the fiscal accountability of Canada's senior levels of government continued to hold governments to account. In many cases, governments do not present their financial information in a way that citizens can easily follow revenue and spending projections in their budgets, to reconcile them with spending estimates that must be approved by legislators, or to reconcile them with final numbers once they are published.

Similarly, the Institute graded the financial reports of Canada's cities. Most of Canada's major cities use inconsistent accounting, and lack transparency in public documents with respect to key numbers the public needs to understand their cities' finances.

At the intersection of urban governance and competition studies, another Institute paper pointed out that forced amalgamation or sharing of services among cities have produced few economies of scale while undermining local autonomy. Provinces should instead help municipalities improve service delivery by supporting cooperative and flexible local governance.

The Institute also published a paper which recommended that, in the interest of more efficient tax auditing efforts, metrics of success for government auditors should include a measure of the ultimate taxes paid after any appeals, and any possible court decisions, have been completed.

The Institute's Competition Policy Council is comprised of leading competition law and economics experts. The group concluded that the federal government should cautiously expand the kinds of anti-competitive acts that private parties – and not just the Competition Bureau – could take legal action against in Canada to include abuses of dominance. The Council also concluded that, with respect to abuse of dominance, the federal government should make the aim of the *Competition Act* the protection against harm to competition in general, rather than harm against particular competitors.

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In addition, the Institute published a study on how to encourage competition from small banks, by better calibrating regulatory requirements to the size of these smaller institutions.

Having published a paper inveighing against the proposed longer minimum bid period for hostile takeovers, contemplated at the time by Canadian securities administrators, the Institute published a paper in support of the longer minimum bid period, which was eventually implemented. This contrary view urged security regulators to monitor the longer minimum bid period's possible negative impact on the number of takeover bids.

Finally, the Institute weighed in on two important regulatory issues on governments' agenda in 2016: telecommunications and marijuana. The Institute's paper on telecommunications showed how Ottawa can modernize communications regulation and cultural policies in light of technological changes. The Institute laid out a regulatory blueprint for marijuana to ensure that the planned legalization of marijuana – touching on tax policy, distribution, and criminal convictions – did not pose health or security issues for Canadians.



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2016 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 2016 (in chronological order):

Bob Bell, Deputy Minister, Ontario Ministry of Health and Long-Term Care

Progress on Patients First Strategy
Toronto Roundtable Luncheon
January 18

Jos Schmitt, CEO, Aequis Innovations

Competitiveness and Efficiency: Canada's Evolving Capital Markets
Toronto Roundtable Luncheon
January 20

Paul Godfrey, CEO, Postmedia Group

The Evolving Canadian Media Landscape
Toronto Roundtable Luncheon
January 26

Lou Eccleston, CEO, TMX Group

Fossil Fuels, Dinosaurs and Rocket Ships
Toronto Roundtable Luncheon
January 28

General Jonathan Vance, Chief of the Defence Staff, Canadian Armed Forces

Chief of the Defence Staff Vision and Priorities for the Canadian Armed Forces
Toronto Roundtable Luncheon
February 4

Diane Craig, President & CEO, Ford Motor Company of Canada

Ford: Going Further
Toronto Roundtable Luncheon
February 9

Malcolm Hamilton, Senior Fellow, C.D. Howe Institute; with Jim Keohane, President and CEO of HOOPP

Leverage in Canadian Pension Funds
Toronto Roundtable Luncheon
February 10

Brian Jean, Leader of Alberta's Official Opposition

Alberta's Economic and Fiscal Crisis: What Albertans and Canadians can Do
Toronto Roundtable Luncheon
February 22

John Ruffolo, CEO, OMERS Ventures

Time to Scale Up
Toronto Roundtable Luncheon
February 23

Ian Russell, President and CEO, IIAC; Wendy Rudd, Senior VP, Market Regulation and Policy IIROC; and Raj Kothari, Partner at PriceWaterhouseCoopers; and Hugh Moncrieff, Senior Vice President, Great-West Life

