

# COMPETITIVENESS OF THE GREATER MONTRÉAL BUSINESS ENVIRONMENT

A study on business perception

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# Foreword

**Michel Leblanc**

President and CEO

Board of Trade of Metropolitan Montreal

**A** city has numerous attributes. Besides being home to a large concentration of the population of a region or a state, cities are hubs of trade and wealth creation with economic and financial decision-making functions. Their growth depends on their ability to create and maintain conditions that are conducive to investment, and more specifically, to preserve and increase the number of head offices. In this regard, Montréal is no exception.

It is a good idea to regularly take stock of the situation to determine whether the conditions are still conducive to a good business environment or whether they have deteriorated. Thus in 1996, the Levitt Report, prepared by the firm SECOR as part of the work surrounding the Sommet sur la relance de Montréal, was rather critical of the city's situation and recommended potential solutions. The conclusions of the report were based largely on the opinion of about a dozen business executives who had agreed to participate in this regard.

A key takeaway from this report was that the perception of decision makers is just as important as reality. Business leaders regularly have to

make investment decisions that will have a major impact on their operations. Their perception of Montréal's business environment is crucial, especially since in a globalized world, they know what other cities have to offer.

We therefore felt it essential to survey these decision makers, to find out what they think and to hear their suggestions for improvement. To this end, we retained the services of a consulting firm, The CAI Global Group, in partnership with Montréal International and the economic development department of the Ville de Montréal, to poll over 100 business executives. This report is the culmination of this initiative.

We invite readers – citizens, entrepreneurs, business executives and politicians – to pay special attention to what the respondents have to say. Acting on their suggestions will help create wealth not only for our city but for all of Quebec.

« **A key takeaway from this report was that the perception of decision makers is just as important as reality.** »

# Summary

**This** study investigates the perception of business leaders concerning the attractiveness, business environment and ability of Greater Montréal to stimulate private investment<sup>2</sup>. It identifies important criteria to take into account in order to make the city more attractive, based on the perception of businesses that are part of the equation.

Competition to attract multinational head offices and investments has been going on for decades. However, the economic crisis and slow recovery have lead many public authorities to step up their efforts to convince decisions makers to invest in their regions and even to relocate their operations. Here at home, we lost Electrolux and Mabe but gained drug-maker Valeant, which in April announced that it was moving its international head office from Mississauga, Ontario, to Laval.


This reality is also affecting the internal dynamics of our neighbours to the South. Chiquita Brands recently moved its operations from Cincinnati to Charlotte, North Carolina, citing the number of direct flights from Charlotte as a key deciding factor. However, odds are that the \$22 million in incentives offered by North Carolina also had something to do with the decision. And no doubt, the \$132 million promised by Tennessee to Electrolux was also instrumental.

The current economic context has clearly intensified competition between North American cities and regions for businesses and their head offices. In such a context, the various levels of government become key actors that must make sure to use all the tools at their disposal. This is especially true for the governments of Quebec and Montréal, which like some of their counterparts, have limited means to hold their own in this cut-throat game.

Because metropolitan regions play such an important role in a business's decision of where to locate, they must adopt a coordinated approach vis-à-vis the local business environment as well as the strategies to attract private investments. Some of the decisions they make will be better than others in helping them achieve their goals. This is precisely the portrait we want to present with this study and to compare it with the current perception of Greater Montréal's business environment in order to draw conclusions and propose potential solutions in order to bring in more private investments.

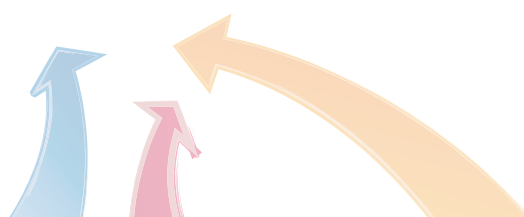
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<sup>2</sup> A private investment in this study means any investment by a company, i.e. the purchase of production assets or expenditures to develop the company's potential for the future.



With this in mind, we polled over 100 business executives based in the metropolitan region. Seven main findings emerged from the survey:

- The companies surveyed have strong investment potential: 58% of them are currently working on an investment project in the region.
- A high proportion of the foreign subsidiaries surveyed that are based in the metropolitan region (45%) believe they are as competitive as the other subsidiaries within their group and 32% feel they are more competitive.
- The quality of skilled labour is the main reason for the respondents' competitiveness; the metropolitan region's greatest advantage is its skilled workforce.
- The availability of skilled labour is the main obstacle to competitiveness according to the subsidiaries.
- In terms of economic trends, most of the companies surveyed (60%) believe that the business environment and conditions conducive to private investment have not changed in the past five years, while 34% believe they have deteriorated. Only 6% feel they have improved.
- Most respondents (70%) therefore believe that Greater Montréal is not more competitive than five years ago.
- Lastly, most of the companies surveyed (69%) have received financial or tax incentives from the Quebec government and 54% feel that this support was an important or very important factor in the decision to undertake an investment project.



Based on these findings, it seems that in order to improve our competitiveness, we must first focus on attracting and retaining talent, which the businesses we surveyed felt was a priority. Direct government incentives, measures to encourage businesses to stay, and efforts to promote the city internationally are other important aspects that we should also focus on to make Montréal more attractive and competitive.

## Potential solutions

### 1. Increase the number of skilled workers

The companies surveyed are concerned about the availability of a skilled workforce, especially in certain strategic sectors. Attracting and retaining talent should be at the forefront of our economic development strategies, as should student retention and increasing the number of university graduates.

### 2. The importance of incentives for businesses

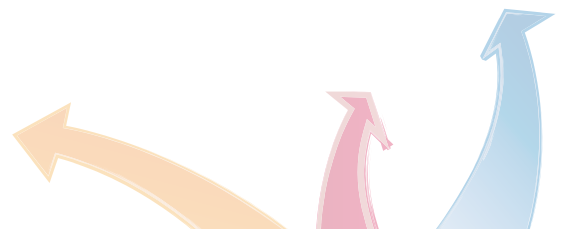
In these highly competitive times, businesses consider incentives, namely in the form of grants and R&D tax credits, instrumental to their ability to carry out investment projects. This targeted aid must therefore be well calibrated to allow the city to remain competitive in relation to the incentives offered in the United States and elsewhere.

### 3. Focus more on business retention

It is much harder to attract businesses than to keep them. One of the repeated requests is for better road infrastructures. Incentives to companies can also play a role, especially if offered for a specific project and the funds are disbursed quickly.

### 4. The importance of promoting the metropolitan economy internationally

While it enjoys a generally good brand image internationally, there is still a misunderstanding on the comparative advantages that Greater Montréal offers, notably in terms of real business costs. More effort must be made to promote Greater Montréal as an attractive and competitive business destination.





# INTRODUCTION

01.



# The business environment: crucial for private investment

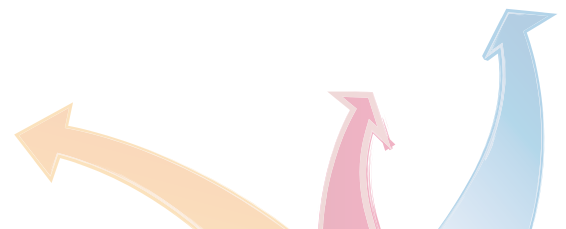
**Investment** drives economic growth and is essential to our prosperity. Consequently, in a context of increasingly integrated economies and heightened international competition, cities absolutely must make sure their business environment is competitive and conducive to investments, be they foreign or domestic.

In a global market that offers companies many attractive business destinations, companies have developed a decision-making process that prioritizes certain factors so as to optimize the return on their investments. In this context, national, provincial and municipal governments become increasingly important actors because they can greatly influence the business environment.

This reality applies to Greater Montréal as well. The city must constantly adjust its economic development strategy based on the various factors of investment attractiveness and strategic sectors prioritized. Its public actors must also be very familiar with these factors in order to put in place concrete strategies conducive to improving the city's business environment.

In this vein, the perception of the executives of companies established in the city regarding its business climate provides strategically important information.

This study therefore took the pulse of over 100 executives of local businesses and foreign subsidiaries on the competitiveness of the business environment and attractiveness of the metropolitan area for private investment.



# WHAT MAKES A CITY ATTRACTIVE



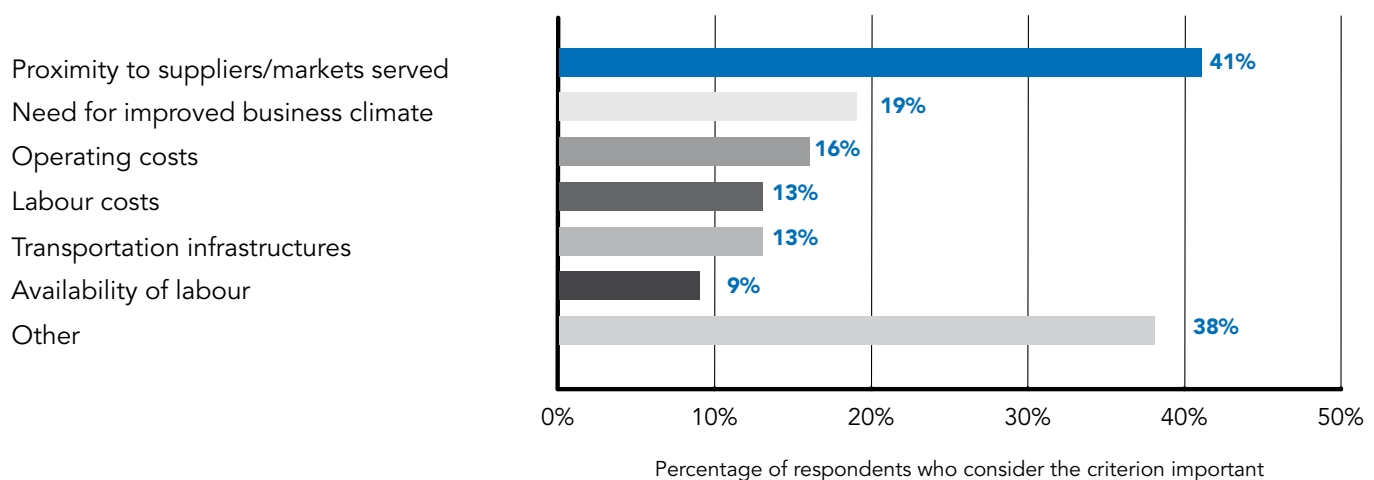
02.

A company looks at various factors before making an investment or setting up operations. The U.S. magazine Area Development publishes an annual survey on the main factors considered by a business when making a location decision (mainly U.S. manufacturing firms).

The 2011 edition of this survey shows the main reasons for relocation. The top ones are: proximity to suppliers and markets served, the need for improved business climate, business costs and labour costs. Interestingly, quality of life factors are only considered once other primary site selection criteria have been satisfied. Figure 1 illustrates the main findings of this survey.

## « The top reasons are: proximity to suppliers and markets served, the need for improved business climate, business costs and labour costs. »

FIGURE 1:  
REASONS FOR RELOCATION



Source: 25<sup>th</sup> Annual Corporate Survey, Area Development, 2011.

The 2012 edition lists the main site selection factors that come into play when companies choose a site for a new facility. Table 1 shows the top 10 site selection factors according to this survey. It will be noted that the factors

are different from the previous graph because the decision-making process for a new facility is different from the one used for relocation.

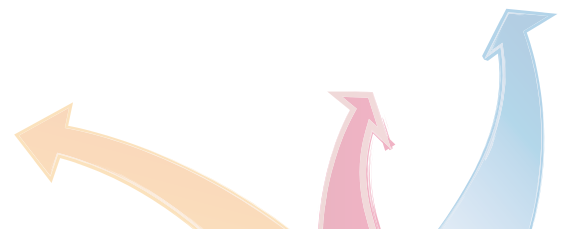




TABLE 1:  
SITE SELECTION FACTORS

SITE SELECTION FACTORS		PERCENTAGE OF COMPANIES THAT RATED THE FACTOR AS IMPORTANT OR VERY IMPORTANT (%)
1.	Highway accessibility	93.8
2.	Labour costs	88.4
3.	Availability of skilled workforce	88.4
4.	Corporate tax rate	86.0
5.	Occupancy or construction costs	85.9
6.	Provincial or local incentives	85.9
7.	Energy availability and costs	84.8
8.	Tax credits	83.6
9.	Market access	83.0
10.	Low union profile	81.0

Source: 26<sup>th</sup> Annual Corporate Survey, Area Development, 2012.

As we can see, cost factors are an important part of the decision-making process. In fact, of the ten factors listed, six are associated with costs.

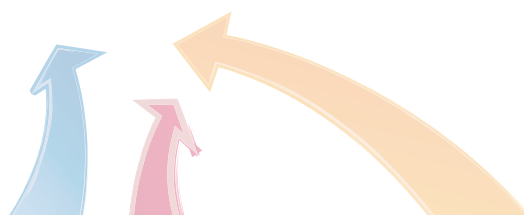
The survey also looks at various quality of life aspects. The main factors are listed below in order of importance:

TABLE 2:  
QUALITY OF LIFE FACTORS CONSIDERED IN SITE SELECTION

QUALITY OF LIFE FACTORS	
1.	Low crime rate
2.	Healthcare facilities
3.	Housing costs
4.	Housing availability
5.	Rating of public schools
6.	Colleges and universities in the area
7.	Recreational opportunities
8.	Climate
9.	Cultural opportunities

Source: 26<sup>th</sup> Annual Corporate Survey, Area Development, 2012.

