Trend Chart

Greater Metropolitan Region

volume 7 > no 1 > october 2004

a publication of the Board of Trade of Metropolitan Montreal

Attract, train, retain:
winning the battle for talent

Exclusive partner

Canada Economic Development
Développement économique Canada

Canada

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

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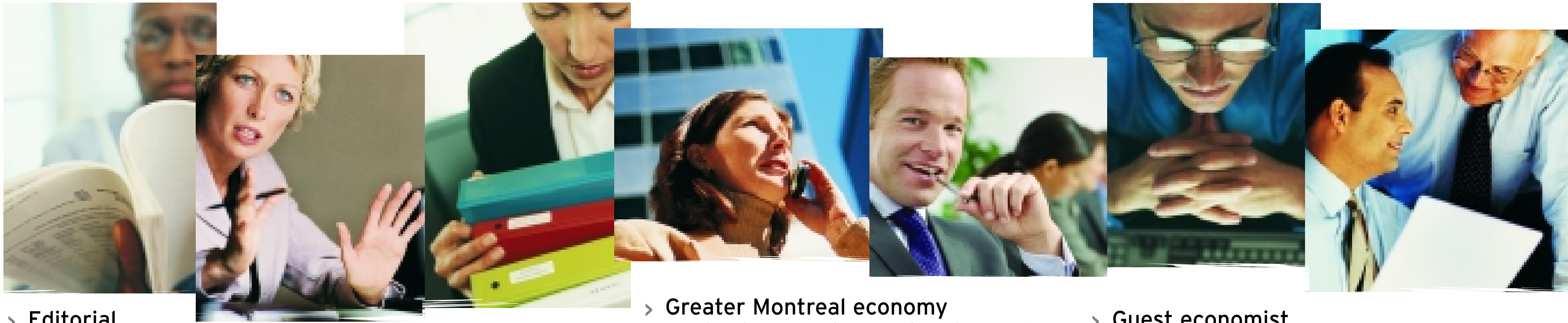

This document pertains to data before August 31, 2004.

Trend Chart is a quarterly economic publication of the Board of Trade on Metropolitan Montreal produced in partnership with Canada economic development.

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Canada Post – Plublications mail agreement no. 40063203

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Editorial

Attract, train, retain: winning the battle for talent

By Benoît Labonté, president and CEO, Board of Trade of Metropolitan Montreal

In its economic development plan, the Montreal Metropolitan Community issues a particularly ambitious challenge to the region: rise from 26th and last place in North America to 6th place in terms of GDP per capita.

To reach this objective, if only partially, Montreal must emerge victorious from what is very likely the most decisive battle for its future: the battle for talent.

In an age of added value and innovation, the clusters of excellence in Montreal's economy must of course be supported by the appropriate policies, but — first and foremost — they must be sustained by workers who are overflowing with talent. One of the first fronts in the battle for talent is thus at the base, at the level of primary and secondary education. For this reason, the Commission scolaire de Montréal was right to sound the alarm last August regarding the difficulties experienced both inside and outside the classroom by a distressing number of students living in poverty. Academic success and the fight to reduce the number of school dropouts must be at the core of any resolute strategy to train and create talent for the job market ten to fifteen years from now.

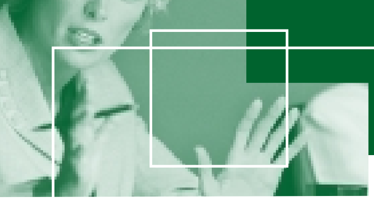
In the meantime, the "leading edge" training of Montreal talent, done at our universities and specialized colleges, must be prepared to deal with ever-growing challenges. Montreal universities could stand out more clearly in the extremely competitive world of university training and research if they had access to the same means as their competitors. As was demonstrated before Quebec's parliamentary commission last winter, Quebec universities would need an additional $375 million in their coffers *annually* to bring them up to the Canadian average. In this context, the provincial government's decision to change the amounts previously granted to students as scholarships into loans angers just about everybody, and with good reason. The savings thus realized will be used to help balance the budget rather than invested in the university network. For the *Board of Trade*, it is clear that, while there may be good reason to demand greater contributions from students, they should benefit in return by attending better financed universities.

Universities also play an important role in attracting talent by welcoming foreign students, researchers, and professors to Montreal — making it even more vital to ensure their competitiveness on the international scene.

Of course, universities are not the only means to attract talent. The vitality of the labour market is clearly a contributing factor in attracting people here. That said, we are increasingly aware that "quality of place," which may be considered a combination of the quality of life, the quality of the physical and human-made environment, cultural vitality, safety, and social cohesion, plays a role in attracting talented individuals seeking the best environment in which to thrive.

Finally, the battle for talent cannot be won definitively if we are not able to retain the talent that is here now. According to Richard Florida, an American economic– development specialist observations, whether they are born here or elsewhere, talented people are more mobile than ever. Success on this front will obviously be fuelled by the same elements that contribute to the appeal of Montreal, starting with the protection of an exceptional quality of life. It would thus be wise to ensure the happiness of those already among us just as much as we expend efforts to attract them here. This will necessitate a whole range of actions, large and small, including sustained efforts to integrate new arrivals and the simplification of bureaucratic processes. In short, we must meet the expectations we generate when we sell our city.

These are the highlights of a complex battle being waged on many fronts and calling upon the support of many players — a reflection of the economy of the 21st century. This is why Montreal has no choice but to be among the winning cities — and to make the words "attract, train, retain" its new mantra.



Trends and overview

United States

The flare-up in oil prices: Negative for the United States

The soaring **price of oil** – up 50% since January and reducing the purchasing power of consumers and companies – could have a negative impact on the progress of consumption and the U.S. GDP[1] in the second half of this year. Published data already shows that after growing by 4.5% in the first quarter, the **U.S. GDP** increased at an annual rate of 2.8% in the second quarter, far below the anticipated 3.7%. Final **consumption** figures also reveal a slowdown, with growth of just 1.6% in the second quarter after a 4.1% gain in the first quarter. This slowdown in consumption was offset by a 12.1% in **business investment**, with companies investing mainly in equipment, software, and infrastructures (factories and buildings). Experts predict this upward movement will be maintained in the third quarter.

The price of oil also affected the U.S. trade balance in June. With higher oil prices resulting in lower exports and higher imports, the U.S. **trade deficit** reached a record US$55.8 billion in June. If oil prices continue to rise, the US dollar could continue to fall in relation to our loony, which has strengthened.