The Role of Regulation in Retail Financial Services
Toronto Roundtable Luncheon
March 1

John Stackhouse, Senior Vice President, Office of the CEO, RBC

Mass Disruption: Thirty Years on the Front Lines of Media
Toronto Evening Event
March 3

William Charnetski, Chief Health Innovation Strategist, Ontario

Catalyst for Collaboration and Commercialization
Toronto Roundtable Luncheon
March 7

James Arnett, former Chair, Hydro One; Jim Hinds, Director, Hydro One; and Bob Huggard, President and CEO, OEA

The New Reality: Energy Prices in Ontario
Toronto Roundtable Luncheon
March 9

Evan Siddall, President and CEO, Canadian Mortgage and Housing Association

Why Housing Matters to Canada's Financial Stability: Insights on Housing Market Risks and CMHC's Financial Stability Role
Calgary Roundtable Luncheon, Web conference to Toronto
March 14

Gaeton Caron, Executive Fellow, School of Public Policy at the University of Calgary; James Coleman, Assistant Professor, University of Calgary; and Chris Bloomer, President and CEO of CEPA

Getting to Markets: Natural Resource Projects in Canada
Calgary Roundtable Luncheon
March 22

Christine Hogan, Deputy Minister of International Trade

Toronto Roundtable Luncheon
March 30

Sponsored by Barrick Gold Corporation

Frances Woolley, Professor at Carleton University; with David Gray, Professor at the University of Ottawa

Employment Insurance Reform
Ottawa Roundtable Luncheon
March 31

2016 POLICY EVENTS (CONTINUED)



Annual Directors' Dinner



Patrons' Circle Dinner

Dave Mowat, President and CEO of ATB Financial

You're in Oil (Royalty) Country!
Calgary Roundtable Luncheon
April 4

John McCallum, Minister, Immigration, Refugees, and Citizenship

The Future of Canadian Immigration: A Key Pillar to Nation Building
Toronto Roundtable Luncheon
April 5

Paul Rochon, Deputy Minister of Finance Canada

Post-Budget Briefing
Toronto Roundtable Luncheon
April 7

Sponsored by the Canadian Bankers Association

Tax Policy Conference

Special Policy Conference, Toronto
April 8

Presented by CPA Canada and the Canadian Tax Foundation

Bonnie Lysyk, Auditor General of Ontario; Michael Ferguson, Auditor General of Canada; and William Robson, President and CEO, C.D. Howe Institute

Fiscal Accountability in Canada's Federal, Territorial and Provincial Governments
Toronto Roundtable Luncheon
April 11

Made possible by a grant from the Hecht Foundation

Jennifer Keesmaat, Chief Planner, City of Toronto; Andy Byford, CEO, Toronto Transit Commission; and Bruce McCuaig, President and CEO, Metrolinx

The Future of Transit in the GTHA
Toronto Roundtable Luncheon
April 12

First Nations Education Meeting

Special Policy Conference, Toronto
April 15

Made possible by a grant from the Max Bell Foundation

Stéphane Marion, VP and Chief Economist, National Bank Financial; Wayne Foster, Director, Capital Market Division, Department of Finance; and Craig Alexander, VP Economic Analysis, C.D. Howe Institute

How Concerned Should we be about Canada's real estate boom?
Toronto Roundtable Luncheon
April 20

Sponsored by National Bank Financial

Peter Hall, Chief Economist, Export Development Canada; Scott Clark, Professor, Carleton University; and Tim Egan, President and CEO, Canadian Gas Association

Implications of Low Oil and Gas Prices in Canada
Ottawa Roundtable Luncheon
April 20

Richard Nathan, Managing Director, Kensington Capital Markets; and Michael McDerment, Co-Founder and CEO, FreshBooks

Should Canadian Entrepreneurs Choose US Venture Capital?
Toronto Roundtable Luncheon
April 25

Tiff Macklem, Dean, Rotman School of Business; Robert Richards, President, Heathbridge Capital Management; and Peter Routledge, Managing Director of Financial Services Research, National Bank Financial

Bail-in Bonds: Are Taxpayers Really Better Off?
Toronto Roundtable Luncheon
April 26

Diane Lebouthillier, Minister, National Revenue

Cracking Down: Ensuring Tax Fairness for All Canadians
Montréal Roundtable Luncheon
April 27

Kirstine Stewart, VP Media, Twitter Inc.