It bears mentioning, however, that according to this survey, quality of life factors were given less weight than the other site selection factors.

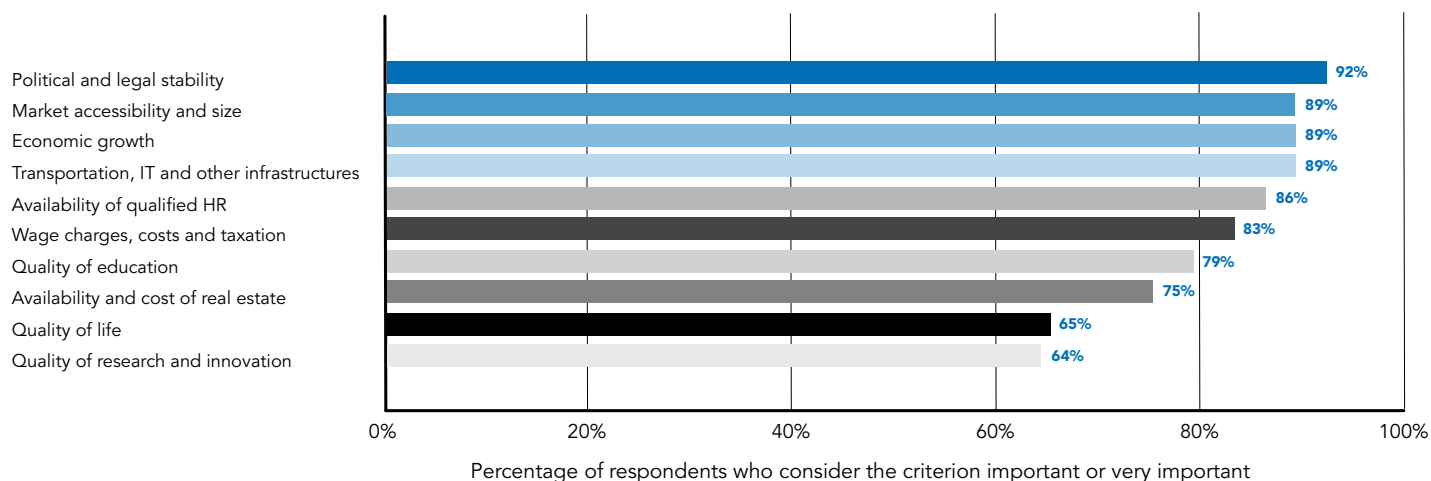


Another study, published by KPMG in February 2010 and called *Observatoire des Investissements Internationaux dans les principales métropoles mondiales* focuses on city attractiveness factors as perceived by business executives following the economic crisis of 2008. This study, based on a sample of 512 companies – 50% from Europe and 38% from the U.S. – shows changes in investment criteria. It concludes that political and economic stability criteria now head the list, probably reflecting corporate sensitivity to the political

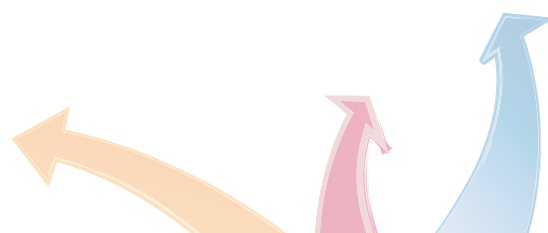
and economic environment, especially in time of recession. Figure 2 illustrates the new hierarchy of investment criteria according to the respondents.

Here, it bears mentioning that the quality of life and quality of research factors are important, although less so than the others. In fact, these factors only come into play once other primary site selection criteria have been satisfied.

FIGURE 2 :  
KEY INVESTMENT CRITERIA



Source: KPMG. 2010. *Observatoire des Investissements Internationaux dans les principales métropoles mondiales*.



# GREATER MONTRÉAL



03.

# Economic context

**Greater** Montréal is Quebec's economic engine. As the province's largest city and the second largest in Canada in terms of population, it is also a national economic hub. In fact, with its 3,908,000 residents and 82 municipalities, the metropolitan Montréal community accounts for nearly half of the population, output and jobs in Quebec<sup>3</sup>.

« **Greater Montréal is Quebec's economic engine.** »

The Montréal Census Metropolitan Area (CMA) also demonstrated its relative resilience during the recent economic crisis as it was less affected than its Canadian counterparts. In fact, its GDP slipped just 0.4%<sup>4</sup> in 2009, compared to 2.7% for Toronto. The same can be said of its labour market, where in 2011, the unemployment rate was lower than that of the Toronto CMA. Historically, the Montréal CMA has had a higher unemployment rate than Toronto. Montréal's diversified economy, recovery programs and solid businesses were behind its ability to weather this economic and financial crisis.

The metropolitan economy is the most diversified in Canada<sup>5</sup>. The manufacturing sector showed, among other things, renewed strength in 2010, after eight years of decline.

Despite the jobs losses in this sector – a similar situation in many industrialized nations whose economies are shifting to services –, it remains central to the city's development. According to a study published this year by Deloitte<sup>6</sup> titled *Le point sur le Québec manufacturier*, not only does this sector play a big role in the province, it is also the most innovative, creating significant multiplier effects (in terms of direct and indirect jobs) and accounts for most of our exports.

Meanwhile, the services industry is a very important part of the city's economy, with output growing 1.2% in the CMA last year. Its growth outlook is positive, especially in scientific, technical and administrative services<sup>7</sup>.

Still, the growth prospects for the Montréal CMA are not as favourable as elsewhere in Canada. One of the reasons is that its economy did not slow as much as elsewhere in the country; another is the challenges it will face in the coming years as a result of an aging potential labour pool and low structural productivity.

In this regard, increasing investment is a strategic way of boosting the city's productivity and growth.

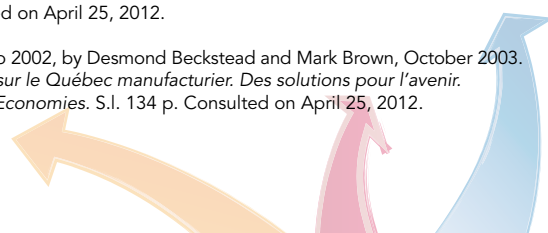
<sup>3</sup> CIRANO. 2012. *Le portail de l'information sur l'économie du Québec d'aujourd'hui*. On line. Consulted on April 25, 2012.

<sup>4</sup> THE CONFERENCE BOARD OF CANADA. Winter 2012. *Metropolitan Outlook* 1.

<sup>5</sup> STATISTICS CANADA; *From Labrador City to Toronto: The industrial diversity of Canadian cities 1992 to 2002*, by Desmond Beckstead and Mark Brown, October 2003.

<sup>6</sup> SAMSON BÉLAIR/DELOITTE & TOUCHE S.E.N.C.R.L. AND ITS AFFILIATES. February 2012. *Le point sur le Québec manufacturier. Des solutions pour l'avenir*.

<sup>7</sup> THE CONFERENCE BOARD OF CANADA. 2012. *Economic Insights Into 13 Canadian Metropolitan Economies*. S.I. 134 p. Consulted on April 25, 2012.





# Strategic sectors for Greater Montréal's development

**Industrial** clusters are an important tool for the competitiveness and growth of a metropolitan area. In this regard, the geographic concentration of companies, research institutes and other entities within a sector fosters interaction between them, as well as innovation and growth of the sector in question. Clusters also raise a city's profile and attract foreign direct investment.

Greater Montréal has 15 industrial clusters<sup>8</sup> and six organized clusters, i.e. managed by a secretariat responsible for their respective development. The organized clusters of Greater Montréal are represented in figure 3. These are the sectors the metropolitan area uses, especially abroad, to attract foreign direct investments.

FIGURE 3:  
GREATER MONTRÉAL'S ORGANIZED CLUSTERS



<sup>8</sup> "Clusters are geographic concentrations of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition. They include, for example, suppliers of specialized inputs such as components, machinery, and services, and providers of specialized infrastructure. Clusters also often extend downstream to channels and customers and laterally to manufacturers of complementary products and to companies and industries related by skills, technologies, or common inputs. Finally, many clusters include governmental and other institutions – such as universities, standards-setting agencies, think tanks, vocational training providers, and trade associations – that provide specialized training, education, information, research, and technical support." (Porter, M.E. (1998). "Clusters and the New Economics of Competition", Harvard Business Review, November-December, 1998.), Communauté métropolitaine de Montréal.

Analyzing a city's strengths and weaknesses is also an important tool to evaluate its attractiveness. The following is a SWOT analysis conducted for the *Rapport sur l'attractivité du Grand Montréal et sa compétitivité*

en matière d'incitatifs prepared in 2012 by Montréal International.

**TABLE 3:**  
**EVALUATION OF GREATER MONTRÉAL'S COMPETITIVENESS IN RELATION TO FOREIGN INVESTMENT (STRENGTHS-WEAKNESSES-OPPORTUNITIES-THREATS)**

GREATER MONTRÉAL'S POSITION (STRENGTHS-WEAKNESSES-OPPORTUNITIES-THREATS)	
STRENGTHS	WEAKNESSES
Market access	Student retention
Excellent talent and knowledge institutions	University graduation rate
Presence of high technology clusters	Personal tax rate
Competitive R&D environment	Productivity rate
Corporate tax rate	Condition of infrastructures
Bilingualism and cultural diversity	Research commercialization
Competitiveness of costs in North America, especially in high-tech sectors due to competitive incentives	Access to venture capital
Abundance and low cost of electricity	Telecommunication costs
Stability of banking system	Limited international awareness of Canada, Quebec and Greater Montréal as a business centre
Stability of labour market	
Quality of life	
Purchasing power	
OPPORTUNITIES	THREATS
Acceleration of the knowledge and high-tech economies	Risks of deterioration in the global economy
Important role talent plays in the decision to invest	Growing attractiveness of emerging nations
Major projects	Strength of Canadian dollar and gradual disappearance of Greater Montréal's cost advantage in North America
New clusters	Competing jurisdictions implementing the same or better incentives
The Montréal area as a nearshore destination <sup>9</sup>	Exodus of head offices and foreign subsidiaries to other Canadian and American regions
Stability of the Canadian economy and general quality of its business climate	Demographics

Source: Montréal International. February 2012. *Rapport sur l'attractivité du Grand Montréal et sa compétitivité en matière d'incitatifs*.

<sup>9</sup> Generally means relocation of an economic activity within a given region, country or even a neighbouring country.



# Foreign companies: an asset for the city's development

**The** metropolitan area is home to a significant proportion of foreign subsidiaries. There are approximately 2,000 subsidiaries accounting for over 165,000 direct jobs and 100,000 indirect jobs. This translates into 9% of all jobs and 13% of employment in the private sector<sup>10</sup>.

These same jobs generate more than 20% of the Montréal area's GDP. This is explained by the fact that foreign subsidiaries typically offer higher salaries, are more productive and innovative, conduct more R&D and invest more than their Canadian counterparts<sup>11</sup>. In fact, from 2004 to 2011, capital spending by foreign controlled firms in Greater Montréal accounted for over one third of the investments in the non-residential private sector<sup>12</sup>. Given their importance to and weight in the metropolitan economy, attracting and retaining foreign firms is critical for Greater Montréal's development and for attracting investments<sup>13</sup>.

« Given their importance to and weight in the metropolitan economy, attracting and retaining foreign firms is critical for Greater Montréal's development and for attracting investments. »

<sup>10</sup> MONTRÉAL INTERNATIONAL, 2012. *Rapport sur l'attractivité du Grand Montréal et sa compétitivité en matière d'incitatifs*, s.l., consulted on April 10, 2012.

<sup>11</sup> STATISTICS CANADA, *Global links: Multinationals in Canada: An Overview of Research at Statistics Canada*, John R. Baldwin et Guy Gellatly, November 2007.

<sup>12</sup> INSTITUT DE LA STATISTIQUE DU QUÉBEC, *Investissements sous contrôle étranger dans la RMR de Montréal, compilation spéciale*, November 2011.

<sup>13</sup> Idem

# How Greater Montréal stacks up in terms of business costs

**According** to KPMG's *Competitive Alternatives 2010* study which compares business costs in more than 100 cities in 10 countries, Canada ranks second (behind Mexico) among countries with the lowest business costs. With regards to cities, Montréal ranks third among the 100 surveyed and first if Mexi-

co City and Monterrey are excluded. The table below lists the top 15 cities in this ranking (the four largest U.S. metro areas for the U.S. baseline against which costs<sup>14</sup> for major cities in other countries are compared).

TABLE 4:  
METRO AREA RANKING IN TERMS OF BUSINESS COSTS

Rank	Metro areas	Countries	Index
1	Monterrey	Mexico	81.5
2	Mexico City	Mexico	82.1
3	<b>Montréal</b>	<b>Canada</b>	<b>94.2</b>
4	Manchester	United Kingdom	94.7
5	Vancouver	Canada	94.9
6	Toronto	Canada	95.8
7	Tampa	United States	96.0
8	Atlanta	United States	96.3
9	La Haye	Netherlands	96.4
10	Lyon	France	96.4
11	Melbourne	Australia	96.7
12	Amsterdam	Netherlands	96.7
13	Miami	United States	97.0
14	Baltimore	United States	97.1
15	Dallas-Fort Worth	United States	97.7

Source: KPMG. 2010. *Competitive Alternatives, KPMG Guide to International Business Location Costs*.