Without question, the vigour of the **construction sector** contrasts strongly with the preceding data, remaining a hotbed of growth in the United States this year. Construction starts totalled 1.98 million units in July (annualized data), up 8.3% over June, while building permits totalled 2.06 million units, up 5.7% over June. In both cases, the ground lost in June because of bad weather was made up, and the increase in building permits indicates the construction industry will maintain its vigour in the coming months.

The outcome of the next meeting of the Federal Reserve Board, planned for September 21, is less clear, given the vicious circle[2] fuelled by rising oil prices. At its August 10 meeting, to no-one's surprise, the Reserve raised its target for the **federal funds rate** by 25 basis points to 1.50% percent (the second increase in two months). It stayed on the path of tightening its monetary policy, despite lower than expected job gains in recent months — 32,000 in July, 78,000 in June (data revised downward), and 208,000 in May (also revised downward) — and higher **inflation** than expected in the first half of the year. With regard to inflation, the Reserve indicated that temporary factors (oil prices) were responsible for this increase. Economic data published between now and September 21 will set the tone for the Reserve's next announcement. ■

Canada

The flare-up in oil prices: Positive for Canada

The Canadian economy is faring well this year: after a 3.0% first-quarter increase, its **GDP** should grow by an annual rate of 4.3% in the second quarter. The flare-up in **oil prices** is clearly of concern to markets — the price per barrel approached $50 in late August — but, given that we are net exporters of this resource, the rapid increase should have positive spin-offs for Canada's economy.

Soaring oil prices could have a negative impact on the **consumption** of other goods, however, as demonstrated by retail sales in June: excluding automobile sales, retail sales fell 0.5%. In addition, rising oil prices could limit economic growth in the United States (and around the world) in the second half of this year, with negative repercussions on **Canadian exports**. On the other hand, during the first six months of 2004, our international merchandise exports rose 5.6% (in constant 1997 dollars). In addition, Canada's **trade balance** with the United States was $10.7 billion in our favour in June, the best result since January 2001.

1. Consumption represents almost 70% of the U.S. GDP.
2. Higher oil prices cause the consumer price index to rise; this affects consumer spending habits, pushing individuals to spend less on other items and reducing retail sales. As a result, fewer new workers are hired.

Trends and overview

Labour market figures have been less encouraging in recent months: three strong consecutive monthly increases were followed by minimal gains of 8,700 positions in July, a slowdown due partly to the loss of full-time jobs. Although, at first sight, the job creation results appear rather weak, we can take heart from the fact that, on a sectoral basis, the **construction sector** continued to generate activity and jobs (19,100 new jobs in July, the fifth consecutive increase). In addition, the **manufacturing sector** is looking up, with a growth of 23,800 jobs since January 2000. Despite July's anaemic results, there was a net gain of 119,500 jobs, all sectors combined. These increases were concentrated primarily in the professional services, scientific and technical, and construction sectors.

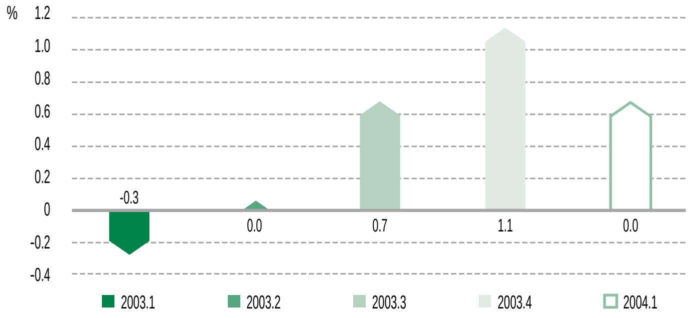
As indicated by the above-mentioned sectoral employment data, the **construction sector** continues to thrive. Mortgage rates remain low, and construction starts hit a seasonally adjusted annual rate of 227,000 units in the first half of 2004. After racking up an astonishing 218,426 starts in 2003, the Canada Housing and Mortgage Corporation (CHMC) predicts 225,700 for 2004, a total not seen since 1987.

Without a doubt, the tightening of the Bank of Canada's **monetary policy** should continue this year, although it is difficult to predict the exact pace. The Bank will obviously remain sensitive to the impact of rising oil prices on the various components of Canada's GDP as well as on **inflation**. In July, inflation became a renewed concern for the Bank of Canada when the core CPI[3] reached 1.9%, close to its target inflation rate of 2%. ■

Quebec

A good start to the year

Quebec's economy got off to a good start this year with 0.7% **GDP** growth in the first quarter of 2004, equal to that posted the preceding quarter. The strength of domestic demand – particularly the vitality of residential construction – contributed to this growth. After a vigorous first quarter, GDP remained stable in April and May, with only slight fluctuations (−0.1% and −0.04% respectively). In May, the **manufacturing sector** dipped most sharply (-0.7%). More specifically, the manufacture of transportation equipment[4] – including **aerospace parts and products** – fell by 10% over the previous month, marking the fourth monthly decline this year. This drop is linked to the difficulties experienced by airline and aerospace companies in Greater Montreal – and around the world – in recent years, for reasons that are no secret (see *Trend Chart* vol. 5, no. 4, June 2003).



Growth rate of Quebec GDP

Source: Conference Board of Canada

3. The Bank of Canada's core CPI is a variant of the consumer price index excluding the eight most volatile components (fruit, vegetables, gasoline, fuel oil, natural gas, mortgage rates, inter-city transportation, and tobacco products) as well as the effects of indirect taxes on the other components.
4. The decline in the transportation equipment manufacturing sector was responsible for 60% of the sharp downturn in the manufacturing sector in May 2004.

Trends and overview

On a more positive note, the major corporate restructuring carried out by Air Canada paid off with the August ratification of the company's recovery plan by the Ontario court. Let's hope that other air carriers – Bombardier customers, among other things – will enjoy the same good fortune, thereby greatly helping Bombardier's Aeronautics Division regain its lost ground.

As previously mentioned, the **residential construction** sector continues to prosper this year, although some experts are beginning to worry that these growth levels are not sustainable over the long term. Compared to the same period last year, for instance, start-ups in Quebec urban centres with 10,000 inhabitants or more grew by 13.9% (SAAR) last July. Despite the repressed demand in Montreal's housing market caused by its weakness in the 1990s, experts believe it is on the point of being satisfied. According to spokespersons from the Canadian Mortgage and Housing Corporation (CMHC), start-ups should reach 56,000 units by the end of 2004, thanks to low interest rates, positive net migration, and greater economic growth.