In Conversation with Kirstine Stewart
Toronto Breakfast Event
April 29

Hugh O'Reilly, President and CEO, OPTrust

How Pension Plans Can Thrive in a Low Interest, High Volatility World
Toronto Roundtable Luncheon
May 5

Sponsored by Osler, Hoskin and Harcourt LLP

Frank McKenna, Deputy Chair, TD Bank

The Future of the Canada-US Relationship
Toronto Roundtable Luncheon
May 9

Ray Boisvert, CEO, I-SEC; with John Proctor, VP Cyber Security, CGI

Hacked: Keeping your Business Safe from Cyber Threats
Patrons' Circle Dinner
May 10

Health Partnership Summit

Special Policy Conference, Niagara-on-the-Lake
May 13

Sponsored by Bayer Canada, Cerner, IBM, Medavie, PwC LLP, St. Elizabeth Healthcare

David MacDonald, President & CEO, SoftChoice

Unleashing Productivity: The Role of Innovative Technology in Canada's new Economy
Toronto Roundtable Luncheon
March 18

2016 POLICY EVENTS (CONTINUED)



Marie-Lucie Paradis

Linda Mantia, Executive Vice President, Digital, Payments and Cards, RBC; Anthony Di Iorio, Chief Digital Officer, TMX Group; and Jeremy Clark, Professor, Concordia University

Blockchain Technologies and the Future of Finance

Toronto Roundtable Luncheon
May 30

Sponsored by BMO Bank of Montreal

Pierre Arcand, Minister, Energy and Natural Resources

Powering Quebec's Economy – Energy as a Source of Growth

Montréal Roundtable Luncheon
May 30

Sponsored by Brookfield Renewable

Ann Cavoukian, Executive Director, Privacy and Big Data Institute, Ryerson University

Every Click you Make: Embed Privacy, By Design, into All things Big Data

Toronto Roundtable Luncheon
June 2

Sponsored by AIMIA

Kathleen Wynne, Premier of Ontario

Annual Directors' Dinner
June 7

Sponsored by Bennett Jones LLP

Simon Kennedy, Deputy Minister, Health Canada

Health Canada's Priorities for the Year Ahead

Toronto Roundtable Luncheon
June 8

Sponsored by Johnson and Johnson

Eldar Shafir, William Stewart Tod Professor of Psychology and Public Affairs, Princeton University

Behavioural Policy in Contexts of Scarcity
Annual Scholars' Dinner

June 9

Made possible by a grant from Dr. Wendy Dobson

Warren Bell, Chief Operating Officer, OMERS; Owen Davies, Managing Director, Accenture; and Rosemarie McClean, Senior Vice President and Chief Operations Officer, OTPP

Digital Disruption: How Technology is Innovating Pension Delivery

Toronto Roundtable Luncheon
June 13

Sponsored by Accenture

George Cooke, Chair of the Board, OMERS Administration; James Daw, former Toronto Star columnist; and Larry Ritchie, Partner, Osler, Hoskin and Harcourt LLP

Reviewing Ontario's Fiscal Regulators: A Discussion with the Panel

Toronto Roundtable Luncheon
June 15

Sponsored by the Toronto Financial Services Alliance

Richard Fadden, former National Security Advisor to the Prime Minister

Canada's National Security in the 21st Century

Ottawa Roundtable Luncheon
June 21

The Hon. John Baird, Former Minister of Foreign Affairs; with Daniel Schwanen, Vice President, Research, C.D. Howe Institute