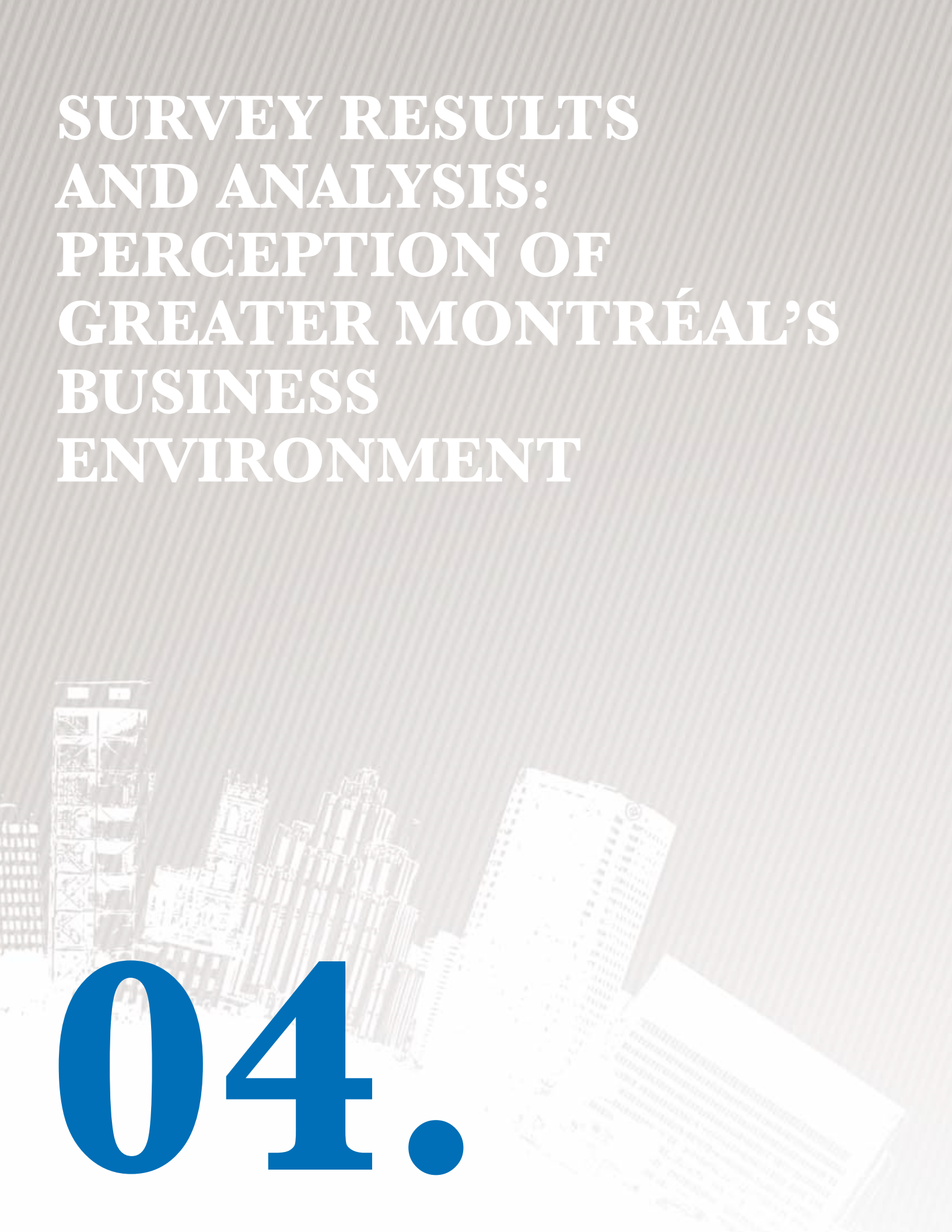
As such, according to this study, Greater Montréal is well positioned among the most economical destinations of the countries studied. This aspect is instrumental in determining a city's positioning abroad given the

importance companies place on business costs when deciding where to invest their money.

<sup>14</sup> "Business costs are expressed as an index, with the United States being assigned the baseline index of 100.0, established according to the average results of the four largest metro areas in the U.S. (supra). An index less than 100 indicates lower cost than the U.S. An index greater than 100 indicates higher cost than the U.S. (e.g., an index number of 95.0 represents a 5% cost advantage relative to the U.S.)." KPMG. 2010. *Competitive Alternatives*.



# **SURVEY RESULTS AND ANALYSIS: PERCEPTION OF GREATER MONTRÉAL'S BUSINESS ENVIRONMENT**

The background of the slide features a grayscale image of a city skyline with several prominent skyscrapers. In the lower right corner, there is a tilted image of a document or report, showing some text and a logo. The overall background has a subtle diagonal line pattern.

# **04.**

**Our** study is based on the answers of 103 companies with 50 employees or more and a sizeable operation in Greater Montréal. We also conducted approximately 20 interviews to complement the quantitative answers. The methodology used and the respondent profile are presented in the appendix.

In this section, we break down the survey results into four components: the profile of the companies surveyed, the decision factors for investment projects, the business environment and attractiveness of Greater Montréal, and the metropolitan area's positioning with regards to private investment.

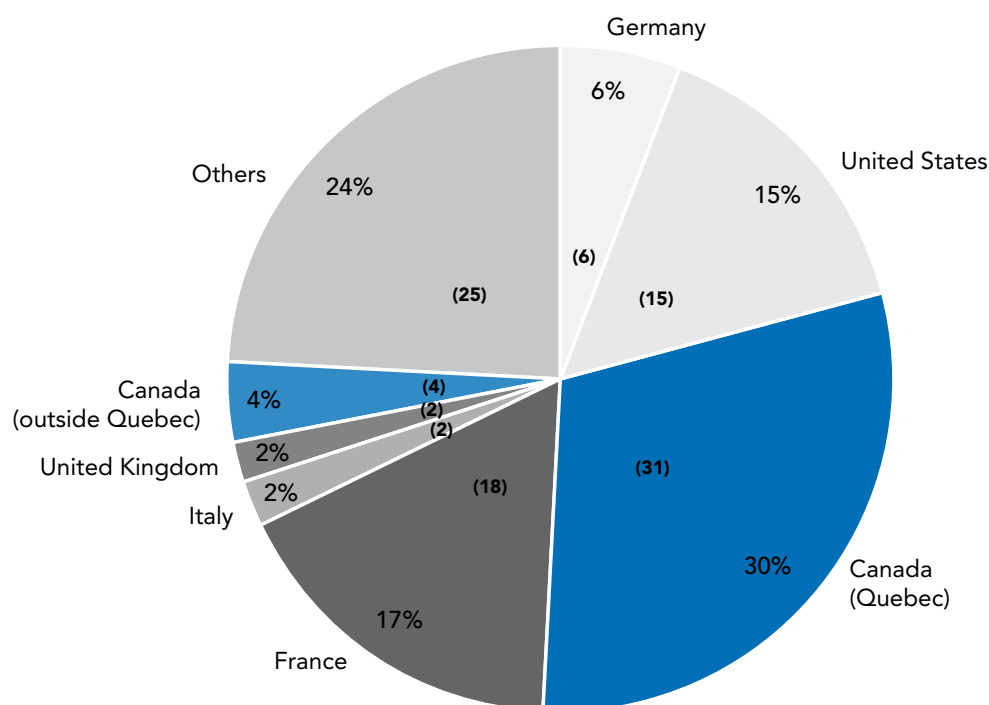
## Profile of the companies surveyed

**The companies surveyed are primarily foreign subsidiaries based in Greater Montréal**

Subsidiaries based in Greater Montréal account for 70% of the total respondents. We focused on them because they are especially well placed to evaluate the competitiveness of the city's business environment in relation

to that of other big cities. They are also best placed to compare their competitiveness with that of the parent company's other subsidiaries outside Quebec.

FIGURE 4:  
COMPANY'S COUNTRY OF ORIGIN<sup>15</sup>



Source: CAI Global Group, 2012.

<sup>15</sup> In this survey, the number of respondents is indicated in parentheses.

## Most companies face considerable internal competition

Given that the companies surveyed belong to multinationals, the concept of internal competition is a factor in measuring the city's competitiveness. The fact is that multinational subsidiaries are likely to be competing internally, within their own company, for mandates and investment capital.

Of those that indicated a parent company with facilities outside Montréal, 42% of 66 respondents felt that there

was a high or very high level of competition between them and the other subsidiaries for investment capital.

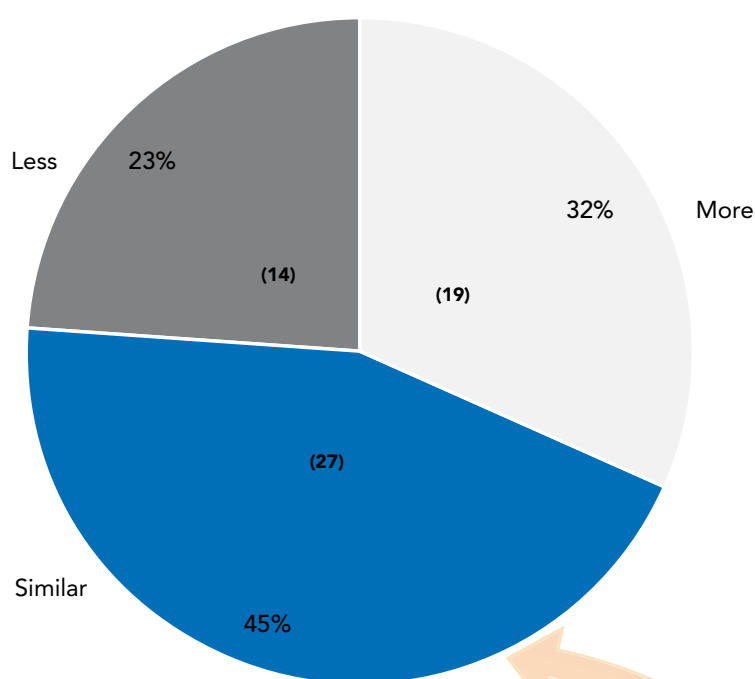
86% of those that reported a high or very high level of internal competition were subsidiaries. Half of them had revenues of more than \$100 million and for the most part (74%) have been established in Greater Montréal for more than 10 years.

## Most of the subsidiaries considered themselves to be as, if not more competitive, than the parent company's other subsidiaries abroad

In a question intended solely for the subsidiaries, 32% of the 60 respondents felt that they were more competitive than their counterparts abroad, 45% felt that they were about the same, and 23% considered themselves less competitive. Overall, Greater Montréal helps its subsidiaries remain competitive internally in many cases.

Of the 31 subsidiaries with a high or very high level of internal competition, 48% believed they were as competitive in the metropolitan area as their counterparts while 29% believed they were more competitive and 23% less competitive.

**FIGURE 5:**  
COMPETITIVENESS OF SUBSIDIARIES LOCATED IN GREATER MONTRÉAL IN RELATION TO THEIR COUNTERPARTS IN THE GROUP



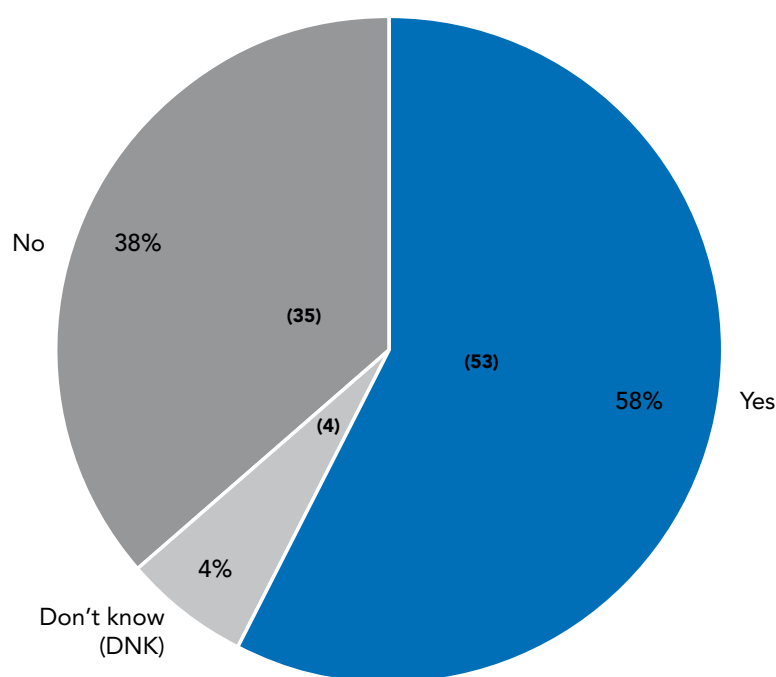
Source: CAI Global Group, 2012.

## The development of an investment project is often a strategic positioning factor for a subsidiary in relation to the parent company

Information on business investment is crucial in analyzing the attractiveness and business environment of a metropolitan area. We found out that most of the com-

panies, i.e. 58% of the 92 surveyed, are currently working on an investment project that will be carried out in Greater Montréal, versus 38% that are not.

FIGURE 6:  
FIRMS WITH AN INVESTMENT PROJECT IN PROGRESS



Source: CAI Global Group, 2012.

With regards to the subgroup of subsidiaries, 60% indicated they were working on an investment project. Lastly, 69% of the subsidiaries experiencing a high or very high level of internal competition are working on an investment project. Generally speaking, the larger a com-

pany or the more exposed it is to internal competition, the more likely it is to invest. This may be attributable to the fact that an investment project is a positioning and activity consolidation strategy for a subsidiary.