On the other hand, **access to property** is no simple matter. Here, as elsewhere in Canada, housing prices are rising steadily in both the new and resale market. In Quebec, the average price of a house rose by 10.4% in one year, while Montreal saw a 13.4% increase in the second quarter of 2004.

The first quarter of 2004 concluded with strong growth in **international merchandise exports** in Quebec, up 6.3% over the last quarter of 2003, a first since the end of 2002. Exports of precious metals, copper, and chemicals saw exceptional growth, contributing to gains in the first quarter of 2004, while major products usually exported – such as airplanes, aluminium, and telecommunications equipment and materials – saw just moderate growth. Imports were down almost 5% in the first quarter because of lower imports of crude oil and its derivatives, medications, and telecommunications material and equipment. Thanks to these results, Quebec's **quarterly trade balance** reached $1.5 billion, the best result in two years.

Quebec's public finances are once again worrisome, with shortfalls estimated at $500 million for the first five months of fiscal 2004-2005 resulting from so-called "system" expenditures, such as salaries, rent, and heating. At the same time, the publication of the **net debt** of the various provinces – excluding the portion of the net federal debt – is also cause for concern. On a per capita basis, Quebec's public debt ranks second among Canadian provinces at $12,757 in 2003. The state of public finances is all the more troubling in that we will eventually arrive at the maturation phase of the economic cycle, although this will not happen soon. The GDP is expected to grow by about 2.8% this year after posting gains of 1.6% in 2003. According to forecasts, the best is yet to come. ■

Our economic conditions

Labour market

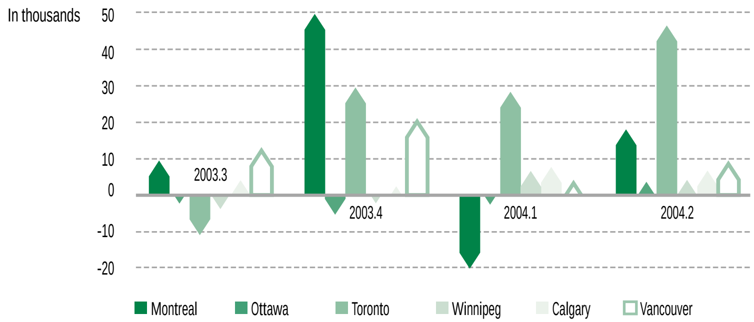
The pace falters in July

After the first seven months of 2004, **metropolitan Montreal's** labour market posted a net loss of almost 6,000 positions. During this period, the trade sector (retail and wholesale) found itself in the hot seat, with a loss of 18,000 jobs. The damage was contained, however, by the warehousing and transportation sector along with that of professional, scientific, and technical services, which created 28,000 jobs between them during the same period. For its part, the manufacturing sector has been treading water since January: this may actually be viewed as good news, given the losses posted over the last year and a half. Layoffs made many headlines in the first part of the year, but these have since tapered off. With the consolidation efforts imposed on companies by the rise in the loonie, there is reason to hope the manufacturing sector will stay in the black in 2004.

Montreal's unemployment rate has remained below the 9% mark since January, settling at 8.3% in July. In comparison with 2003, it seems than many unemployed workers have become discouraged since early 2004 and have abandoned the labour force, reducing the unemployment rate in the metropolis.

In comparison, Statistics Canada's *Labour Force Survey* indicates that almost 65,000 new jobs were created in metropolitan Toronto between January and July — the strongest increase of any metropolitan region in Canada. Vancouver turned in a relatively poor performance, with the creation of just 3,500 positions, but still outshone the job losses posted in Montreal.

Employment in **Quebec** was up slightly, on the other hand, with 9,600 new positions in July. This growth in the labour market resulted from activity in the following sectors: construction (+14,200); business services, building services, and other support services (+13,000); and finance, insurance, real estate, and rental services (+7,800). The following sectors were down, however: public administration (-10,300) and health-care and social assistance (-8,600). The manufacturing sector also suffered more setbacks, losing an additional 700 jobs. The unemployment rate remained stable at 8.2% in July, however, and it is encouraging to note that a total of 3,702,500 people were employed in July, close to the record set in April, when 3,714,500 people were working in Quebec. The employment rate is now 60.2% (down from April).



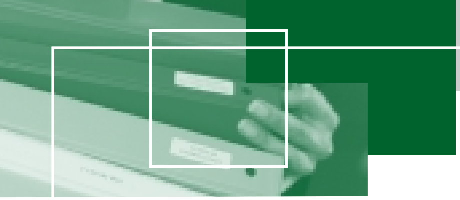
Job creation - Canadian cities

Source: Conference Board of Canada

Between January and July, Quebec managed to generate 20,600 new jobs, or about a quarter of all those created in the country; this corresponds to its demographic weight within federation.

While Quebec saw employment gains in July, the same cannot be said for the entire country. In fact, three of the western provinces saw job numbers fall, and progress elsewhere was moderate. **Canada** generated a mere 8,700 jobs in July, all of which were part time[5]. This loss of full-time jobs was nevertheless a first since August 2003. Among sectors that did not live up to expectations (analysts had predicted a net increase of 25,000 to 30,000 jobs) were the two sectors showing the greatest losses in July: health-care and social assistance (-23,500 jobs) and educational services (-20,200). On the other hand, the manufacturing sector created 20,700 jobs in July, mostly concentrated in Ontario, but divided among several industries. The construction sector remains vigorous (+19,100 jobs). The unemployment rate dipped 0.1 point of percentage to 7.2% that same month, primarily because of the country's reduced labour force. ■

5. In July 2004, 47,700 part-time jobs were created in Canada, and 38,900 full-time jobs were lost.



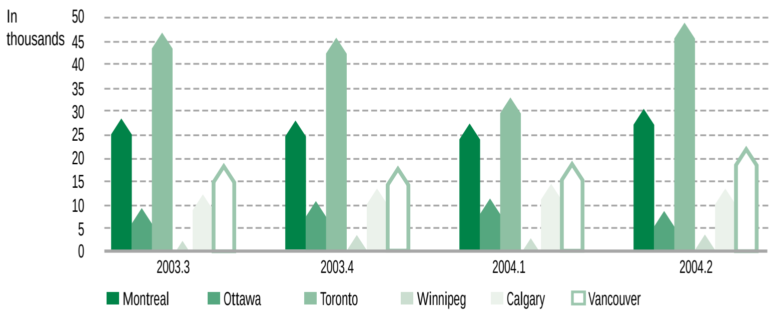
Our economic conditions

Housing market

Number of startups: still high

Economic factors – such as the growth of the labour market, historically low mortgage rates, and high consumer confidence – continue to favour the growth of the construction sector in Canada this year.