Panel Discussion on Brexit

Toronto Roundtable Luncheon
July 5

Christine Lagarde, Managing Director, International Monetary Fund

Reshaping the Globalization Debate
Toronto Roundtable Luncheon

September 13

Sponsored by Citibank Canada and Osler, Hoskin and Harcourt LLP

Colin Busby, Associate Director of Research, C.D. Howe Institute; John Manley, President and Chief Executive Officer, Business Council of Canada; and Derek Newton, Assistant Vice President, Innovation, Partnerships, and Entrepreneurship, University of Toronto

Canada's Innovation Agenda: Maximizing Canada's Economic Potential to Win the Next Century

Ottawa Roundtable Luncheon
September 14

Sponsored by Johnson & Johnson

Jean-Yves Duclos, Minister of Families, Children and Social Development

Real Change: Bringing Innovation to the Social Policy Agenda in Canada

Montréal Roundtable Luncheon
September 16

Toni Gravelle, Chief of Financial Markets, Bank of Canada; with Thorsten Koeppl, Professor, Queen's University

Uncharted Territory: Negative Interest Rates in Canada

Toronto Roundtable Luncheon
September 19

Sponsored by the RBC Capital Markets

Charles Bouchard, Chief Executive Officer, Lockheed Martin Canada; with Whitney Lackenbauer, Professor, University of Waterloo

Arctic Sovereignty: The Threats and the Opportunities

Toronto Roundtable Luncheon
September 26

Sponsored by AGF Management Ltd.

David MacNaughton, Canada's Ambassador to the United States

Innovation, Integration and Prosperity: The Future of the Canada-US Relationship

Calgary Roundtable Luncheon
September 26

Sponsored by CIBC and Enbridge

René Beaudry, Partner, Normandin Beaudry; Bernard Morency, Special Advisor, Former Executive Vice-President, Depositors, Strategy and Chief Operations Officer, Caisse de dépôt et placement du Québec (CDPQ); and Luc Godbout, Director of the Tax Department, Sherbrooke University

Pensions in Québec: QPP to CPP
Montréal Roundtable Luncheon
September 27

Michael Denham, President and Chief Executive Officer, Business Development Bank of Canada

Building Champions: How Canadian Entrepreneurs can Take on the World
Toronto Roundtable Luncheon
September 28

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Jeff Aarssen, SVP, Group Retirement Services, Great-West Life; Tammy Schirle, Wilfred Laurier University; and Alexandre Laurin, Director of Research, C.D. Howe Institute

CPP Expansion: Winners and Losers
Toronto Roundtable Luncheon
September 29

Sponsored by the Conference for Advanced Life Underwriting

Rich Kruger, Executive Chairman, President, and Chief Executive Officer, Imperial Oil Ltd.

Canada's Energy Outlook
Toronto Roundtable Luncheon
October 3

Sponsored by TD Bank Group

Paul Fenton, Senior Vice-President and Chief Economist, Caisse de dépôt et placement du Québec; Malcolm Hamilton, Former Partner, Mercer; and Tim Sargent, Associate Deputy Minister, Department of Finance Canada

Canada's Household Debt Crisis
Ottawa Roundtable Luncheon
October 13

Housing Conference

Special Policy Conference, Toronto
October 17

Presented by Canada Guaranty, the Ontario Real Estate Association, Home Trust, Canadian Mortgage and Housing Corporation, Mattamy Homes, and Genworth Canada

Terry Stuart, Chief Information Officer, Deloitte; with Gabriel Woo, Vice President, Innovation, Royal Bank of Canada

Resistance is Futile: The New Technology Mandate for Canadian Business
Patrons' Circle Dinner
October 19

Sponsored by Boyden Executive Search

Patrick Brown, Leader, Ontario Progressive Conservative Party
Toronto Roundtable Luncheon
October 20

Sponsored by Manulife

John Chen, Chief Executive Officer, BlackBerry Ltd.

