Montreal:
Quebec's Economic Engine

Provincial
Pre-Budget Submission
2006-2007

Presented to
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Minister of Finance
Government of Quebec

by the Board of Trade
of Metropolitan Montreal

February 2006

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

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Introduction

The Board of Trade of Metropolitan Montreal has some 7,000 members. Its primary mission is to represent the interests of the business community of Greater Montreal and to provide individuals, merchants and businesses of all sizes with a variety of specialized services to help them achieve their full potential in terms of innovation, productivity and competitiveness.

As the largest private organization dedicated to economic development, the Board of Trade would like to submit its pre-budget recommendations for 2006-2007. Preparing a budget invariably involves making choices, often difficult ones, between a series of priorities and emergencies. The Board of Trade is sensitive to this fact and took it into consideration while preparing this pre-budget submission it is presenting to the Minister of Finance on behalf of its members. As such, the Board of Trade's first budget recommendation – which is also reflected in each of the specific recommendations presented hereafter – is that the government of Quebec present a responsible, balanced and real *zero-deficit* budget that focuses on the concept of the return on public funds allocated for the choices it is about to make.

As a general rule, Quebecers would like to see major public services such as health and education maintained and indeed improved, as well as a continued reduction in their heavy tax burden. Since the only way to reconcile these two objectives is to increase the collective wealth, we believe the next budget should focus on choices that will most contribute to the enrichment of Quebecers.

In this context, the optimal development of Greater Montreal becomes critically important. According to the Montreal Metropolitan Community, the city – which accounts for 48% of the Quebec population – generates 50% of Quebec's gross domestic product, is responsible for 70% of Quebec exports and sends $25 billion in revenues to Quebec City coffers – or about 55% of the government's autonomous revenues. What's more, the share of provincial income taxes paid by individuals of the metropolitan region is 15% higher than their demographic weight within Quebec.[1] Greater Montreal therefore helps finance public services far beyond its territory.

Given Montreal's apparent "facility" for producing wealth – on the Quebec scale that is – one might be tempted to conclude that Montreal is in need of nothing and that prioritizing the regions is actually the way to go. Unfortunately, when Montreal's performance is compared to that of other cities – in North America or elsewhere – it becomes clear that Quebec does not benefit *enough* from its city. In this context, Montreal's development should be a priority for all of Quebec. From Gaspé to Abitibi, the regions should be concerned that Montreal is having trouble keeping up with the competition. As such, the next budget should mark the beginning of an era in which Quebec expects more from *its* city – and finally gives it the tools it needs. To this end, a lasting and ambitious fiscal pact between the Quebec government and its city is long overdue.

[1] Analysis of data from the Ministère des Finances du Québec, "Statistiques fiscales des particuliers, Année d'imposition 2000."

Recommendations

1. The economic competitiveness of Quebec and the City of Montreal

Metropolitan Montreal has many assets just waiting to be further developed so as to allow the region to fully contribute to the economic vitality of Quebec. The following is a series of recommendations formulated by the Board of Trade with a view to improving the competitiveness of the city and its businesses and, by extension, Quebec as a whole.

1.1. Attract, train and retain talent

An economy's innovative capacity is owed to the talented, well-educated individuals behind the ideas. Given that this new reality is taking shape in Quebec at a time when demographic growth is waning and the population is aging, the issue of talent cannot be resolved solely by developing local ingenuity, particularly in a context where within the next few years the net growth of its workforce will be entirely fuelled by immigration.[2] Quebec must be able to compete successfully to attract and keep skilled individuals from around the world who are looking for a better place to live and nurture their creative potential.

1.1.1. Attract and integrate immigrants

The Board of Trade believes that more must be done to draw immigrants to Quebec and integrate them into Quebec society. Indeed, we believe that it is not only a matter of attracting a quality immigrant workforce: active participation in the Quebec economy and social and cultural life is a determining factor in keeping these individuals here in Quebec.

In this context, the Immigration ministry must have the means to achieve its objective to attract and integrate immigrants. However, in the past few years, the ministry has seen its budget reduced. The Board of Trade is therefore recommending that the government reverse this trend in the next budget and increase the amount it allocates to the ministry so that it can execute its mission.

Moreover, it is important to underscore that 70% of all students who attend Montreal universities remain in the city after completing their studies. Montreal therefore manages to hold onto many of the individuals who come here to study. But we need to do more to make sure that the number of foreign students who remain after completing their studies – currently one out of three – increase to two out of three.