Nothing seems to slow the momentum of **metropolitan Montreal**'s construction sector. In July, housing starts reached an annualized rate of 26,900 SAAR units (seasonally adjusted annual rate) – a level believed to be unsustainable by many observers, given the current rate of demographic growth. On a real basis, housing starts in metropolitan Montreal posted a 6% increase over the same month last year (2,066 units). This increase was due to activity generated by residential condominium units – up 44% – which offset the downturn in rental housing units (-36%). Overall, the greatest activity – in number – in metropolitan Montreal was generated by single-family homes, with 902 units in July. On a sectoral basis, the greatest growth hotbed was the Island of Montreal, with a 72% increase in activity in July 2004 compared to the same month in 2003.



Housing starts – Canadian cities

Source: Conference Board of Canada

The Canada Mortgage and Housing Corporation (CMHC) believes that if metropolitan Montreal maintains this pace throughout the second half of the year, we could see the best results posted in fifteen years.

In **Quebec**, construction is also a growth sector. In July, housing starts grew 9.4% to 56,900 SAAR units over the same month last year after taking a break in June with 52,700 units. The seven-month average was slightly higher, at 57,200 SAAR units. July's excellent results are mostly a reflection of the activity in Gatineau CMA[6], where starts more than tripled in 2004 (soaring from 136 units in 2003 to 432). In urban centres with 100,000 residents or more (Gatineau, Montreal, Quebec City, Saguenay, Sherbrooke, and Trois-Rivières), total start-ups between January and July this year were up 28% over last year. More than half of these were for multiple housing units. Given the levelling off of growth in some of Quebec's market segments, CMHC analysts have good reason to question the sustainability of this growth in the housing market. Only time will tell for sure.

As in Montreal and Quebec, the number of housing starts in **Canada** remained high in July, at 218,700 SAAR units, despite a slight slowdown over the previous month (with 232,100 units). In urban centres with 10,000 residents or more, starts fell by 8%, to 191,900 SAAR units in July, as a result of the slowdown in the multiple housing segment. Only urban centres in Quebec saw an upturn (+5.4%) in start-ups in July over the previous month. The total number of start-ups this July was 2% lower than those seen one year ago. With the growth posted in the housing market during the first seven months of this year and the still favourable economic conditions, the CMHC expects start-ups to reach 225,700 in 2004 – the best result seen since 1987. ■

6. Census Metropolitan Area.

Our economic conditions

Financial market

Inflation rate

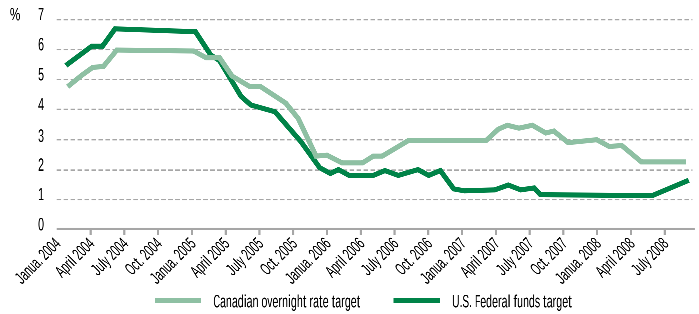
On a monthly basis, the consumer price index (CPI) edged down 0.1% in July, mainly as a result of the 3.5% decline in gasoline prices (seasonally unadjusted data). Although consumers find gas prices very high, the latter did fall between June and July. This was the second consecutive decrease after five increases in a row. As for the Bank of Canada's core CPI (excluding the eight volatile components[7]), it was up 0.2% in July over June.

On an annual basis (over 12 months), the inflation rate was 2.3% in July 2004. This was nevertheless down from June 2004, when it was 2.5%. Gasoline prices were by far the main contributor to the annual variation in the CPI in July, followed by cigarettes and insurance premiums. Excluding the cost of energy, a volatile element, the index rose 1.6% in July 2004 over the same month in 2003. The core CPI rose 1.9% in July, after climbing 1.7% in June. This index is once again being closely watched by the Bank of Canada: although very close to the 2%[8] inflation target, it is still within the target range. Over the past year, this index has exceeded the 2% target just once, in December 2003. Publication of the July results shows that we are nevertheless getting very close to this target, and it will be important to monitor the situation closely in the coming months.

Interest rates

Last July, the Bank of Canada decided to leave its target for the overnight rate at 2%, but in the following days,[9] it hinted that this rate could increase this fall. Analysts were alerted to this possibility when the Bank declared that, "*as economies approach their production capacity, monetary stimulus must be removed to avoid a build-up of inflation pressures.*" The Bank nevertheless suggested that it would not move if certain factors did not continue to evolve as expected. Clearly, it wishes to avoid a repeat performance of the unfortunate episode last year when it hiked the overnight rate twice, only to have to backtrack as a result of the SARS epidemic, the rise in the loonie, and the mad cow crisis. This time, the Bank has identified three factors to be monitored: the assessed size of the output gap[10], the future growth of Canadian imports and exports, and movements in the world prices of oil and non-energy commodities.

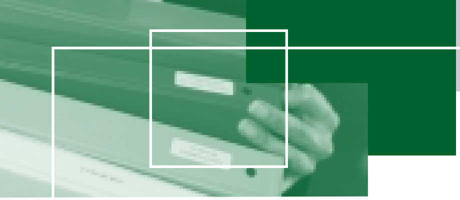
Since that announcement, the publication of economic data, especially those related to Canadian international trade flows, indicate a possible increase in the overnight rate in early fall.



Target for the overnight rate and target for the U.S. Federal funds rate

Sources: Bank of Canada et U.S. Federal Reserve Board

7. See note 3.
8. The Bank of Canada guides its monetary policy by establishing an inflation target range extending from 1 to 3%.
9. In the update to its monetary policy.
10. According to the Bank of Canada, the output gap is the difference between the economy's actual output and the level of production it can achieve with existing labour, capital, and technology without putting sustained upward pressure on inflation. The output gap is also referred to as spare capacity or excess capacity.