Toronto Roundtable Luncheon
October 21

Kathleen Taylor, Chair, RBC
Making Your Own Human Capital
Rising Leaders Series
October 25

Sponsored by RBC Financial

Jack Mintz, President's Fellow, School of Public Policy, University of Calgary; with Joseph Doucet, Dean, Alberta School of Business

Alberta's Economy: Diversify or Double Down?
Annual Calgary Dinner
October 27

Sponsored by GE Canada

2016 POLICY EVENTS (CONTINUED)



Richard Alvarez

John Knubley, Deputy Minister, Innovation, Science and Economic Development; Ajay Agarwal, Peter Munk Professor of Entrepreneurship, University of Toronto; and Sabrina Geremia, Managing Director, Integrated Solutions, Google Canada

Beyond the Buzzwords: How Canadian Companies Must Innovate to Thrive
Patrons' Circle Dinner
November 1

Sponsored by Grant Thornton LLP

Kevin Uebelein, Chief Executive Officer, Alberta Investment Management Corporation

Calgary Roundtable Luncheon
November 3

Sponsored by TD Bank Group

Dan Ciuriak, Former Deputy Chief Economist, Department of Foreign Affairs and International Trade, Director and Principal, Ciuriak Consulting Inc.; Peter Hall, Vice-President and Chief Economist, Export Development Canada; and Ross Hornby, VP Government Affairs & Policy, GE Canada, former Ambassador of Canada to the European Union

The Global Economy & Rising Challenges to International Trade

Ottawa Roundtable Luncheon
November 7

Sponsored by Export Development Canada

Terry Stuart, Chief Innovation Officer, Deloitte; John Ruffolo, Chief Executive Officer, OMERS Ventures; and Ian Collyer, Partner, Boyden Executive Search

Canada's Tech Appeal – Making Canada #1 for Global Tech Talent
Rising Leaders Series
November 9

Sponsored by the DeGroote School of Business

Jean Marc Gagnon, Partner, Blakes, Cassels & Graydon LLP; Jean-Nicolas Guillemette, General Manager, Uber Quebec; and Michel Leblanc, President and Chief Executive Officer, Board of Trade for Metropolitan Montréal

Tax and Other Implications of the Sharing Economy

Montréal Roundtable Luncheon
November 10

Brian Vassjo, President and CEO, Capital Power Corporation; with John Matovich, Senior Managing Director, Financial Advisory, Deloitte

The True Costs of Phasing Out Coal
Calgary Roundtable Luncheon
November 12

Sponsored by Deloitte

Bob Hamilton, Commissioner of Revenue and Chief Executive Officer, Canada Revenue Agency

CRA's Priorities for the Year Ahead
Toronto Roundtable Luncheon
November 14

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Carlos Leitao, Minister of Finance, Québec

The Economic and Financial Situation in Québec

Montréal Roundtable Luncheon
November 21

Sponsored by Intact Financial

Bjarne Graven Larsen, Chief Investment Officer, Ontario Teachers' Pension Plan

Chasing Growth Generating Returns in a Low Rate Environment
Toronto Roundtable Luncheon
November 22

Sponsored by JPMorgan Chase & Co.

Jim McCarter, Former Auditor General, Ontario; with Bill Robson, President and Chief Executive Officer, C.D. Howe Institute

Shining Sunlight on the Cities – Municipal Accountability in Canada

Municipal Accountability Panel

November 24

Supported by the Hecht Foundation

Stephen S. Poloz, Governor of the Bank of Canada

The Ascent of Services and the Rise of Canada's New Economy

Annual Benefactors' Lecture

November 28

Nicolas Le Pan, Former Superintendent of Financial Institutions; and Charles Brindamour, Chief Executive Officer, Intact Financial

Earthquakes and Insurance Preparedness

Toronto Roundtable Luncheon

November 29

Sponsored by the Insurance Bureau of Canada

David Dodge, Former Governor, Bank of Canada; Senior Advisor, Bennett Jones LLP

The Role of Macro-Economic Policies in an Era of Global Economic Stagnation

Toronto Roundtable Luncheon

December 2

Kathleen Taylor, Chair, RBC; with Neil Yeates, Deputy Minister, Citizenship and Immigration Canada