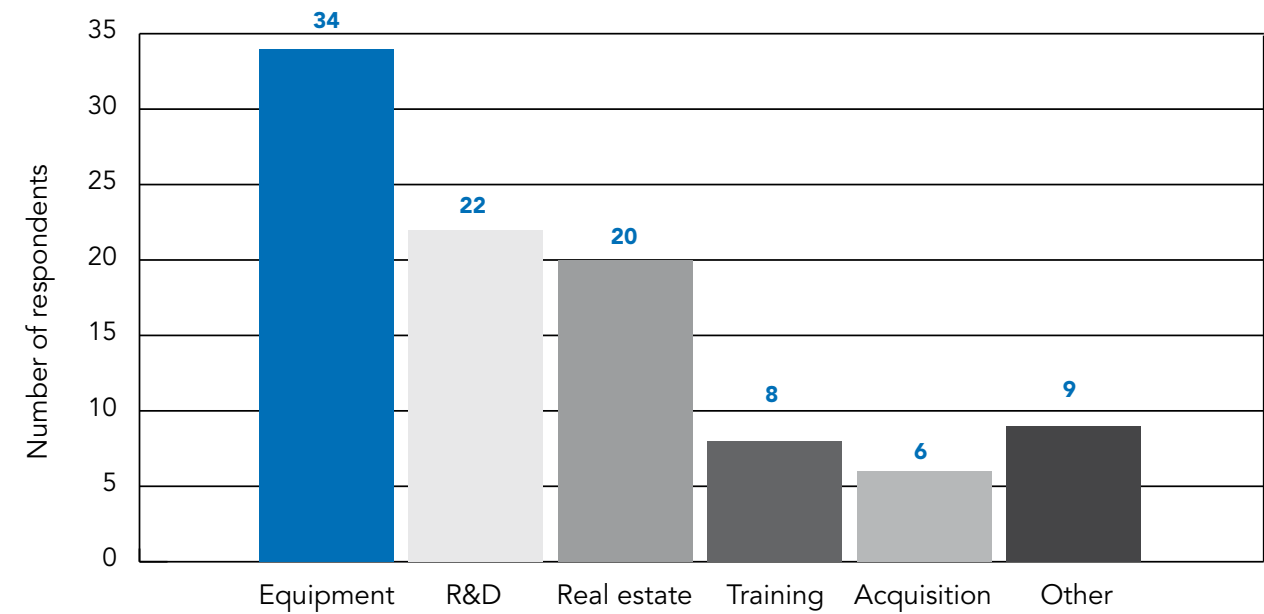


As the table below shows, there are different types of business investment projects.

What this bar chart shows is that most of the investments

are made to boost productivity, for instance, equipment purchases and R&D. This confirms that investment is viewed as a way of improving competitiveness.

FIGURE 7:  
TYPE OF INVESTMENT PROJECTS

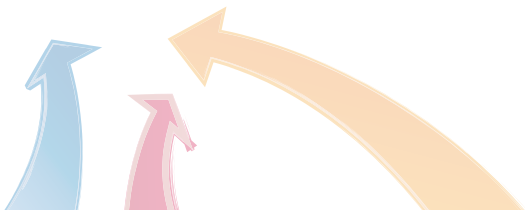


Source: CAI Global Group, 2012.

**The subsidiaries consider skilled labour the most important factor contributing to Greater Montréal's competitiveness**

Among the subsidiaries that consider Greater Montréal more competitive, most believe that skilled labour is the main advantage. Research and development potential ranked second.

A closer look at the responses provided by companies in certain sectors reveals that 33% of information and communication technology (ICT) firms believe that the metropolitan area makes them more competitive. Local expertise, skilled labour and R&D tax credits are the main reasons behind this sentiment.



Moreover, the interviews of business executives revealed other factors that are important for the city's competitiveness: competitive prices and type of energy available. Greater Montréal offers businesses that settle on its territory a source of clean, reliable and competitively priced energy.

*"The environment is a factor that comes into play when choosing a site. Hydroelectric energy gives our subsidiary in the metropolitan area an advantage over those outside Quebec."*

- Sylvain Fontaine, Plant Manager, SC Johnson and Sons

In fact, some executives told us that due to environmental and cost-related reasons, Quebec electricity helps improve the competitiveness of companies in the region.

*"Energy is our third biggest expense. In this regard, it's an advantage to be located in Quebec."*

- A business executive in the environmental field

The following table lists the main competitiveness-enhancing factors for subsidiaries located in Greater Montréal (presented in decreasing order).

**TABLE 5:**  
FACTORS THAT ENHANCE THE COMPETITIVENESS OF GREATER MONTRÉAL  
ACCORDING TO THE SUBSIDIARIES SURVEYED

FACTORS ENHANCING THE COMPETITIVENESS OF SUBSIDIARIES IN GREATER MONTRÉAL	
1.	Skilled labour
2.	R&D potential
3.	Market access
4.	Availability of skilled labour
5.	Transportation infrastructure

Source: CAI Global Group, 2012.

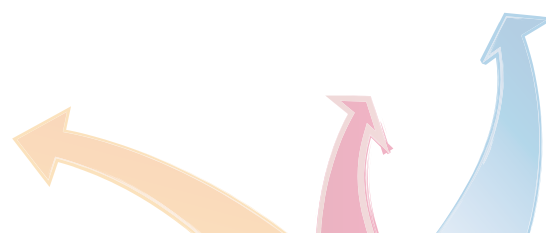
This next table lists the factors that according to the executives of subsidiaries in Montréal, make them less

competitive than their parent company's other foreign subsidiaries (presented in decreasing order).

**TABLE 6:**  
FACTORS THAT DECREASE THE COMPETITIVENESS  
OF MONTRÉAL-BASED SUBSIDIARIES

FACTORS THAT DECREASE THE COMPETITIVENESS OF SUBSIDIARIES IN GREATER MONTRÉAL	
1.	Availability of skilled labour
2.	Quality of skilled labour
3.	Transportation infrastructure
4.	Market access
5.	Labour costs
6.	R&D potential

Source: CAI Global Group, 2012.



## Subsidiaries consider availability of skilled labour the main factor hindering their competitiveness

As the table above shows, labour availability is the leading factor hindering the competitiveness of Greater Montréal according to the executives of the subsidiaries surveyed.

*"The workforce is skilled, but it's not available. Demand outstrips supply, creating a bidding war."*

- Philippe Hoste, CEO, Sonaca NMF Canada

More rigid and difficult labour relations, in some cases, were also cited during the interviews as a factor that makes it tougher for the metropolitan region to compete.

*"We sense a lack of flexibility by the unions compared to other production units abroad, where there is more collaboration. This is an obstacle that will cause the subsidiary to relocate."*

- The head of a subsidiary of an international group

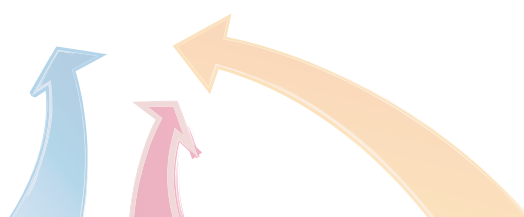
The companies surveyed were also asked to identify, more generally, the advantages and disadvantages of being located in Greater Montréal. The following table shows the main advantages, classified in order of importance based on the number of respondents.

## All respondents consider that the quality of skilled labour is also Montréal's main competitive advantage

TABLE 7:  
ADVANTAGES OF LOCATING IN GREATER MONTRÉAL

GREATER MONTRÉAL'S ADVANTAGES	
1.	Access to a skilled workforce
2.	Market access
3.	Proximity to clients and suppliers
4.	Availability of financial incentives
5.	Presence of universities
6.	Competitive costs
7.	Stable economy
8.	Availability of skilled labour

Source: CAI Global Group, 2012.



## Respondents ranked poor road infrastructures as the No. 1 obstacle to Greater Montréal's competitiveness

The main disadvantages are listed in the table below. Considering the major roadwork underway in the metropolitan area, it is no surprise that the poor condition of our road system was cited as the main disadvantage

to locating in Montréal. We are clearly paying the price for the decades of neglect in this regard. The restoration of our road infrastructures will perhaps change this fact in the longer term.

TABLE 8:  
DISADVANTAGES OF LOCATING IN GREATER MONTRÉAL

DISADVANTAGES OF GREATER MONTRÉAL	
1.	Quality of road infrastructures
2.	Labour costs
3.	Availability of skilled labour
4.	Level of taxation
5.	Tax rate
6.	Language
7.	Market size
8.	Labour relations

Source: CAI Global Group, 2012.

## There are ways to improve the city's competitiveness

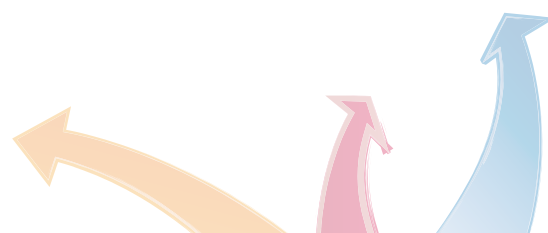
Although some of the disadvantages mentioned, such as the exchange rate, market size and distance from major markets are beyond the control of local economic development agencies, others, such as infrastructure quality, business costs, fiscal framework and availability of skilled labour, can be taken into account when drafting public policies.

*"It's not our lack of expertise that's making our manufacturers less competitive, it's the strength of the Canadian dollar."*

- Executive of a Quebec firm based in Montréal

*"Our aging infrastructures can affect our competitiveness."*

- A business executive in the environmental field



## Business activities have been stable or have increased in the last five years and most respondents are expecting them to grow over the next five years

In an effort to identify a negative or positive trend in the level of business activities, our survey asked whether these had increased or decreased in the last five years in the following areas: total employees, manufacturing

output, R&D expenses, exports and production costs. The answers are presented in the table below.

TABLE 9:  
CHANGE IN BUSINESS FEATURES IN THE LAST FIVE YEARS

During the last 5 years, in what way have the features in the following table varied at your company?					
	Strong increase	Decrease	Stable	Increase	Strong decrease
Total employees	5	15	27	23	21
Manufacturing output	6	12	25	24	10
R&D expenses	4	4	35	33	5
Exports	2	12	30	25	8
Production costs	3	10	35	29	8

Source: CAI Global Group, 2012.

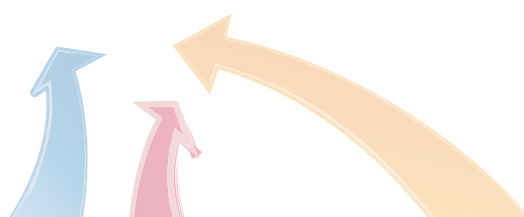
Although “stable” was the response given most often, we still see a generally upward trend in these features overall. The prevalence of this response was unexpected considering the tough economic context of the past few years. The total employees indicator is especially surprising in that 44 respondents reported an increase, against only 20 that saw it go down.

Following a relatively positive situation for the past five years, we wanted to know if the respondents saw it continuing for another five. The following shows their outlook for the medium term.

TABLE 10:  
OUTLOOK FOR BUSINESS ACTIVITIES

How do you think the following features will vary in the next 5 years?					
	Strong increase	Decrease	Stable	Increase	Strong decrease
Total employees	2	7	35	38	9
Manufacturing output	2	8	26	30	9
R&D spending	2	6	35	34	4
Exports	3	5	32	27	9
Production costs	3	16	35	29	3

Source: CAI Global Group, 2012.





Here also, we note optimism for all the features. As such, most of the 91 respondents indicated they expected total employees, manufacturing output and R&D expenses to increase in the next five years. Although more respondents believe that their exports and production costs will remain stable over this period, a good number still believe they will go up.

In light of these rather optimistic answers, it is not surprising that 61% of respondents felt that their activities in the metropolitan area are not threatened, while 30% said the opposite. However, this figure may seem high depending on how one interprets the term "threat."

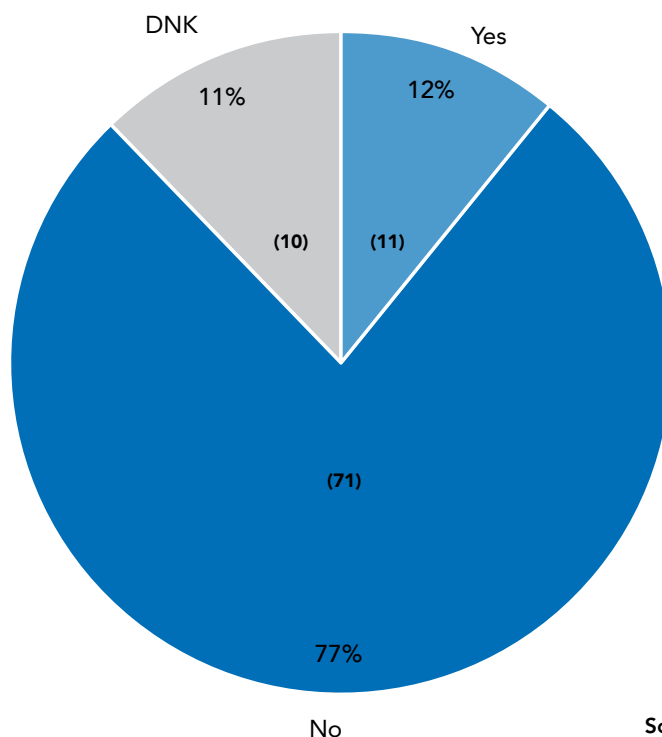
A possible explanation is the large number of subsidiaries that consider their activities threatened more often because of the strong competition they face internally. In fact, 35% of those with a high or very high level of internal competition consider their activities at risk. This could be explained by the fact that business decisions are made outside the metropolitan area, which for some heightens the impression that their subsidiary's activities are threatened.