Our economic conditions

Exchange rates

After a steep rise last January, our loony fell to a low of 71.60 cents U.S. in May, a period when the American dollar was beginning to appreciate in the hope of a strong U.S. economic recovery. More recently, the publication of Canada's June trade balance — showing a new high, surpassing $8.6 billion — and the results of the Monthly Survey of Manufacturing for June, showing record-high shipments of $49.9 billion, gave a strong boost to the loonie, which reached 77.06 cents U.S. on August 20, 2004. Contributing to this rise were a number of developments with a negative impact on the U.S. dollar, including the following: a record trade deficit, which widened to $144.9 billion in the first quarter of 2004 (the equivalent of an annual deficit of $580 billion), the loss of enthusiasm for U.S. securities (Japan, a major source of funding for the United States, slashed investments in American securities by half), the existence of a slump[11], and rising oil costs.

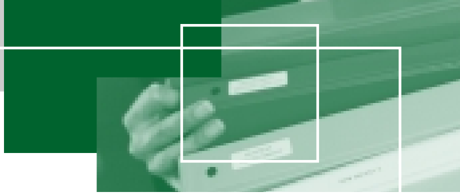
The loony has not risen against the U.S. dollar since January (-2.2% as of August 30, 2004). This, added to increased U.S. demand for Canadian products, explains why our exporters are doing better this year than last. With the publication of positive economic data for Canada, our dollar should continue to strengthen. Since the start of the year, our dollar has also lost ground against the pound sterling (-2.2%), while it has appreciated against the yen (+0.6%) and the euro (+2.4%).

Stock markets

The markets were strong in Q1, but the momentum didn't last. Already in March, geopolitical tensions (attacks in Madrid and the Near East) along with weak job creation in the United States slowed gains. Since then, soaring oil prices (and their impact on the North American economy — negative for the United States, since this increase reduces the price-earnings ratio for American companies, but possibly positive for Canada, since we are a net exporter of oil — and the tightening of the U.S. monetary policy have limited the upward movement of stocks.

Between January and August, stock market gains totalled 3.3% for the S&P/TSX (Canada) and 4.3% for the Nikkei Index (Japan), while the Dow Jones (United States) fell 2.0%. In the coming months, rising world oil prices (which hovered above $48 in August) will likely continue to stifle market growth. On the other hand, the U.S. presidential election could have a positive impact on financial markets as the election results become more certain and investors regain confidence. ■

11. We say there is a "slump" when, in the course of an economic recovery, there is a marked decrease in GDP growth resulting from internal factors such as decreased domestic demand.



Our economic conditions

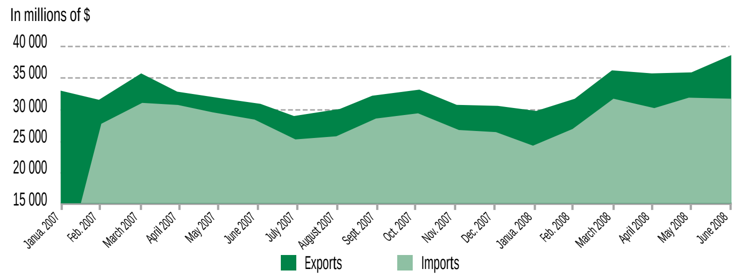
Foreign Trade

Canadian trade surplus hits record levels

Quebec's international merchandise trade registered somewhat disappointing results in May, with a decline of 2.3% to $5.7 billion (current dollars) over the previous month. Exports of complete aircraft (the largest export product in terms of value) fell by half, and other products, such as organic chemicals and ships and boats, also slipped. This was the third monthly decline for Quebec exports this year. Imports remained relatively unchanged in May with the decrease in crude oil and other minerals balanced by the import of motor vehicles.

With regard to Quebec's various trade partners, exports to the United States fell more than 4%, largely because of the sharp drop in aircraft sales in May. Exports to Europe remained stable, while those headed for Asia grew by more than 20%, erasing the setback suffered in April. As for imports, Quebec imported 5% more from the United States in May than in the previous month, while imports from Europe tumbled 12% because of reduced purchases of crude oil. With regard to imports from Asia, gains of almost 10% were made, divided among a multitude of products ranging from fabrics to televisions. In May, China actually became Quebec's second largest supplier, after the United States and before the United Kingdom.

Unlike that of Quebec, **Canada's trade balance** hit a new high in June, with a surplus of $8.6 billion. According to Statistics Canada, these results can be explained by increasing global demand and expanding demand south of the border in the first half of 2004, eroding any dampening effects of the strong Canadian dollar. This balance could nevertheless be weakened in the second half of 2004 by rising oil prices and their effects on U.S. consumption and thus, by ricochet effect, on our exports.



Canadian exports and imports

Source: Statistics Canada

Up for the fifth consecutive month, Canadian exports rose 4.4% in June to $39.0 billion. Exports increased in all trade sectors, except forest products, which fell 2.8%. In addition, exports grew to all of Canada's principal trading regions. U.S. demand for Canadian products was 2.9% higher in June than in the previous month. Canadian imports, on the other hand, tumbled 3.7% in June from the record high set the previous month. This decline can be traced to lower imports of machinery and equipment (-10.2%), consumer goods (-5.0%), and automotive products (-2.6%). The decline in imports of machinery and equipment is no cause for alarm, however, given the exceptionally high level attained by this category in May, qualified by Statistics Canada as the "highest monthly level in this sector for more than twenty years." ■

Greater Montreal economy

Montreal's new Urban Master Plan: A tool ensuring the quality of urban planning and the economic competitiveness of Montreal

The exercise undertaken by the city to revise and adopt its urban plan – scheduled to be finished in early 2005 – is particularly important to Montreal. This plan will guide the urban development of the metropolis for the next ten years and will have a major impact on the "quality of place" Montreal can offer talent seeking a place to settle.

Of course, Montreal is not the only city aiming to use land planning as a lever to promote sustainable economic development. Many of the city's numerous competitors have successfully targeted the development of their urban fabric and the redevelopment of some of their destructured areas. Barcelona and Boston are two success stories frequently mentioned in this regard.

For metropolises the size of Montreal, a carefully crafted urban plan can prevent costly planning and development errors. A well-structured plan can also maximize project spin-offs and promote the creation of "growth-generating effects" such as we have observed in the case of the *Quartier international*. Montreal thus has every reason to develop a tool that will promote the creation of high-quality and sustainable projects and, above all, ensure they are coordinated with existing developments and in partnership with local players, residents, and companies.