Talent First: How Canada can Leverage its Greatest Resource

Patrons' Circle Dinner

December 5

Sponsored by Hugessen Consulting and Morneau Shepell

Jeremy Anderson, Global Financial Services Lead, KPMG; Terry Campbell, President, Canadian Bankers Association; and Glenn Campbell, Director of Financial Institutions and Financial Sector Policy, Finance Canada

Financial Services Trends to Watch in 2017

Toronto Roundtable Luncheon

December 5

Sponsored by KPMG LLP

Paul Kovacs, Executive Director, Institute for Catastrophic Loss Reduction; Don Forgeron, President and CEO, Insurance Bureau of Canada; and Norma Nielson, Professor and Chair-Insurance & Risk Management, University of Calgary

Insurance & Disaster Recovery: Fort Mac and the Bow Valley

Calgary Roundtable Luncheon

December 12

Sponsored by the Insurance Bureau of Canada

Payments Conference

Special Policy Conference, Toronto

December 15

Presented by CIBC, Visa Canada, and the Canadian Bankers Association



Caroline Hughes



Jim Fleck and Guests

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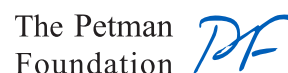


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Top: **Richard Venn, Douglas Turnbull, Geoff Reeves, Royce Mendes and Peter Bethlenfalvy**

Bottom right: **Claire Prashaw, Robyn Naylor and Reg Swamy**

Bottom left: **Nancy Zorzi and Aida Femandes**

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Top: **Our guests at the Patrons' Circle Dinner**

Bottom right: **George Huang, Jenn Labire, Kristin Gorkoff and Chase MacDougall**

Bottom left: **Khilola Zakhidova and Adrienne Wai**

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Greater Toronto Airports Authority	Morgan Meighen & Associates	The Canadian Council for Public-Private Partnerships
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	Power Corporation of Canada	
	Progress Energy Canada Ltd.	
	Promontory Financial Group Canada	
	Property and Casualty Insurance Compensation	

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Willem Buiter
Martin Eichenbaum
Arnold Harberger
Peter Howitt
Lawrence White

Institute Staff

(as of April 30th, 2017)

Colin Busby

Associate Director, Research

Nairy Cappiello

Executive Assistant to the SVP & COO,
HR and Development Coordinator

Benjamin Dachis

Associate Director, Research

Aline Emirzian

Office Manager

James Fleming

Editor and Vice President, Media

Devan Gander

Senior Development Officer, Policy
Councils

Kristine Gray

Senior Coordinator, Research and
Executive Assistant to the Vice
President, Research

Aaron Jacobs

Researcher

Rowena Jeffers

Controller

Allison Kehoe

Development Officer, Member
Relations

Hal Koblin

Director of Research Advancement

Jeremy Kronick

Senior Policy Analyst

Alexandre Laurin

Director of Research

Parisa Mahboubi

Senior Policy Analyst

Alex McBrien

Communications Officer

Madeleine Merrick

Manager, Events

Polina Moskvina

Event Planner

Duncan Munn

Senior Vice President and
Chief Operating Officer

Kyle Murphy

Communications Officer

Ramya Muthukumaran

Researcher

Farah Omran

Researcher

Stephane Paris

Senior Development Officer

Joan Price

Corporate Secretary and Executive
Assistant to the President and
Chief Executive Officer