### A threat does not necessarily mean impending closure

One thing is certain, the word "threat" does not necessarily equate with demise since 77% of respondents indicated they did not think their firm would close in the next five years, versus 12% who believed it could

happen. Here again, foreign subsidiaries envision such a scenario more often, compared to just 6.7% of Quebec companies.

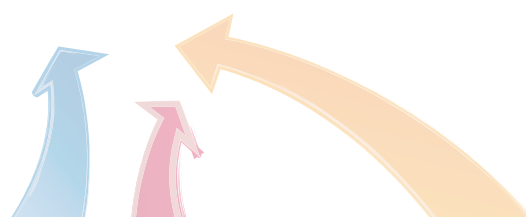
FIGURE 8:  
POSSIBILITY OF BUSINESS CLOSING IN THE NEXT FIVE YEARS



Source: CAI Global Group, 2012.

## Respondent features: observations

- Most of the companies surveyed are facing a high level of internal competition and are primarily foreign subsidiaries based in Greater Montréal.
- For the foreign subsidiaries, the quality of skilled labour is the main factor contributing to the city's competitiveness. However, its availability was identified as the main negative factor.
- All the companies surveyed agreed that skilled labour is still the biggest competitive advantage. However, road infrastructures were identified as the main obstacle.
- Business activities have remained stable or increased in the past five years and most companies expect this to continue for the next five years.



# Decision-making factors for investment projects

**This** section deals primarily with business investment criteria. It also compares investment criteria with

Greater Montréal's performance as seen through the eyes of respondents.

TABLE 11:  
TOP INVESTMENT CRITERIA AND GREATER MONTRÉAL'S PERFORMANCE

	INVESTMENT CRITERIA	IMPORTANCE FOR HEAD OFFICE <sup>16</sup>	GREATER MONTRÉAL'S PERFORMANCE <sup>17</sup> ACCORDING TO RESPONDENTS
A (very important)	Availability of skilled labour	1	Average
	Quality of skilled labour	2	Very good
	Cost of skilled labour	3	Good
	Provincial financial incentives	4	Good
	Provincial corporate tax rate	5	Average
	Availability of government assistance for economic development	6	Good
	Federal corporate tax rate	7	Mediocre
	Market access	8	Very good
B (important)	Municipal tax rates	9	Mediocre
	Quality of educational institutions	10	Very good
	Access to international flights	11	Good
	Proximity to clients	12	Good
	Political stability	13	Very good
	Municipal financial incentives	14	Mediocre
	Legal stability	15	Very good
	Rental costs	16	Average
C (medium importance)	Public safety	17	Very good
	Quality of road infrastructures	18	Mediocre
	Proximity to suppliers	19	Very good
	Environmental regulations	20	Average
	Unionization rate	21	Mediocre
	Quality of R&D infrastructures	22	Average
	Construction costs	23	Mediocre
	Land/building costs	24	Mediocre
D (less important)	Presence of industrial clusters	25	Good
	Obtaining construction/renovation permits	26	Average
	Access to rail network	27	Average
	Housing/Rental costs	28	Average
	Presence of research centres	29	Good
	Quality of port infrastructures	30	Average
	Quality and number of cultural activities	31	Very good

Source: CAI Global Group, 2012.

<sup>16</sup> This ranking is compiled based on the number of respondents who consider the criterion as very important or important for an investment project.

<sup>17</sup> This ranking is compiled based on the number of respondents who consider Greater Montréal's performance satisfactory or very satisfactory in relation to the criterion in question.

## The availability, quality and cost of labour are top considerations in the investment decisions of the respondents' corporate head offices

The first things the respondents look at when contemplating an investment are labour, financial support and the fiscal framework. More specifically, the availability, quality and cost of skilled labour are the three top priorities, followed by incentives from the Quebec govern-

ment, and the provincial corporate tax rate. A look at the city's performance for these criteria reveals that it ranks first in quality of skilled labour. However, its performance for the other five key decision-making criteria ranges from good to mediocre.

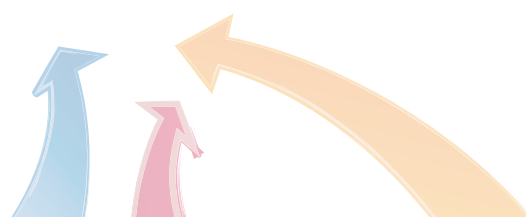
It will be recalled that the city's five main strengths are:

1. Quality of skilled labour
2. Quality of educational institutions
3. Legal stability
4. Quality and number of cultural activities
5. Political stability

## The corporate head offices of the companies surveyed did not rate the city as highly in terms of incentives and the fiscal framework

Although some of the criteria prioritized by respondents, such as market access and proximity to suppliers, are beyond the control of local economic development

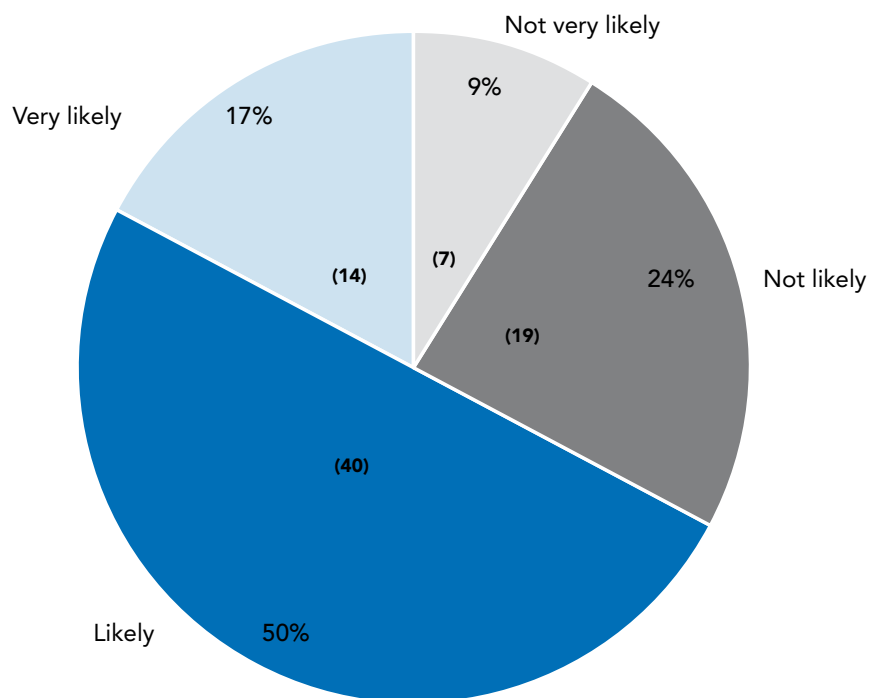
agencies, others, such as taxation, incentives and infrastructures can be addressed in economic development policies and programs.



Despite everything, 67% of the 80 respondents believe it is likely or very likely that their company's global head

office will undertake an investment project in the city, while 33% feel that this is unlikely or very unlikely.

FIGURE 9:  
PROBABILITY OF AN INVESTMENT IN GREATER MONTRÉAL  
BY RESPONDENTS' GLOBAL HEAD OFFICE



Source: CAI Global Group, 2012.

## Investment criteria: observations

- The availability, quality and cost of skilled labour are top considerations in the investment decisions of the global head offices of the companies surveyed.
- The global head offices do not rate the city as favourably on several criteria they consider important such as incentives and the fiscal framework.





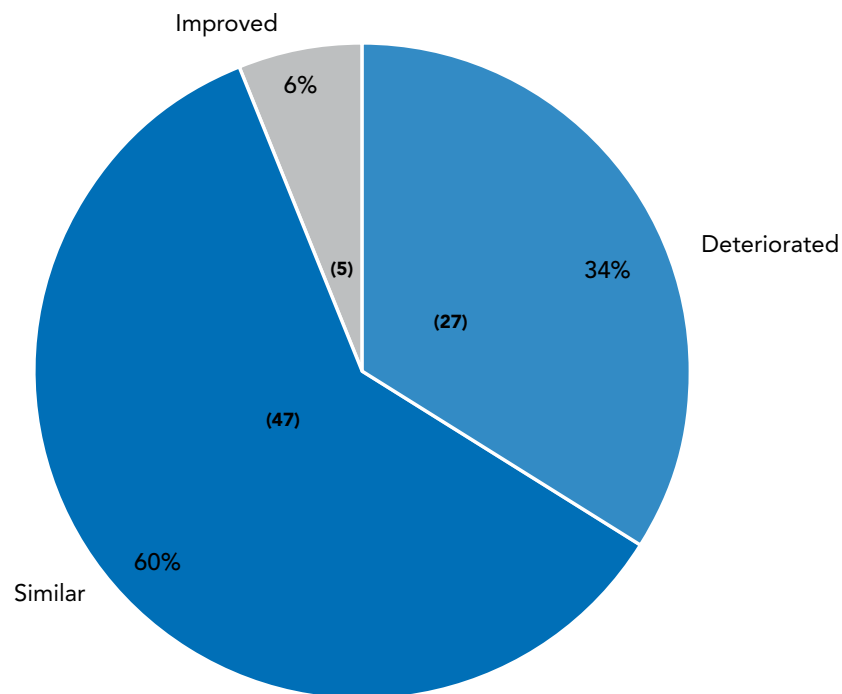
# The city's business environment

The respondents feel that the business environment has stagnated or deteriorated in the last five years

**Although** the respondents' business activities have increased, it seems that the gains were achieved not because of but despite the business environment. According to the survey, 34% of the 79 respondents

feel that the business climate and conditions conducive to investment have deteriorated in the last five years, while 60% believe they are the same. Only five respondents perceived an improvement in this regard.

FIGURE 10:  
CHANGE IN BUSINESS CLIMATE AND CONDITION CONDUCIVE TO PRIVATE INVESTMENT  
IN THE LAST FIVE YEARS

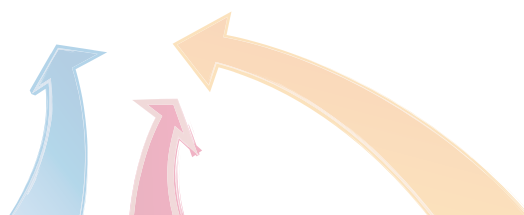


Source: CAI Global Group, 2012.

*"We have to improve the business climate so that companies become interested in Montréal."*

- Executive of a multinational subsidiary

The Great Recession of 2008 has clearly affected business perception of the city's business climate.



## Despite the perceived stagnation or deterioration in the business environment, companies continue to invest in the city

Respondents believe that despite this stagnation or deterioration in investment conditions, they must continue investing here to remain competitive. As such, 59% of those that believed that the business environment has stagnated or deteriorated are still working on an investment project, a percentage that rises to 74% for those that believe that the business climate has deteriorated. Paradoxically, one might think that in light of these results some companies feel they must invest in order to improve their performance so as to offset the effects of a more difficult environment.

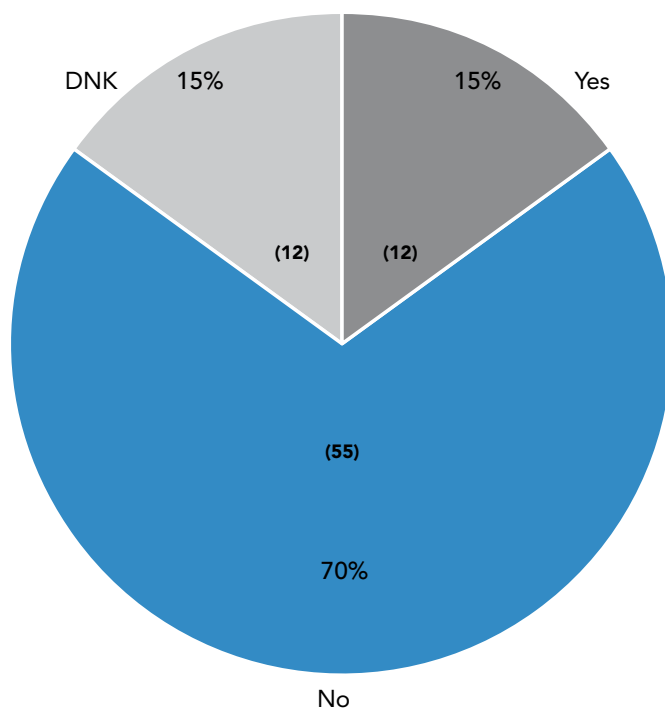
In the specific case of subsidiaries, the fact that they operate in a context of high internal competition explains why they must continue to invest. An investment project is often a subsidiary's strategy for positioning and consolidating its business. These companies often have no choice but to invest in order to grow.

## Most respondents do not find the metropolitan area more competitive than five years ago

Not surprisingly, considering the negative perception of the business environment, only 15% of business execu-

tives find the city more competitive than five years ago, while 70% feel it has not improved in this regard.

FIGURE 11:  
GREATER MONTRÉAL MORE COMPETITIVE THAN FIVE YEARS AGO?



Source: CAI Global Group, 2012.