Underlying the new urban plan are seven major development goals that represent, in many respects, the guiding principles for the town planning choices affecting specific areas. Among these major objectives, the Board of Trade was particularly pleased to note the presence of a goal specifically targeting the downtown area.[12] This explicit recognition of the unique character of the central business district and its scope – which extends far beyond the island – represents for the Board of Trade a major step – a clear acknowledgement that the development of the downtown area affects Montrealers from one end of the island to the other and should be of concern to all.

The seven development goals of Montreal's Urban Master Plan
High-quality, diversified, and complete living environments
Structuring, efficient transportation networks, fully integrated into the urban fabric
A prestigious, convivial, and inhabited downtown area
Dynamic, accessible, and diversified employment sectors
High-quality architecture and urban landscapes
An enhanced architectural, archaeological, and natural heritage
A healthy environment

Promising projects

In addition to the development goals proposed by the city, the plan also identifies 24 "detailed planning areas" throughout the metropolis that will be the subject of an in-depth planning exercise in the coming years. This section outlines a number of development possibilities and raises a delicate but crucial issue: prioritization.

In the brief submitted last June to the Office de consultation publique, the *Board of Trade* therefore stressed the importance of identifying high-priority sectors and developing an implementation plan based, in particular, on the spin-offs such projects are likely to generate at the metropolitan level. On this basis, the Board of Trade believes that nine areas are especially important because they are likely to contribute, each in their own way, to three elements that are key to Montreal's development: the **city's influence**, the **efficient movement of passengers and freight**, and the **redevelopment of areas with strong potential**.

The development of certain districts, particularly the downtown area and its central business district – the economic motor of the metropolis and of Quebec – will help make Montreal a metropolis where the international character and the drawing power of its downtown core make it one of the most dynamic in North America and the world. In addition, plans to rebuild some of its transportation corridors and modernize its public transit network will improve traffic fluidity on the island and reduce costs to local

12. The downtown area is not specifically defined in the urban plan. However it is generally agreed that it covers the downtown core and its surrounding area, including Old Montreal and the harbourfront.

Greater Montreal economy

The nine development priorities of the *Board of Trade*
The central business district
The Harbourfront
The Quartier des spectacles
The periphery of the Montréal-Trudeau International Airport
The replanning of Notre-Dame Street East
The replanning of the Déacarie – Cavendish – Jean Talon West area
The vicinity of Crémazie Boulevard and the Metropolitan Expressway
The development of the Acadie-Chabanel area
The redevelopment of the Glen and Turcot sites

companies related to road congestion — estimated at almost $780 million annually[13]. Finally, the redevelopment initiatives in the Acadie-Chabanel and the Glen and Turcot areas will promote the emergence of structuring projects on sites that are currently under-used.

A quick glance at the list of these important projects naturally raises the question of how much all this will cost. The total is certainly intimidating — and discouraging — which is why it is so important to see the new urban plan for what it is: a tool helping to guide the urban development and rebuilding to be carried out in Montreal over the next ten years — with economic and social benefits that will be felt for dozens more. And this is precisely why it is necessary, as suggested by this plan, to ensure the sustainable planning of development initiatives and the cohesiveness of players involved in implementing these projects. And this is also why the number one challenge presented by this urban plan is its rigorous application. ■

The Montreal Metropolitan Community and its regional economic development plan

In recent years, the *Board of Trade* has often stressed the need to demonstrate greater creativity, consistency, and cohesiveness in the support given to the economic development of the metropolitan Montreal region. From this perspective, the *Board of Trade* welcomed the 2002 launch of the Montreal Metropolitan Community (MMC) and had high hopes for this new structure, whose territory coincides largely with the functional economic territory of the Montreal region. One of the reasons for our enthusiasm was the MMC's legal obligation to produce an economic development plan for the region. A draft version of this new plan has now been presented, and the MMC is preparing to gather feedback from the public. The *Board of Trade* naturally places great importance on this plan and on the related consultation process.

The primary function of the economic development plan is to reach a consensus and present a collective vision enabling governments and civil society to work together to establish specific actions turning this vision into reality. The essence of that vision is to significantly increase the collective wealth of residents of the metropolitan region. To do so, the MMC has set itself the ambitious goal of making the Montreal region one of the most dynamic and — above all — the richest regions in North America. This is no easy task: Montreal currently stands in 26th place among the major North American regions in terms of per capita GDP. The draft plan examines various scenarios, one of the boldest of which calls for annual per capita GDP growth of 5.2% in constant dollars, lifting Montreal into sixth place by 2025!

With this plan, the MMC has chosen to think big rather than to look at the future through rose-coloured glasses. The MMC is undeniably aware of the numerous challenges facing the economy of the metropolitan region and the sizeable gap separating it from other North American urban centres. The great ambition of this draft plan thus aims to acknowledge our strengths and mobilize the various economic development players and stakeholders in the region around means aiming to further stimulate the metropolitan economy.

13. Source: Ministère des Transports du Québec.

Greater Montreal economy

Per capita income		
Rank	Canadian dollar (CAN $1 = US $0.75)	Cities
1	$35, 294	Boston
2	$35, 039	New York
3	$33, 780	Seattle
4	$32, 967	Atlanta
5	$32, 375	Chicago
6	$31, 066	Philadelphia
7	$28, 096	Ottawa
8	$27, 971	Calgary
9	$26, 899	Miami
10	$26, 881	Toronto
11	$24, 295	Vancouver
12	**$22, 632**	**Montreal**

To increase the prosperity of the Montreal metropolitan region, four major growth axes have been proposed:

For a learner metropolitan region

The MMC realizes that the region must face the significant challenge of human capital – vital to the success of the metropolis. It thus proposes to work in partnership with the Table métropolitaine de Montréal to ensure sufficient coordination between the supply and demand of qualified workers. According to the draft plan, the Table will henceforth be called upon to present the MMC with relevant projects to "rise to the triple challenge of developing skills, meeting the needs of companies, and increasing employability."

For a competitive and prosperous metropolitan region

With this axis, the MMC proposes, among other things, to create and support the dynamics of innovation within its territory. To this end, the MMC plans to create a body called Innovation Montréal Métro (IMM) to ensure the co-operation of all stakeholders involved in the dynamics of metropolitan innovation. IMM would serve, above all, to support and promote concrete projects related to entrepreneurship, business services, access to financing, and other issues in response to demand that could arise from both organizations actively supporting innovation within the territory and secretariats of clusters. In fact, secretariats would be created to coordinate the various metropolitan clusters that would be identified.