Meghan Pritchard

Senior Development Officer,
Events

Briana Richard

Office and Development
Coordinator

William B.P. Robson

President and Chief
Executive Officer

Daniel Safayeni

Manager, Development and
Member Relations

Daniel Schwanen

Vice President, Research

Dharti Thakkar

Office Coordinator

Vincent Thivierge

Part-Time Researcher

Tammy Trepanier

Event Planner

Mandy van Waes

Development Officer, Events

Jacquelin Wong

Event Coordinator

Christina Wong

Event Logistics Manager

Rosalie Wyonch

Policy Analyst

Yang Zhao

Graphic Designer



C.D. Howe Institute Staff



**Madeleine Merrick (right)
with guest**



**Ramya Muthukumaran,
Alex McBrien and Allison Kehoe**



Alexandre Laurin with guests



Aaron Jacobs (left) with guest



**Daniel Safayeni (right) and
the Hon. Kathleen Wynne**



Jeremy Kronick

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 statement of financial position as at December 31, 2016, the statements of operations, 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, 2016 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.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
Vaughan, Ontario
May 3, 2017

C.D. HOWE INSTITUTE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,819,353	3,224,691
Accounts receivable	223,126	413,716
Prepaid expenses	83,251	56,646
	4,125,730	3,695,053
Long-term investments (Note 4)	5,788,637	5,293,661
Capital assets (Note 5)	733,759	592,846
	10,648,126	9,581,560
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Notes 5 and 6)	356,990	172,160
Deferred revenue	2,058,832	1,799,032
	2,415,822	1,971,192
Long-term		
Deferred capital contributions	189,873	213,837
Deferred rent	186,783	196,911
	376,656	410,748
	2,792,478	2,381,940
Fund balances		
Invested in Capital Assets (Note 7)	543,886	379,009
Operating	1,539,225	1,541,406
Endowment Funds (Note 8)	5,772,537	5,279,205
	7,855,648	7,199,620
	10,648,126	9,581,560

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 OPERATIONS

YEAR ENDED DECEMBER 31, 2016

	2016	2015
	\$	\$
Revenue		
Contributions and subscriptions	4,413,658	3,835,348
Events revenue	1,076,356	991,513
Investment income – realized gains	17,362	20,654
Investment income – unrealized gains	4,550	3,665
Publication sales	5,640	11,360
Contract revenue	12,787	48,595
	5,530,353	4,911,135
Expenses		
Research, administrative and project expenses	5,153,020	4,728,932
Amortization	214,637	114,971
	5,367,657	4,843,903
Excess of revenue over expenses for the year	162,696	67,232

C.D. HOWE INSTITUTE

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2016

	Invested in Capital Assets Fund	Operating Fund	Endowment Funds	2016 Total	2015 Total
	\$	\$	\$	\$	\$
Balances, beginning of year	379,009	1,541,406	5,279,205	7,199,620	7,078,674
Excess of revenue over expenses for the year	(190,673)	353,369	-	162,696	67,232
Unrealized (losses) on investments (Note 8)	-	-	(16,169)	(16,169)	(125,041)
Contributions received during the year (Note 8)	-	-	137,785	137,785	50,000
Investment income (Note 8)	-	-	589,420	589,420	343,275
Transfer to deferred revenue during the year (Note 8)	-	-	(217,704)	(217,704)	(214,520)
Purchases of capital assets	355,550	(355,550)	-	-	-
Balances, end of year	543,886	1,539,225	5,772,537	7,855,648	7,199,620

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, 2016

	2016	2015
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	162,696	67,232
Items not affecting cash		
Amortization of capital assets	214,637	114,971
Amortization of deferred capital contributions	(23,964)	(23,964)
Unrealized gains on operating investments	(4,550)	(3,665)
Amortization of deferred rent	(10,128)	(10,128)
	338,691	144,446
Changes in non-cash working capital items		
Accounts receivable	190,590	(306,352)
Prepaid expenses	(26,605)	21,741
Accounts payable and accrued liabilities (Note 5)	45,133	38,710
Deferred revenue	259,800	123,338
	807,609	21,883
Investing activities		
Purchases of capital assets (Note 5)	(215,853)	(107,951)
Purchases of long-term investments	(4,507,710)	(814,029)
Proceeds on sale of long-term investments	4,017,284	763,423
	(706,279)	(158,557)
Financing activity		
Endowment contributions and income, less expenses and transfer (Note 8)	493,332	53,714
Increase (decrease) in cash and cash equivalents during the year	594,662	(82,960)
Cash and cash equivalents, beginning of year	3,224,691	3,307,651
Cash and cash equivalents, end of year	3,819,353	3,224,691
Cash and cash equivalents is comprised of:		
Cash	376,238	366,508
Cash equivalents	3,443,115	2,858,183
	3,819,353	3,224,691

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

C.D. HOWE INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 deferred revenue are recognized in keeping with the agreements with the Endowers.