Respondents of the view that the metropolitan area is not more competitive than five years ago gave the rea-

sons set out in the table below, classified in order of importance.

TABLE 12:  
REASONS CITED FOR THE DECLINE IN GREATER MONTRÉAL'S COMPETITIVENESS

REASONS CITED FOR THE DECLINE IN GREATER MONTRÉAL'S COMPETITIVENESS	
1.	Deterioration of transportation infrastructure
2.	Strength of Canadian dollar
3.	Municipal policy
4.	Corporate closures (manufacturing sector)
5.	Increase in costs
6.	Taxation rate
7.	Increase in international competition
8.	Unionization rate
9.	Too much emphasis on job creation in relation to business competitiveness

Source: CAI Global Group, 2012.

### The deterioration in transportation infrastructures is the main reason the city is less competitive

Here are a few testimonies that reflect the responses received.

*"Because of the roads, it's very hard to ship goods on the Island of Montréal, which can affect productivity."*

- Head of an engineering firm

The lack of vision in municipal politics was also cited as a reason why the city's competitiveness has not improved.

*"There's no economic debate by elected municipal officials in the metropolitan area."*

- Executive of an international subsidiary

### Most respondents have received helpful assistance from an economic development agency

The survey also made it possible to evaluate the performance of Greater Montréal's economic development agencies in terms of supporting business development and attracting investment. As such, 52% of the 80 respondents indicated having received assistance from one of the agencies, while 43% received none. This is not surprising given that most of the companies surveyed are subsidiaries and have been in Montréal for many years.

Of this number, 43% of those that have already used the service of an economic development agency found it satisfactory or very satisfactory, compared to 11% that rated it unsatisfactory or very unsatisfactory.

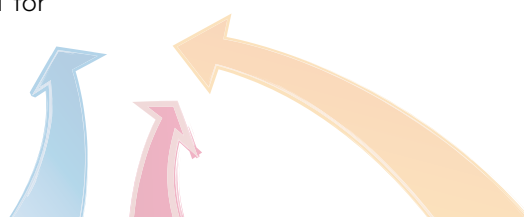
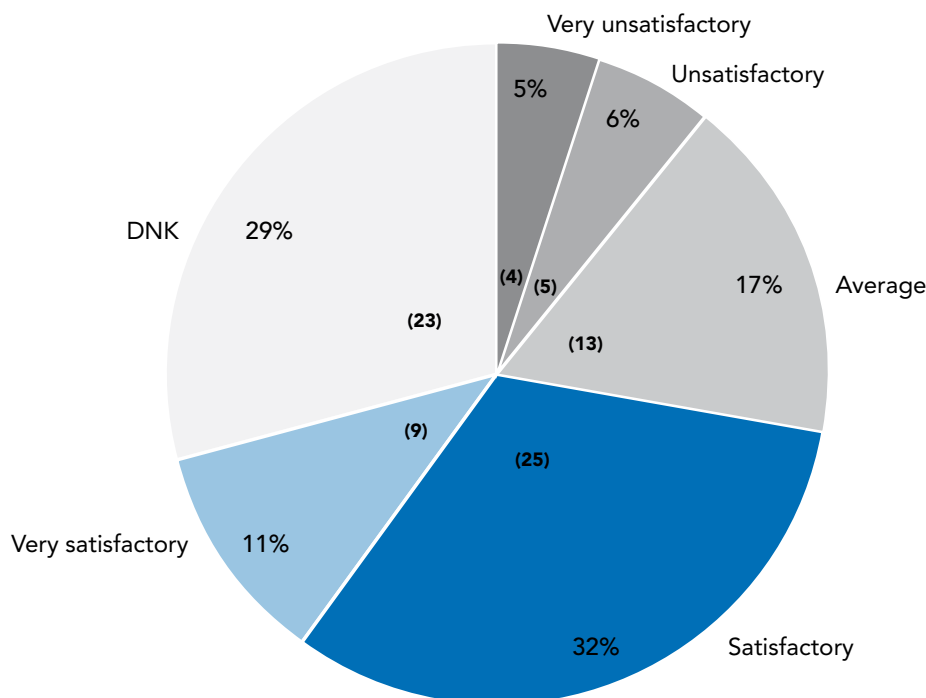


FIGURE 12:  
EVALUATION OF THE PERFORMANCE OF ECONOMIC DEVELOPMENT  
AGENCIES IN GREATER MONTRÉAL



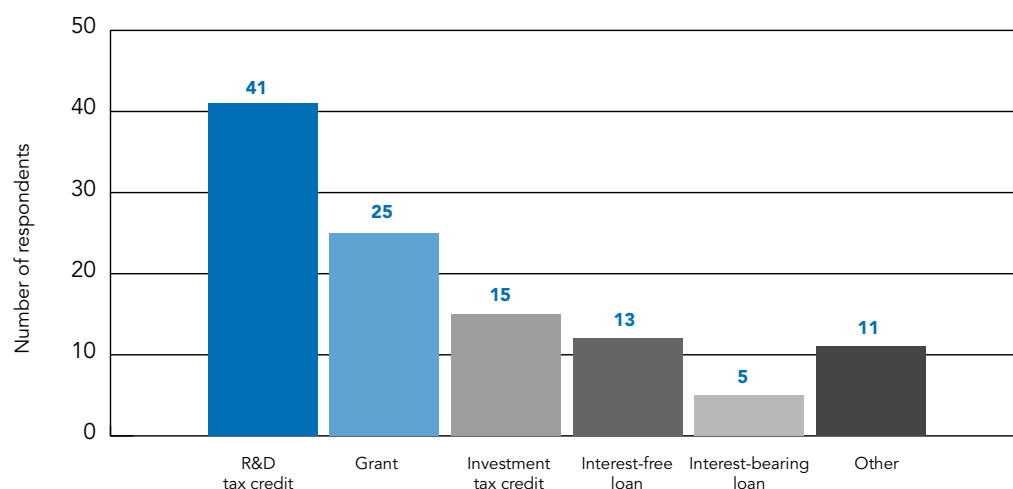
Source: CAI Global Group, 2012.

## Financial incentives are perceived as instrumental

Regarding financial incentives,<sup>18</sup> most of the respondents have received some from the Quebec government, i.e. 69% of the 80 respondents.

Different types of incentives are available to companies. The following bar chart illustrates the types received by the respondents.

FIGURE 13:  
THE DIFFERENT TYPES OF INCENTIVES RECEIVED BY RESPONDENTS



Source: CAI Global Group, 2012.

<sup>18</sup> In this study, the term "incentive" refers to both financial and fiscal incentives.

## R&D tax credits and subsidies are the most frequently used types of incentive

As the bar chart shows, R&D tax credits are the most prevalent form of tax incentive, followed by grants. According to the business executives surveyed, R&D cre-

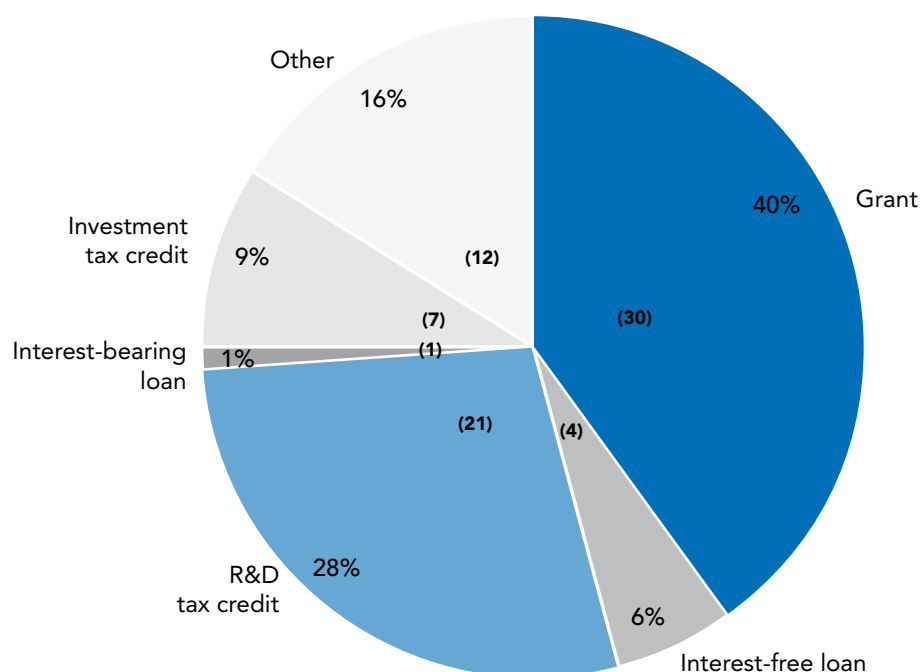
aits are near essential to the pursuit of their R&D activities in the metropolitan area.

## Respondents believe that grants are the most effective form of incentive

While most of the respondents have obtained incentives in the form of R&D tax credits, 40% consider grants to be the most useful form, compared to 28% for tax credits. Interestingly, 50% of the ICT firms surveyed felt that

R&D tax credits are the most effective form of incentive. The following pie chart details the incentives deemed most effective by companies in Greater Montréal.

FIGURE 14:  
TOP-RATED INCENTIVES



Source: CAI Global Group, 2012.

## Financial incentives are a determining factor when undertaking investment projects

Many of the respondents consider financial incentives an important factor in their investment decisions. More than half (54%) indicated that it was a determining or very determining factor in this regard. This percentage

increases to 71% for companies that received incentives in the form of grants and 62% for those that received R&D tax credits.



*"Incentives in the form of a grant played a big role in the head office's decision to invest in our plant."*

- Sylvain Fontaine, Pant Manager, SC Johnson and Sons

*"Incentives from the Quebec government not only helped us carry out our project, it also sent a clear message to the industry."*

- Martin Carrier, Vice-President and Studio Head, WB Games Montréal

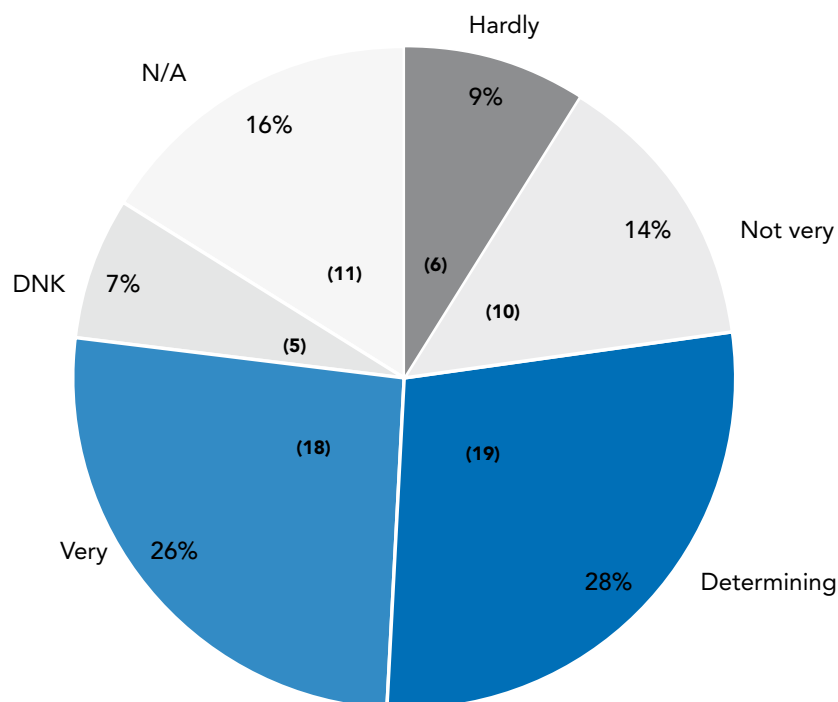
*"The R&D incentives offered allow and encourage us to undertake more projects and increase R&D in Greater Montréal."*

- Head of an engineering firm

At a time of heated competition, costs are important considerations when contemplating an investment project. In this regard, incentives help reduce the direct total costs and improve ROI.

Financial incentives therefore increase Greater Montréal's attractiveness and can sometimes make the difference between an investment being made here and elsewhere.

**FIGURE 15:**  
ARE INCENTIVES A DETERMINING FACTOR IN DECISIONS TO UNDERTAKE PROJECTS IN GREATER MONTRÉAL?



Source: CAI Global Group, 2012.

## Respondents do not consider Greater Montréal more competitive than other cities

However, some business executives find that Quebec's financial incentives are not as competitive as those offered by U.S. metro areas, which often sweeten the pot to attract companies. Globalization and fierce competition have made many countries more aggressive in their efforts to attract investment. The U.S. is considered extremely competitive in financial incentives. With roughly \$70 billion of incentives granted yearly to businesses, it is a world leader in this regard<sup>19</sup>. This is what the respondents had to say on this topic:

*"To attract investments in the U.S., it has now become city against city, county against county and state against state, which makes them very competitive."*

- Hélène Séguinotte, Country Delegate, Safran Canada

*"We have to pay attention to the programs offered by the U.S. if we're to remain competitive."*

- Sylvain Fontaine, Plant Manager, SC Johnson and Sons

The same observation can apply to international destinations, notably in Europe and Asia, considered by respondents as extremely competitive in terms of business incentives.