For an attractive metropolitan region

Among other things, the problem of infrastructures is addressed within this axis. For the MMC, it is clear that the consolidation of the transportation network must be accomplished soon, given the importance of trade with the rest of North America for the economy of metropolitan Montreal. The same is true for so-called municipal infrastructures: for the metropolitan region, an injection of more than $9 billion is needed over the next fifteen years to rebuild ageing municipal water mains, sewers, and roads.[15]

For a world-class metropolitan region

Within this axis, the MMC proposes, for example, to give the entire metropolitan region an integrated strategy for international promotion. The MMC thus commits to presenting a metropolitan strategy for international promotion by the end of 2005. The goal of this strategy would obviously be to define the role of cities and partners, while consolidating and developing the competitive strengths of the metropolitan region and defining the brand image of the region.

In conclusion, for the first time in its history, Montreal will soon have a true metropolis-wide economic development plan prepared by the region's elected representatives. The importance of this tool is undeniable, in particular to ensure greater consistency in our efforts and cohesiveness among the various players involved in the region's development. For this reason, the *Board of Trade* will participate with great interest in the consultation led by the MMC and do everything in its power to help complete its plan. The ambitious objectives laid out in this plan should remind us all of the need to work together, in the same direction, for the development of Montreal. One thing is certain: in the coming weeks, the *Board of Trade* will aim to promote the region's desire to surpass itself economically — and surpass others as well! ■

14. Taken from the Montreal metropolitan community, Priority issues of Canadian city regions, a document published as part of the National Forum on Economic Growth of Big Cities in Canada, held in Montreal in June 2004

A glance at Montreal

First IT, then animation, and now games!

Montreal becoming a major player in the video game sector

By Jean Houde, president and CEO, Investissement Québec

Montreal is the Quebec centre of information technology (IT), a sector counting some 5,000 companies, employing 140,000 people, and generating sales of $26.4 billion. In fact, the vitality of IT in Montreal is such that the metropolis has stopped counting the international giants it has attracted — including Motorola and Computer Science Corporation.

While this sector is extremely varied and Montreal is making its mark in several IT spheres, from microelectronics to the manufacture of telecommunications equipment, the metropolis has recently begun to carve out an enviable place for itself in the field of multimedia, representing more than 275 companies and 3,500 jobs in Quebec.

In fact, after becoming one of the most attractive technology poles in the world, Montreal is now showcasing its talents in the animation industry and, increasingly, in the world of video games — a field reflecting the true nature of our city, where passion, industrial know-how, and creativity combine to form a unique whole.

Animation, special effects, and interactive games

Montreal is one of the uncontested stars in the world of 2D and 3D animation. Softimage, Discreet, Toon Boom, and many other animation technology firms have blazed trails of creation, imagination, and technological expertise in their field. The gaming industry is now following in their footsteps.

Quebec's interactive games industry is undergoing an extraordinary boom. Four companies alone — the French Ubisoft and Microïdes and the Quebecois Strategy First and A2M — employ no less than 1,000 people and share 75% of the sales in this sector. A new player appeared in 2003: Electronic Arts, the world's leading developer and editor of video games, which just opened a new studio in Montreal.

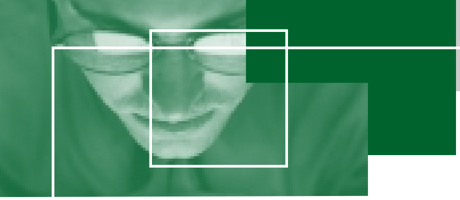
Trained at the best schools (such as the National Animation and Design Centre and the Institut de création artistique et de recherche en infographie), our designers of interactive games are known for their stability, skill, and creativity. And this factor, frequently praised by companies, often helps place Quebec on the honour roll of the best location sites in the world. Montreal's vitality in the multimedia sector is attracting more and more attention from foreign investors, as the canvassers from Investissement Québec can attest. In addition, the vitality of Quebecers in cultural sectors such as film, television, advertising, and music, allow the most innovative companies to look confidently to the future.

Known advantages and a dynamic network

In addition to an exceptional labour force, companies such as Ubisoft and Electronic Arts know that Montreal offers them concrete competitive advantages and a favourable business environment. They particularly appreciate Quebec's geographic proximity to the United States, its modern infrastructures, and its low set-up and operating costs, among the most attractive in North America. They can also count on partners such as Investissement Québec, who want to see them succeed and continue to invest in the metropolis and who have the tools and expertise to support their growth.

In Montreal, these companies also find a productive multimedia network focused resolutely on success. Indeed, it is to offer the designers of video and electronic games a place to meet and network that Alliance NumeriQC will hold a gaming summit in Montreal on November 3 and 4. While targeting primarily local creators, the Summit will also welcome big names from the international scene such as Greg Zeschuk and Ray Muzyka, co-producers of successful games such as Star Wars.

Investissement Québec, which works with both large subsidiaries of foreign companies and local firms, will participate in this Summit. We are looking forward to meeting with not only creators but also investors. ■



Guest columnist

A modern economy based on knowledge

By the Honourable Jacques Saada, minister of the Economic Development Agency of Canada and minister responsible for the Francophonie

The government of Canada has major objectives for economic development and improving the quality of life in our communities. By making Canada a world leader in the development and application of leading-edge technologies, we can help create companies that are competitive on the international scene. We can thus aspire to becoming a leader in the creation of high-quality jobs, thereby meeting the expectations of Canadians, and at the same time helping to keep those jobs here, to continue building a better Canada.

As Minister of the Economic Development Agency of Canada, my interest in questions of economic development takes into account the growth potential of every region of Quebec. While innovation presents more than its share of challenges for Greater Montreal, it is also an immense source of progress. Over the past five years, the relative share of all financial assistance granted by the agency to innovation projects has risen considerably, from 24% in 1999-2000 to 61% in 2003-2004.

Montreal's position

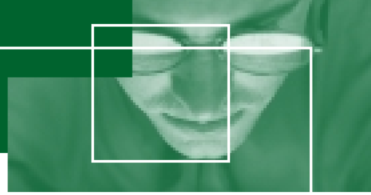
From this perspective, Montreal is well positioned, since it is the most diversified census metropolitan area (CMA) in Canada in terms of number of scientific sectors and sectors founded on information and communication technologies. In fact, Montreal is the most diversified CMA overall, with 819 out of a possible 860 sectors of activity. Toronto is second, with 809. Moreover, in 2000, Montreal was the CMA with the highest proportion of jobs linked to new economy sectors. This proportion jumped from 9% in 1990 to 12.2% in 2000 – a 3.2% increase, accounting for 47,000 additional jobs.