In addition, given that Quebec's universities are well placed to step up the recruitment of foreign students, we believe that the government should provide financial incentives to encourage them to do so. The higher tuition fees these students pay could be used to fund an ROI mechanism for universities that succeed in increasing their student population from abroad.

Recommendations 1.1.1.

That the next budget contain an increase in the amount allocated to the MRCI so that it can fulfill its mission to attract and integrate immigrants;

That the budget provide for a mechanism allocating to universities that increase their foreign student population a part of the additional amounts obtained from higher tuition fees paid by these additional students.

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[2] Board of Trade of Metropolitan Montreal, *Montreal Health Report,* 2005 edition, p. 23

1.1.2. University funding

Montreal is a font of research and education. As such, in addition to the five universities, the metropolitan region has four major schools and 201 university research centres. Some 170,000 students pursue their studies in the Montreal region, representing just over 50% of all university students in Quebec. In short, Greater Montreal is the focal point of university activity in Quebec. For example, approximately 75% of all university research and development in Quebec are conducted in the Montreal region.[3] Moreover, the city also ranks first in terms of university research grants awarded in Canada, with $1.1 billion received in 2004.[4]

While they may be a powerhouse in Quebec, the province's universities do not stack up to their counterparts in the world in terms of financial resources. In this regard, there is a consensus in Quebec – underscored once again last winter by the Parliamentary Committee on Education for the Quality, Accessibility and Funding of Universities – that the general operating deficit of Quebec's universities compared with their Canadian counterparts amounted to some $375 million[5] in 2002-2003 and that this shortfall must be immediately addressed. Moreover, given the importance of doing more in this regard, the Board of Trade reiterates its support of the Quebec government's efforts with the Council of the Federation to make the other provinces more aware that post-secondary education requires additional funding.

The Board of Trade believes that there are various ways for students to assume a greater share of the cost of their education without rendering access to universities beyond the reach of the less privileged. For example, tuition fees could vary according to such parameters as the income the graduates earn once they join the workforce or according to the costs inherent to their field of education.

In this vein, the Board of Trade is repeating the recommendations it made to the Committee:[6]

- The Board of Trade recommends that the Quebec government help students financially by adding one dollar to its current contribution for each dollar increase in tuition fees. This new annual government investment of $187.75 million in Quebec's universities would amount to a marginal increase of 0.34% of its total budget and 1.5% of the total education budget.

- We do not think it is right that, by maintaining the freeze and not indexing tuition fees, students are paying less for their education from year to year. As such, while recognizing the government's commitment to maintaining the freeze for a period of time, we recommend that students be required to contribute more financially to offset the first half of the $375 million in university under funding.

- Other measures must be implemented to allow businesses to assume a greater role in funding education, training and research. In this regard, we recommend that mechanisms be set up allowing the private sector to partner with students – former, current and future – to help them pay higher tuition fees. For example, one of these mechanisms could be to allow employers to repay their employees' student loans and make their contribution an eligible expense as part of the 1% of payroll that corporations must invest in employee training. As well, in the same way that companies contribute to their employees' RRSP, they could be encouraged to contribute to the Registered Education Savings Plans (RESP) of their employees with children.

Recommendations 1.1.2.

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[3] Fernand MARTIN, *Savoir et croissance, les universités: catalyseurs du Montréal métropolitain – Les retombées économiques*, Université de Montréal, *February* 2004, p. 9.
[4] Research Infosource inc, *Canada's Top 50 Research Universities 2005*, November 2005, Web site: http://www.researchinfosource.com/top50.shtml (latest consultation January 24, 2006).
[5] CREPUQ-MEQ, *Rapport du Comité conjoint CREPUQ-MEQ sur le niveau des ressources*, November 2002, p. 19.
[6] Board of Trade of Metropolitan Montreal, *Institutions of higher education: A critical issue for the economic engine of Quebec*, February 2004. Available online at: http://www.ccmm.qc.ca/documents/Positions/2003%202004/Memoire_universites.pdf

That students be required to contribute more financially to offset the first half of the $375 million in university under funding;

That the Quebec government help students financially by adding one dollar to its current contribution for each dollar increase in tuition fees;

That mechanisms be set up allowing the private sector to partner with students – former, current and future – to help them pay higher tuition fees;

That provisions be made to ensure that higher tuition fees do not place university education beyond the reach of the less privileged.

1.1.3. Construction of two university superhospital projects

As the Board of Trade has mentioned over the past few years, the construction of the Université de Montréal (CHUM) and McGill University (MUHC) university hospital centres (UHC) are relevant and necessary investments given that biomedical research and biotechnology are among the sectors in which Greater Montreal excels. These projects would also have a positive impact on attracting and retaining world-class research and medical talent in Montreal. As such, we would like the government to ensure the rapid and rigorous execution of both UHC projects. We also hope the government considers the possibility of forming public-private partnerships in order to ensure the construction of quality facilities at the best possible price.