## The business environment: observations

- Respondents believe that the business environment has stagnated or deteriorated in the last five years. However, they continue to invest.
- Most respondents believe that the city is no more competitive than five years ago. The condition of our road infrastructures is part of the reason.
- Many of the companies surveyed have received incentives from an economic development agency that proved helpful.
- The respondents generally believe that financial incentives, particularly in the form of grants, are a determining factor in the decision to undertake an investment project.
- However, most of the respondents do not believe that the metropolitan area is as competitive as other cities in terms of financial incentives.

<sup>19</sup> MONTRÉAL INTERNATIONAL, 2012. *Rapport sur l'attractivité du Grand Montréal et sa compétitivité en matière d'incitatifs*, s.l., consulted on April 10, 2012.

# Greater Montréal's positioning

**This** section deals primarily with Greater Montréal's positioning and brand image, both for Montréal's business executives and global head offices in the case of foreign companies.

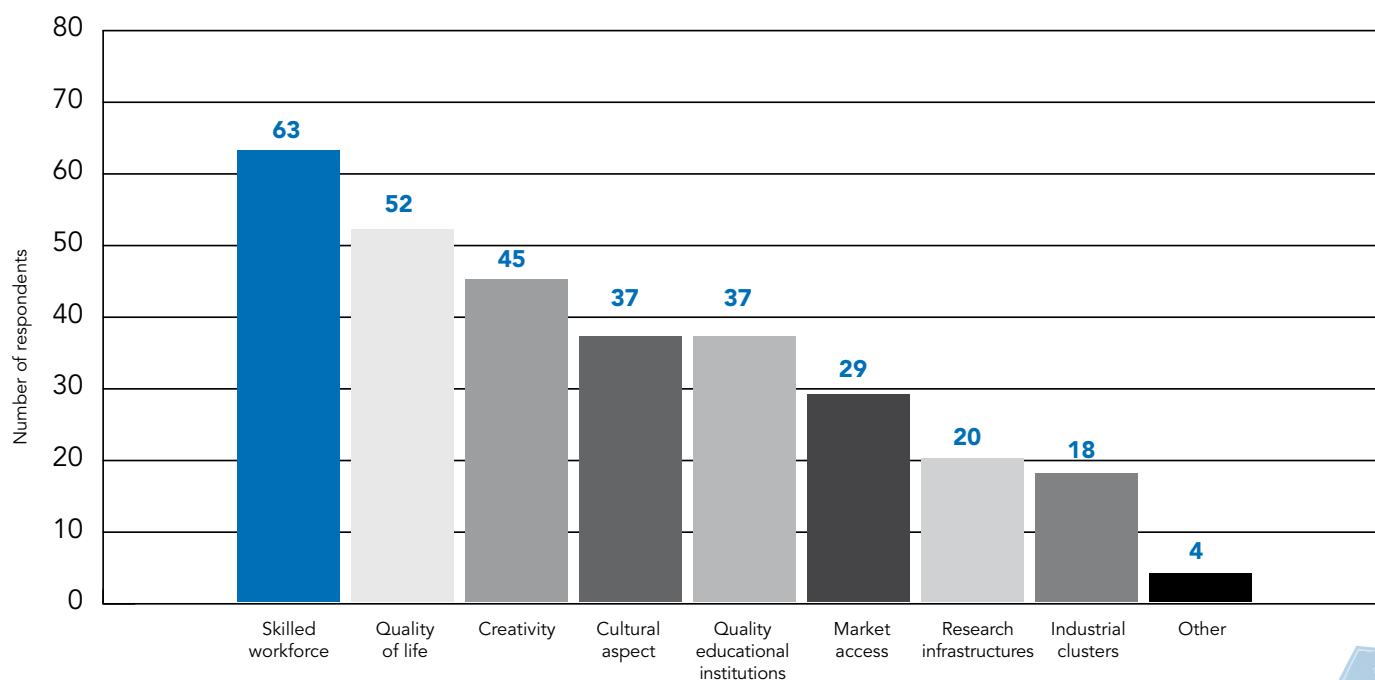
## Most of the respondents feel that Montréal has a good brand image

Most of the respondents (79%) believe that Montréal has a good brand image on the international scene.

## The quality of its skilled labour is Greater Montréal's main asset

As regards promotional aspects, most of the respondents pointed to a skilled workforce as the metropolitan area's main asset in developing its brand image. The following bar chart illustrates the various elements the respondents consider important in promoting Greater Montréal.

FIGURE 16:  
GREATER MONTRÉAL'S PROMOTIONAL ASSETS



Source: CAI Global Group, 2012.

Quality of life is ranked as Greater Montréal's second most important brand asset. In addition, most companies believe that Montréal's reputation as a cultural and creative city has a positive influence on its attractiveness.

However, this study shows that there is a difference between what business executives consider brand assets and the criteria they generally use to decide on an investment project. Moreover, there is also a difference between the city's competitiveness, as demonstrated by empirical studies, and business executives' perception of the city's strengths. For example, although Greater Montréal ranked very highly in terms of business costs in the KPMG Competitive Alternatives study, the respondents in this study did not perceive it as a major asset.

The subsidiaries surveyed find the promotional tools<sup>20</sup> developed by our economic development agencies helpful in positioning them vis-à-vis their parent company's headquarters, located in another country. Forty percent of the 62 respondents stated that they had used the arguments in the promotional tools to encourage their parent company's global head office to invest in Greater Montréal.

*"I use the tools developed by the metropolitan area's economic development agencies to promote the city to my parent company."*

- Head of a subsidiary of an international group

Some executives, however, expressed reservations about the prospecting conducted by these agencies. The fact is that there are many such agencies with similar missions, which can create confusion for businesses.

*"Too many actors are involved in prospecting for investments and promoting Montréal, which could dilute their efforts."*

- Hélène Séguinotte, Country Delegate, Safran Canada

The executives of several subsidiaries in the aerospace sector felt that the AéroMontréal industrial cluster is a very important promotional element for Greater Montréal.

*"The aerospace industrial cluster (AéroMontréal) is a key strategic asset and one of the best tools to promote Montréal abroad."*

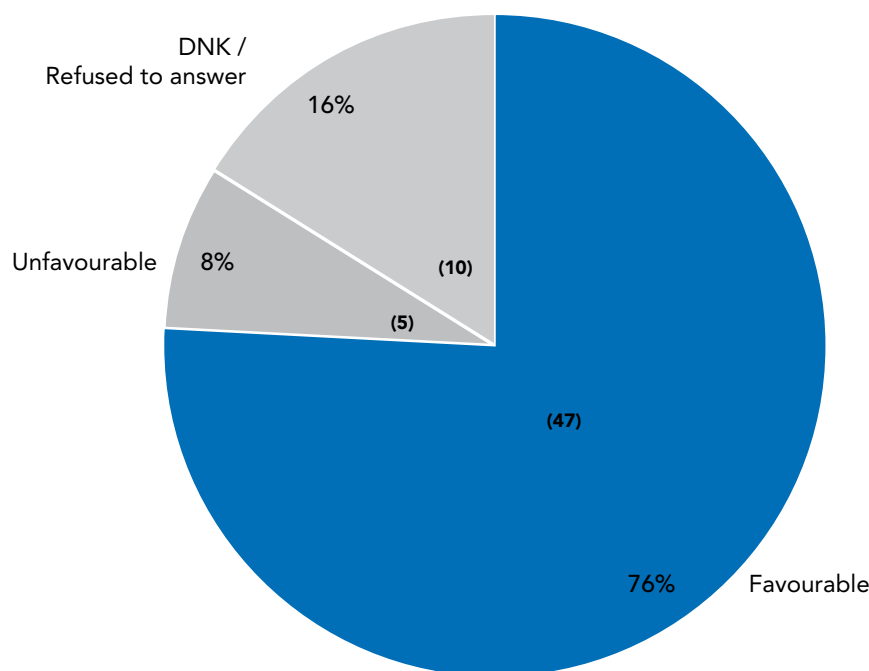
- Hélène Séguinotte, Country Delegate, Safran Canada

<sup>20</sup> Promotional tools: All tools (documents, brochures, Web sites, etc.) that economic development agencies use to promote Greater Montréal as an attractive business destination.

According to the executives of the subsidiaries surveyed, corporate head offices located abroad have a very positive perception of Greater Montréal. As such, 76% of them said that their parent company's head office had a positive image of the Montréal area, while only 8% had a negative one. This very positive response more than likely explains why these headquarters set up a subsidiary in Montréal.

A positive perception on the part of corporate head offices is extremely important because they almost always hold the purse strings where investment money is concerned. A positive perception can therefore mean an investment in Greater Montréal.

FIGURE 17:  
HEAD OFFICE PERCEPTION OF GREATER MONTRÉAL



Source: CAI Global Group, 2012.

It also bears mentioning that the fact that corporate decision makers have a good perception of the metropolitan area is not necessarily tied to the city's competitiveness but is often linked to the subsidiary's

performance. In this regard, the perception is not necessarily about the city itself but rather about how the production unit is performing.

## Positioning of Greater Montréal: observations

- Most companies believe the city has a good brand image abroad.
- The quality of the city's skilled labour is considered key to its brand image.





# HIGHLIGHTS

05.



**This** study polled 103 business executives of the Greater Montréal area to find out their perception of the city's attractiveness and business climate. Based on this information, we were able to make some observations regarding the metropolitan area's competitiveness as a destination for business and corporate development.

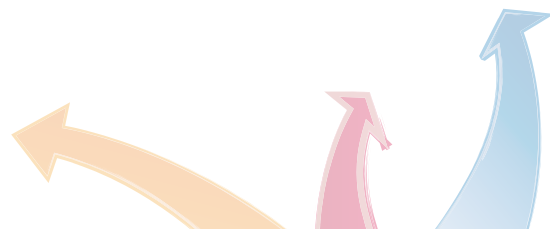
The highlights are as follows:

## Business characteristics

- 50% of the companies surveyed have sales of over C\$100 million;
- The companies surveyed have been in Greater Montréal for a long time: 74% have been here for more than 10 years;
- Companies in the manufacturing sector accounted for 65% of the respondents while those operating in the aerospace and ICT sectors each accounted for 22%;
- 70% of respondents were companies with a corporate head office outside Quebec;
- 74% of respondents operate within a company that has business units outside the city;
- 42% of respondents stated that their level of internal competition was high or very high;
- 58% of respondents are currently working on an investment project.

## Investment decision criteria

- 45% of respondents stated that a subsidiary located in Greater Montréal is just as competitive as its counterparts abroad while 32% felt it was more competitive;
- The quality of skilled labour is considered the main reason for Greater Montréal's competitiveness;
- The availability of skilled labour was cited by the subsidiaries as the main factor negatively impacting the city's competitiveness;
- The main advantages of being located in Greater Montréal are:
  - Quality of its skilled workforce
  - Market access
  - Proximity to clients and suppliers
  - Financial assistance available
  - Universities in the area
- The disadvantages of being located in Greater Montréal are:
  - Deterioration of road infrastructures
  - Labour costs
  - Availability of skilled labour
  - High municipal taxes
  - Provincial corporate tax rate
- 61% of respondents believe that their operations in Greater Montréal are not threatened while 30% think the opposite;
- 77% of respondents do not expect their company to close in the next five years.

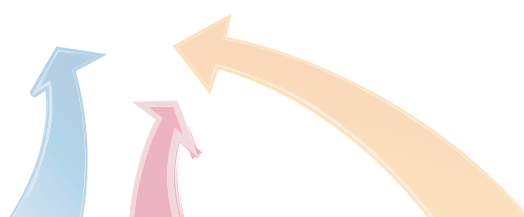


## The city's business environment

- The companies surveyed believe that the five most important criteria when making an investment decision are:
  1. Availability of skilled labour
  2. Quality of skilled labour
  3. Cost of skilled labour
  4. Incentives from the provincial government
  5. Provincial corporate tax rate
- The five criteria where Greater Montréal ranks most favourably are:
  1. Quality of skilled labour
  2. Quality of educational institutions
  3. Legal stability
  4. Quality and number of cultural activities
  5. Political stability
- 60% of respondents stated that the business climate and conditions conducive to private investment have been the same for the past five years while 34% believe they have deteriorated;
- 70% believe that Greater Montréal is not more competitive than five years ago;
- The reasons cited for the metropolitan area's failure to improve its competitiveness include the deterioration of its transportation infrastructure, a strong dollar against the greenback and a weak municipal policy;
- 67% of respondents felt it was likely or very likely that their corporate head office would invest in Greater Montréal;
- 52% have received assistance from a Greater Montréal economic development agency;
- 43% rated this assistance as satisfactory or very satisfactory;
- 75% of respondents have never received municipal financial incentives;
- 69% have received incentives from the Quebec government, mainly in the form of R&D tax credits;
- 40% of respondents consider subsidies the most effective type of incentive;
- In 54% of cases, financial incentives were a determining or very determining factor in the company's decision to invest in Greater Montréal.

## Greater Montréal's positioning

- 79% of the executives surveyed believe that Greater Montréal has a positive brand image abroad and that its main brand assets are a skilled workforce and quality of life;
- 54% believe that Greater Montréal's creativity and culture affect its attractiveness;
- 54% stated they have used the promotional tools developed by economic development agencies to influence their corporate head office to invest in Greater Montréal;
- 76% of the subsidiaries surveyed believe that their corporate head office views Greater Montréal in a positive light.



# POTENTIAL SOLUTIONS

06.





**Based** on our analysis of the survey results, we have come up with four potential solutions to improve the competitiveness of the metropolitan area.