Montreal is also a leading technology pole. Ranked 15th among North American cities by population in 2003, it ranks 10th in terms of employment in technological sectors such as information technology (9th), biopharmaceutics (8th) and aerospace (5th). Montreal is the only place in the world where you can find all of the components to build an aircraft within a 30 km radius. Moreover, in 2002 Montreal's life sciences sector experienced the greatest growth in Canada.

According to the International Classification of Cities model, based on number of inventions, Montreal ranks 15th in creativity and innovation, behind 10th place Boston and ahead of 18th place Toronto. Furthermore, according to a study published by KPMG in January 2002, Montreal ranks first in the world among cities with 2 million inhabitants in terms of the cost of setting up a business. The index developed by KPMG covers labour costs, taxes and transportation, energy, telecommunications, and establishment costs. Montreal thus now has a qualified labour force and the ability to adjust quickly to the requirements and expectations generated by the new economic context.

Steps taken by the Canadian government

Despite substantial investments by the federal government in fundamental research – $13 billion since 1997 – our small innovative companies face two major obstacles: access to adequate funding in the early stages of development and the ability to carry out the R&D activities needed to market their ideas. Montreal companies are no exception to this rule.



Guest columnist

Access to capital

In the last Speech from the Throne, the Canadian government committed itself to helping companies obtain venture capital. To this end, we will invest some $270 million in new funds in promising young SMEs. Combined with investments by the private sector, these funds could produce spin-offs of about $1 billion. These efforts will lead to the launch of new companies, primarily in the fields of life sciences and biotechnology, information and communication technology, environmental technology, medical equipment, and nanotechnology.

Support for research and development

To fill the marketing gap, we are working to ensure the research capacity and expertise that companies cannot develop alone. We also wish to better integrate and target scientific efforts by rallying universities, colleges, and companies around a truly national science program.

Over the past seven years, the Canadian government has significantly increased federal support for research, particularly in universities, colleges, and research hospitals, to the tune of some $9 billion. Moreover, the results of this investment are already being seen on the international scene. Canada jumped from 13th to 4th place among OECD (Organization for Economic Cooperation and Development) countries and to first place among G-7 members for research carried out by the public sector.

The commercialization of research is nevertheless a sector that remains largely untapped by universities and little known to the heads of SMEs. Such marketing relies primarily on highly qualified human resources who, among other things, must manage the issue of intellectual property, know the research, create companies, possess an excellent understanding of financial strategies, and have strong interpersonal skills. Such experts are still rare in Canada, particularly Quebec. Commercialization services must become real technological bridges between researchers and users. Universities face the challenge of increasing their skills and developing a greater awareness of the commercial needs of companies. Obviously, such changes are complex and will take time.

More than ever, the adoption and dissemination of a true culture of innovation within Montreal companies will be a valuable asset for the economic development of the metropolis, especially given that Greater Montreal SME's represent a sizable proportion of Quebec's economy. I believe this is a vital issue for the metropolis, which is already considered a high-tech pole in North America in many leading sectors.

Still, none of these observations and none of these challenges mean a thing unless we are collectively able to translate them into the steady improvement of our quality of life. And these goals are well within our grasp. ■

Canada Economic Development report

Who took their foot off the gas pedal?

Flash back 48 months: Montreal was on top of the world. A pharmaceutical industry that was leading the world and growing strong. An aerospace industry that was expanding and establishing global contracts. The new millennium brought about a surge in telecommunications, of which Montreal played an important role. Remember that time when Montreal seemed to be on the brink of a new renaissance period? It seemed like everyone suddenly wanted to be in Montreal to share in the growth.

Fast forward to the end of 2003: The Montreal economy seems to have stalled. The once envied pharmaceutical industry has lost its momentum and lustre. The aerospace industry both locally and globally is still recovering from the events of September 2001. Telecommunications companies have never quite recovered from the large decline witnessed in 2001. Exports to the United States – our principal customer –, have been greatly reduced due to a number of circumstances, two of which being the slow recovery in the US and the drop in value of the American dollar. Doesn't sound too appealing, does it?

Wait a minute.

Is the situation in the Montreal Census Metropolitan Area (CMA) really as bad as it seems on the surface? If we looked at the unemployment situation in Montreal at the end of 2003, we would think Montreal was struggling. Metro Montreal's unemployment rate edged up from 7.7% in 2000 to 9.5% in 2003 and unemployment jumped from 141,000 in 2000 to over 189,000 in 2003. Perhaps more tellingly of the draw of "Montreal" to those in the other regions and also international immigrants, the Island of Montreal's unemployment rate was 11.5% in 2003 and the number of unemployed reached 115,000, an increase of an astonishing 22.4% in just the one year period 2002-2003. Many people looking for work must have been wondering what had happened to those years of growth they had heard about. In fact, the last time the Island had an unemployment rate of 11.5% it was 1998, but things don't seem to be as bad as they were then, do they?

Expectations are slow to adapt

Is this jump in unemployment an accurate reflection of the bad news? Truth be told, despite the recent headline making announcements of layoffs and business closings, employment on the Island continued a steady growth during this time: 2.3% in 2001, 2.0% in 2002 and 2.3% in 2003. It makes sense that higher unemployment will follow after posting strong employment growth as previously discouraged workers, who were not counted in the labour force, suddenly become hopeful again of finding a job, and thus re-enter the labour force as unemployed. After Toronto posted its recent low unemployment rate of 5.5% in 2000, the number of unemployed jumped 20.1% the next year. Ditto for Calgary where unemployment increased 32.5% in 2002 following 2001's unemployment rate of 4.5%.

What was different in the case of the Montreal CMA was that the participation rate rose from 65.4% in 2000 to 68.3% in 2003, a dramatic increase which narrowed the persistent gap between Montreal and other large Canadian CMAs in this measure. Unlike Toronto and Calgary, where the participation rate rose only by only a few tenths of a percentage point in the years following their low unemployment, Montreal had the double effect of not only accommodating a return of the discouraged workers but also trying to cope with a large number of first time entrants. This created the largest labour force ever in the region and one that was growing very quickly.

Hence, employment opportunities seem harder to find because more people are searching for work at the same time that the economy has slowed. As the economy is not growing at the same pace as before, especially in the highly touted specialized clusters, the slight growth that there is seems like a disappointment-and it is to an extent. It's not necessarily the case that someone took their foot of the gas pedal, but rather more people have gotten on the bus, making it harder to continue the climb up the hill. ■

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