



**Chambre de commerce
du Montréal métropolitain**
Board of Trade of Metropolitan Montreal

August 15, 2005

Allan MacGillivray
Executive Director
Telecommunications Policy Review Panel Secretariat
280 Albert Street
Suite 1031
Ottawa, Ontario, K1A 0C8

RE: Advice of the Board of Trade of Metropolitan Montreal with regards to the telecommunications policy consultation

Dear Mr. MacGillivray:

The Board of Trade of Metropolitan Montreal read with interest the consultation document prepared by the Telecommunications Policy Review Panel. We commend the Government of Canada for examining the regulatory framework of this sector to make sure it remains globally competitive in the years to come.

As the voice of some 7,000 members from the Greater Montreal business community, the Board of Trade has a mission to analyze and understand the economic issues and to act accordingly. It supports the business growth of its members by offering a complete range of services and puts forward ideas and proposals that favour the full development of the Greater Montreal economy: 110,000 companies and 1.8 million workers make our city a beacon of Quebec's economic development.

We are therefore pleased to submit our comments regarding some of the issues raised in the consultation document and would like to highlight the importance of this sector for Quebec and Montreal in terms of jobs and economic spin-offs.

In this letter, the Board of Trade is expressing its viewpoint on the issues mentioned in section E of the consultation document, specifically those pertaining to information and communication technologies (ICT) and businesses. However, we would first like to present a profile of this sector demonstrating its key role in the province's and city's economic vitality and its contribution to wealth creation.

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The Quebec ICT sector, a driver of the province's economic development

Quebec has a vibrant ICT sector, both in manufacturing and services. It is a major job creator and exporter.

- In 2001, over 141,000 Quebecers were employed in the ICT sector, up 9.9% over 1999. In all, 23% of Canadian ICT jobs are found in Quebec. This sector generates substantial revenues, estimated at over \$26 billion in 2001 (excluding wholesalers).¹
- The ICT sector consists of 7,000 businesses, mostly SMEs. Indeed, in 2001, only 7% of the companies in this field had over 100 employees, yet they accounted for 65% of jobs. Given the makeup of its companies, the ICT sector is somewhat similar to the aerospace industry, i.e., a vast number of SME outsourcers revolving around a few major order givers.²
- Approximately 70% of the goods manufactured in this sector are exported each year. In 2001, the value of these exports was estimated at some \$8 billion.³
- Each year, Deloitte & Touche publishes the *Canadian Technology Fast 50*, a list of the 50 fastest growing technology companies in Canada. The 2003 list included no less than 13 Quebec firms, of which 11 were located in the Montreal region. This performance was comparable to that of its closest provincial rivals, i.e., Ontario and British Columbia, which both had 15 companies on the list.⁴

ICT in Montreal

Given that Montreal is the economic lifeblood of Quebec, it is not surprising that most of the companies and jobs in this industry are located in the city. More specifically, the ICT sector is an industrial cluster in the Montreal Metropolitan Community, which is home to world-class players, making this industry one of the pillars of the city's economic development. The following figures tell the story:

- In 2003, there were 110,000 ICT workers in Greater Montreal, representing approximately 75% of Quebec jobs in this field. In 2002, Montreal ranked 11th in North America in the number of people employed in the ICT sector. A year later, it had climbed to 9th place.⁵
- These workers are spread across only 2,700 companies, clearly indicating that large organizations and head offices converge in Montreal while the SMEs are typically located in the outskirts.⁶

¹ Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec, *Portrait industriel : Filière des technologies de l'information et des communications*, 2003.

² Ibid.

³ Ibid.

⁴ www.deloitte.ca

⁵ www.montrealinternational.com

⁶ Ibid.

- In 2003, Montreal's ICT revenues were estimated at \$21 billion, including \$5 billion from exports.⁷
- The Montreal region boasts five universities, several major schools and many CEGEPs and private technical colleges with varied and adapted ICT programs and whose graduates form the core of the labour force in this sector. Montreal has over 10,000 university students and over 3,000 graduates in this field. We also have some 3,700 university-calibre researchers working in 90 research centres.⁸
- When it comes to ICT, Montreal is viewed as a destination of choice in North America for outsourcing activities. In fact, a KPMG study on operating costs (2004) shows, among other things, that labour costs are on average 21% lower than in the U.S., mainly due to salaries.⁹

As this brief profile demonstrates, Quebec has an extremely vibrant ICT sector, whose success is fuelled in large part by Montreal. If the city is to continue driving growth in this field and shine internationally, its ICT sector must have modern policies adapted to the times. If this means reviewing the telecommunications regulatory framework, the Board of Trade fully supports the efforts of the Review Panel.

ICT and wealth creation

The provincial and metropolitan profiles clearly show that ICT generates major economic spin-offs. However, beyond that, the ICT sector creates different forms of wealth:

- Social wealth, because ICT is a means of transmitting knowledge;
- Collective wealth, because thanks to innovation (made possible by ICT), this sphere contributes to Montreal's stature which has a spillover effect on the creativity and competitiveness of our businesses; and
- Economic wealth, of course, because ICTs, as innovation tools, boost productivity.

ICT and knowledge

The Board of Trade would like the modernization of the telecommunications regulatory framework to allow Montreal and Quebec to shine on the global scene and even become a sector of excellence for remote education thanks to ICT. Indeed, ICT makes it possible to produce and disseminate knowledge through the use of search engines, virtual libraries, email and video conferencing to name just a few. In today's knowledge economy, producing and sharing knowledge is critical for the advancement and enrichment of a society. But none of this is possible without ICT. As TELUQ's Louise Bertrand pointed out when she spoke at one of the Board of Trade's forums in February, "There is a very close relationship between the development of knowledge and technologies."