## 1) Increase the number of skilled workers

Skilled labour is a priority and a strategic issue for Greater Montréal's attractiveness and business environment. Although we have a skilled workforce, its availability is cause for concern. Increasing the number of skilled workers must therefore be included in Greater Montréal's economic development strategy.

Given the aging of the population, the labour shortage could get worse in the years ahead if nothing is done. This means that we must attract and retain talent from abroad. In this regard, the Quebec Experience Program (PEQ) is a worthwhile initiative. However, more generally, we must, among other things, improve our performance in the areas of student retention and university graduation rates.

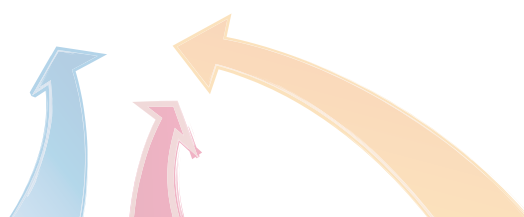
It is interesting to note that although respondents acknowledge Montréal's reputation as a university city with quality institutions, they do not consider this a determining factor in its competitiveness. It therefore looks like we have to focus on turning out more graduates, since ultimately, it's the quality of the workforce that counts, far more than the institutions that educate them.

## 2) Offer financial incentives to companies

Financial and tax incentives play a big part in a city's attractiveness. Considering the heated competition in this area – particularly from the United States – economic development agencies must stay on their toes and be aware of what Montréal's counterparts are offering.

Generally speaking, financial incentives are becoming increasingly important for companies that have already expressed interest for grants and R&D tax credits. While tax credits for salaries and wages attracted many IT firms in the 1990s, our model was quickly imitated by other jurisdictions vying for the same firms. One more reason to be more vigilant.

The respondents also pointed to a new trend coming out of the U.S. where the incentive incorporates the offers of different levels of government (state, city, county). Montréal could emulate this model and offer a combined federal/provincial incentive. We must also learn to tailor offers to specific investment projects and do so within the firm's decision-making period.





### 3) Focus more on retaining companies

Attracting investment and business demands considerable effort and resources. Once this has been done, it is essential to keep these businesses here and to foster their development. The public authorities of Greater Montréal must understand the strategic importance of keeping companies on its territory and develop the best possible strategies to do so.

A company's survival often hinges on investments to help position it strategically on its market. The factors identified here, such as improving public infrastructures, in particular, our roadways, will help cement the decision to set up a business unit in the Montréal area.

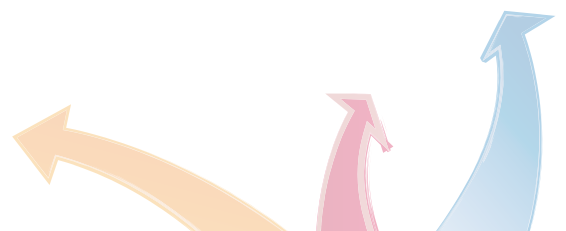
Incentives can also be a strategic tool to keep companies here. For foreign firms, such incentives can be the factor that will convince their global head office to invest in Montréal instead of somewhere else.

### 4) Step up promotion of the Greater Montréal economy abroad

Although the study shows that the metropolitan area has a good brand image abroad, there are some contradictions between the respondents' perceptions and the city's actual competitive advantages. This is the case, for example, regarding business costs, which are more advantageous than perceived.

A greater effort must be made to promote the Montréal area as an attractive and competitive business destination and to highlight, in certain respects, the priority investment criteria identified by the respondents both abroad but also with local companies, which are very important economic ambassadors.

Our industrial clusters, especially the organized ones, play a big role in promoting the metropolitan area. Many of their residents consider the cluster an asset for their companies and for promoting the metropolitan area. According to some respondents, this model is a success and an important promotional tool. The authorities concerned must therefore be aware of the positive impact of industrial clusters on promoting the city abroad and apply this sort of initiative to other strategic sectors they wish to promote.



# APPENDICES

07.



# Methodology

The survey was conducted to evaluate the perception of Greater Montréal's business environment and attractiveness. It is based on how the executives of companies set up in the metropolitan area perceive the city's attractiveness.

## Component 1: Questionnaires

The survey polled 103 executives of businesses located in Greater Montréal. The questionnaire consisted of both open and multiple-choice questions. The number of respondents differs depending on the question since some were not answered.

Most of the companies selected are active in the manufacturing sector. They were selected based on size (50 or more employees) and activity. Companies with an international presence were given preference as they are better placed to evaluate the city's business environment and attractiveness.

## Component 2: Interviews

One-on-one interviews were conducted with the respondents based on their answers to the questionnaire to expand on and complete the analysis of this study.

Twenty interviews were conducted, providing us with important information on the respondents' perceptions. They also gave us insight into the strategic decision-making criteria used by the corporate head offices and the companies and allowed us to evaluate the city's strengths and weaknesses.

Some respondents agreed to be quoted in this study, others preferred to remain anonymous, and others preferred not to be quoted in any form whatsoever.

## Component 3: Data collection and analysis of results

The third component of the study consisted in analyzing the responses.

# About the respondents

As part of the *Competitiveness of the Greater Montréal Business Environment* study, we collected questionnaires from 103 respondents and conducted interviews with 20 business executives established in the Greater Montréal area. In all, the participating companies represent approximately 55,000 jobs in the Montréal area.

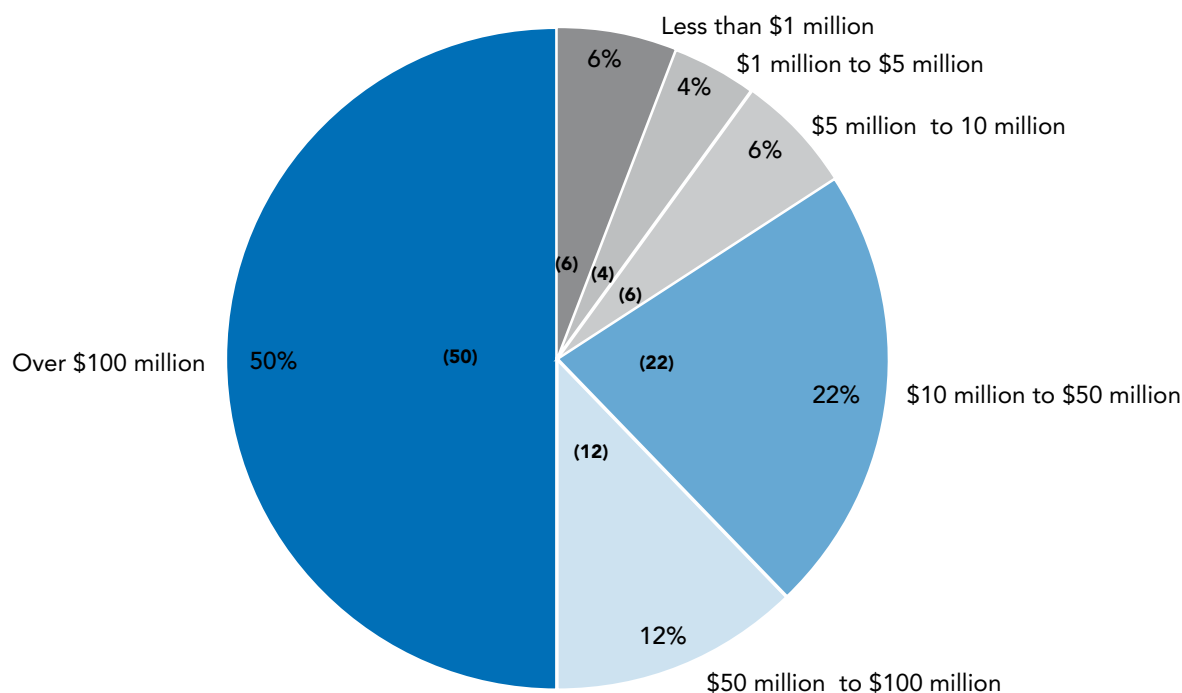
## Respondent profile

97% of the respondents indicated their positions within their companies: 54% are presidents and CEOs or general managers, 18% are VP- Finance/CFO, 15% are managers (operations, productions, strategic planning, other), 10% are vice-presidents and 3% are plant managers.

## Business profile

Most of the respondents (50%) were from large companies with sales of over C\$100 million.

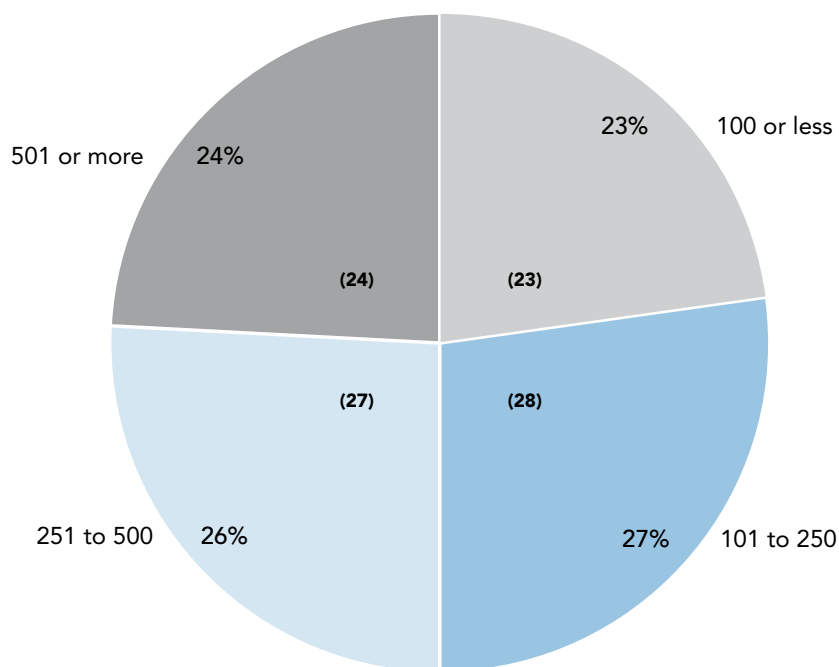
FIGURE 18:  
RESPONDENTS' SALES



Source: CAI Global Group, 2012.

The following pie chart illustrates the size of the companies surveyed based on the number of employees in Greater Montréal.

FIGURE 19:  
NUMBER OF JOBS IN GREATER MONTRÉAL



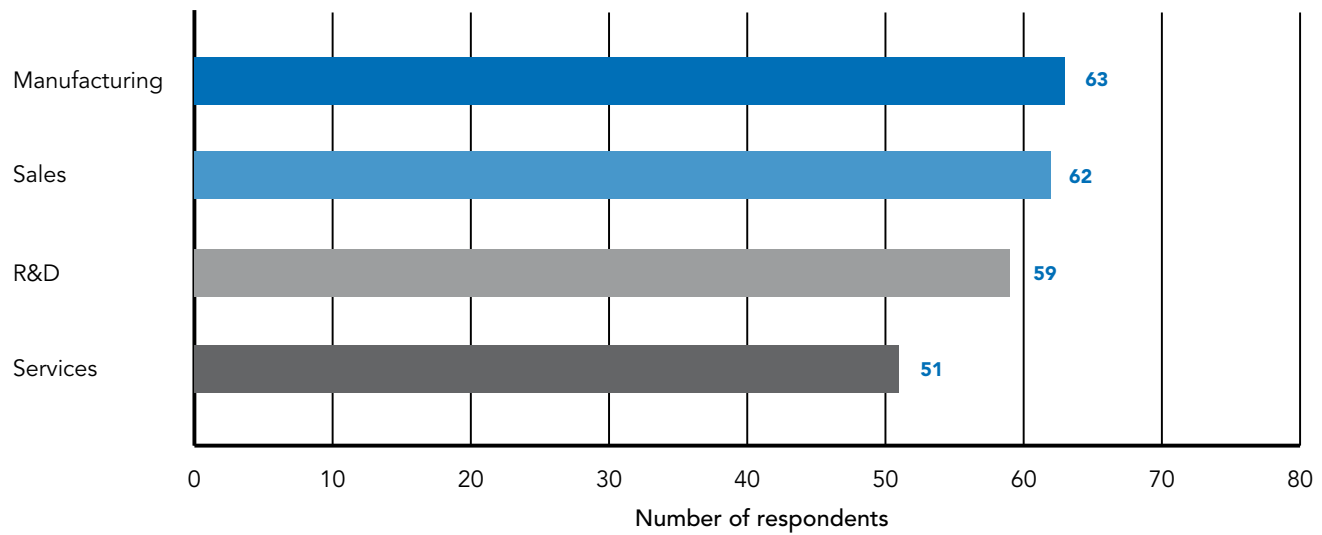
Source: CAI Global Group, 2012.

For the most part, the companies surveyed have been in Montréal for a long time. Of the 93 companies that answered the question in this regard, 74% have been in Montréal for more than 10 years. It is therefore safe to say that most of the companies surveyed have a good knowledge of the Greater Montréal business environment and are able to provide pertinent information for this study.

A large number of manufacturing firms participated in the study compared to their economic weight in Greater Montréal, i.e. 63% or 65 out of the 103 respondents whereas they only account for 12% of the firms in the metropolitan area.<sup>21</sup> It also bears mentioning that the companies surveyed – as the following bar chart shows – are generally active in more than one area.

<sup>21</sup> STATISTICS CANADA, 2011. *Labour Force Survey*.

FIGURE 20:  
MAIN TYPES OF ACTIVITIES IN THE METROPOLITAN AREA



Source: CAI Global Group, 2012.