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 long-term investments. The Institute has elected to use the fair value option to measure long-term investments, with any subsequent changes in fair value recorded in the Statement of operations.

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 operations.

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.

Long-term investments

Long-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.

C.D. HOWE INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 long-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 Funds

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:

	\$
2017	85,284
2018	85,284
2019	87,061
2020	106,608
2021 and thereafter	417,533
	781,770

C.D. HOWE INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

4. Long-term Investments

Long-term investments are recorded in the following funds:

			2016	2015
	Endowment	Unrestricted	Total	Total
	\$	\$	\$	\$
Long-term	5,772,537	16,100	5,788,637	5,293,661
Long-term investments consist of				
Fixed income			1,802,559	1,952,201
Canadian equity			946,290	1,724,255
US equity			1,509,941	849,605
International equity			1,529,847	767,600
			5,788,637	5,293,661

5. Capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture, fixtures and equipment	462,548	349,117	113,431	88,883
Computer hardware and software	881,209	674,430	206,779	56,852
Electronic equipment	69,468	66,043	3,425	5,879
Conference equipment	92,866	68,166	24,700	32,186
Signage	12,289	6,093	6,196	6,978
Leasehold improvements	726,310	347,082	379,228	402,068
	2,244,690	1,510,931	733,759	592,846

Capital assets include purchases during the year of \$355,550 (2015 – \$107,951), of which \$139,697 (2015 – \$Nil) are included in accounts payable and accrued liabilities as at December 31, 2016.

C.D. HOWE INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$Nil (2015 – \$Nil) with respect to amounts owing to the Government.

7. Invested in Capital Assets Fund

The Invested in Capital Assets Fund balance consists of:

	2016	2015
	\$	\$
Capital assets (Note 5)	733,759	592,846
Deferred capital contributions	(189,873)	(213,837)
	543,886	379,009

8. Endowment Funds

	2016					2015
	Roger Phillips	Jack Mintz	Special Studies	Sylvia Ostry	Monetary Policy	Total
	\$	\$	\$	\$	\$	\$
Balances, beginning of the year	1,131,496	227,669	2,267,066	719,309	933,665	5,279,205
Revenue						
Contributions received	-	-	-	-	137,785	137,785
Unrealized (losses) gains	(14,181)	(2,021)	(18,389)	12,323	6,099	(16,169)
Investment income	138,137	27,554	272,862	58,304	92,563	589,420
	123,956	25,533	254,473	70,627	236,447	711,036
Transfer to deferred revenue	(96,236)	(9,462)	(94,227)	(7,217)	(10,562)	(217,704)
Balance, end of year	1,159,216	243,740	2,427,312	782,719	1,159,550	5,772,537

C.D. HOWE INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 \$137,785 (2015 – \$50,000) 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, \$217,704 (2015 – \$214,520) was transferred to deferred revenue for the purpose of funding future activities over the fiscal years 2017 to March, 2020.

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 \$93,223 (2015 – \$87,675).

The Institute sponsors a registered pension plan and contributions for the year amounted to \$38,117 (2015 – \$35,457).

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

C.D. HOWE INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

10. Guarantees (continued)

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, 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 Statement of Investment Policies.

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 policies define permitted investments and provide 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.



Annual Calgary Dinner with Jack Mintz (left), Bill Robson (centre) and Joe Doucet (right)

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](http://cdhowe.org).

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