⁷ Ibid.

⁸ Ibid.

⁹ KPMG, *CEO's Guide to International Business Costs*, 2004.

ICT and innovation

ICT is the transmission medium of excellence for innovation, in other words, the best tool for creative expression. And when innovation is enhanced, the economic spin-offs naturally follow with productivity and competitiveness increasing accordingly. It has been shown that the productivity of innovative companies rises seven times faster than those in the rest of the economy. The reason may be that innovation makes a company more dynamic, more creative and more daring with respect to new ideas and the use of new technologies.

It is therefore clear that investments in ICT prompt companies to innovate, which in turn increases their productivity and prosperity. Innovation and its enhancement, made possible by ICT, are therefore critical elements in a competitive knowledge economy.

ICT and productivity

Innovation and productivity are the two main factors that influence business competitiveness. As such, the Board of Trade expects the modernization of the regulatory framework to facilitate the growth of ICT firms in Montreal and Quebec and allow them to become more competitive so that businesses in all spheres of activity can adopt ICT more easily. In turn, they themselves will become more productive and competitive, and create economic wealth because ICT boosts productivity.

This statement leads us to answer question E.1 of the consultation document: *What is the relationship between investment in ICT and productivity?*

Numerous studies show that ICT generates productivity. A study conducted by MDEIE even goes so far as to say that "out of all the types of technology, ICT contributed most to increased business productivity and economic growth in general."¹⁰ In the same vein, IDC Canada, a research and consulting centre in the ICT field, predicts that the increase in SME productivity in 2005 will largely be explained by the use of certain technologies, namely IP.

In our view, there is no doubt that ICT means productivity. Just as individuals are more efficient at work when they have better tools – such as those that rely on wireless technologies (personal digital assistant, WI-FI Internet connection, etc.), the same holds true for the companies that employ them.

Business productivity is a major concern of the Board of Trade. Recently, the June 2005 edition of the *Trend Chart* (the Board of Trade's economic publication), pointed out Canada's poor performance in terms of productivity gains (0% in 2004), particularly in comparison with our U.S. neighbours (4% the same year).¹¹ ICT seems to be the path to improved productivity and by extension, competitiveness. All we need to know now is whether businesses are adopting these technologies.

¹⁰ Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec, *Portrait industriel : Filière des technologies de l'information et des communications*, 2003.

¹¹ Statistics Canada.

SMEs invest little in ICT

This leads us to the next question in the consultation document. In this part, we will answer question E.8.: *Are Canadian businesses under-investing in ICT?*

In September 2004, the Canada e-Business Initiative published a report on the impact of the Internet on Canadian SMEs. This report shows that SMEs, which account for 99% of the Canadian economic landscape, seldom use Internet business solutions in day-to-day administration. The reasons are many: lack of financial resources, lack of medium- and long-term planning, the sense of being unable to keep up with rapidly changing technologies, the risks associated with implementing new technologies (cost overruns and schedule delays, lower than expected returns) and difficulty measuring the return on investment. These obstacles are such that between 2001 and 2004, Canada slipped from 4th to 11th place (out of 64 countries) in e-business use.¹²

However, some data are slightly more encouraging, namely with respect to goods manufacturers. When exports plummeted as a result of a strong Canadian dollar, manufacturers had no choice but to become more competitive, in other words, boost productivity by acquiring machinery, equipment and technologies, which have become more affordable. Indeed, in the Board of Trade's June 2005 *Trend Chart*, we observed that between November 2004 and February 2005, machinery and equipment imports increased 6.8%.¹³ There is every reason to believe that some of these investments were made in ICT, allowing companies to improve both productivity and competitiveness.

Still, despite these advances, the Board of Trade believes that overall, Montreal and Quebec businesses could invest more in ICT. This could be achieved by making them more aware of the many advantages of ICT, including the ROI (higher revenues, lower operating costs), and by offering financial support in this regard.

¹² Canada e-Business Initiative, *Net Impact Canada: Strategies for Increasing SME Engagement in the E-Economy*, 2004.

¹³ Statistics Canada.

Conclusion

The Board of Trade of Metropolitan Montreal supports the work of the Telecommunications Policy Review Panel and hopes that the Panel's questions will be answered by the many stakeholders concerned by the issues currently prevailing in this sector of economic activity.

The Board of Trade hopes that the recommendations made will lead to greater ICT use, which in turn will lead to greater productivity gains and hence more competitiveness in this era of globalization, with the ultimate goal of building an economically richer society.

The Board of Trade hopes that the recommendations will lead to better ICT use so that the tools required for the production and transmission of knowledge proliferate, all with a view to building a socially richer society.

Finally, the Board of Trade would like to see information and communication technology to be perceived as one of the best instruments of innovation to make Montreal and Quebec SMEs more profitable and dynamic by significantly enhancing their productivity, which in turn can only enhance our collective competitiveness.

Sincerely,



Isabelle Hudon
President and Chief Executive Officer

c.c. The Honourable David Emerson, Minister of Industry (Canada)
The Honourable Jean-C. Lapierre, Minister of Transport (Canada) (Prime Minister's political lieutenant in Quebec)
Claude Béchar, Minister of Economic Development, Innovation and Export Trade (Quebec)