Recommendation 1.1.3. :

That the Government of Quebec ensure the rapid and rigorous execution of the two university superhospital projects in Montreal.

1.2. Improve business competitiveness

For the Board of Trade, Montreal's economic competitiveness, while undeniably fuelled by local talent, is also dependent on the access its businesses have to export markets and on their ability to invest in their own success.

1.2.1. Create a foreign direct investment fund

One of the many ways of conducting international business, foreign direct investment (FDI) has been increasing for the past few decades. According to the United Nations Conference on Trade and Development (UNCTAD), in 1980 the total value of FDIs in the world amounted to US$53.7 billion. Ten years later, the figure was US$238.7 billion and US$1.2 trillion in 2000. Slipping somewhat, the value of FDIs in 2004 totalled $US730.2 billion.

There are many advantages to FDI. According to an OECD study,[7] each $1.00 of outward foreign direct investment was associated with $2.00 of additional exports, and a trade surplus of $1.70. Moreover, FDI outflows are a powerful mechanism for accessing foreign markets. In fact, through FDIs, exported finished products are gradually replaced by high value-added intermediate products and services from parent companies to their foreign subsidiaries.

[7] OECD, *Open Markets Matter: The Benefits of Trade and Investment Liberalization*, Paris, 1998.

Still, Québec has hardly established a presence on the international market and therefore does not fully benefit from the advantages these types of investments can offer. In fact, most of the businesses that take the FDI route are large companies.[8] As such, SMEs, which are the backbone of the Québec economy, are still under-represented in the global economy, perhaps because they are not prepared for a more complex and riskier business climate and have far fewer resources, especially financing tools, for FDI projects.

Canada and Quebec do not really offer financial support to companies interested in investing abroad. While many economic development agencies are mandated to attract foreign investment to Canadian and Quebec soil, the number of concrete initiatives to promote FDI by Canadians and Quebecers are few and far between. Yet foreign direct investment funds (FDIF) exist in every one of the G7 nations. There are more than nineteen such funds in Europe, two in Asia and one in North America, all of which are intended to provide, among other things, equity, quasi-equity, loans, technical assistance and risk insurance.

Unfortunately, there is no equivalent in Canada or Quebec. Although we do have the Canadian International Fund for Africa (CIFA), it is limited to a geographic area and is open to private investors whether or not they are Canadian. Furthermore, because CIFA investments range from US$5 million to US$50 million, it is usually beyond the reach of Canadian SMEs. The good news is that a new fund was announced in the federal budget update. The government planned to allocate $250 million to set up the Global Success Fund, which would offer support to SMEs but, probably, through financing tools. Should the new government decide to go forward with this initiative, it would then not be considered an FDIF.

Recommendation 1.2.1.

That a real foreign direct investment fund be made available to Quebec SMEs.

1.2.2. Facilitate the flow of Quebec exports across the U.S. border

The Greater Montreal area has over 5,000 exporting companies and accounts for 70% of all Quebec exports. The vitality of the export sector, which represents more than 55% of Quebec's GDP,[9] plays a major role in the economic growth of Quebec. In 2001, Quebec international exports generated over 667,000 jobs.[10] In 2003, these exports amounted to $64 billion, of which over $53 billion or 83% headed south. The Champlain-Lacolle border crossing is the most frequently used point of entry into Quebec and the gateway to a large market comprising New York, Philadelphia and Washington, D.C. In 2003, 387,962 trucks and 999,836 cars passed through this crossing to the U.S., an average of more than 1,000 trucks and 2,700 cars per day.

[8] In effect, according to a KPMG study, 97.14% of FDI carried out by Canadian companies in 1998 were transactions of more than C$100 million, the majority of which involved mergers and acquisitions.
[9] Government of Quebec, Ministère du Développement économique et régional, *Calepin: Le commerce extérieur du Québec*, December 2003.
[10] Government of Québec, Ministère du Développement économique et régional, *Calepin: Le commerce extérieur du Québec*, December 2003.

Recommendation 1.2.2.

That complementary or joint initiatives be quickly implemented by the governments of Quebec and Canada to increase the flow of trade between Canada and the U.S.:

- **Increase efforts to actively encourage small and mid-sized exporters to participate in border security programs (C-TPAT, FAST-EXPRES);**

- **Set up effective measures for small and mid-sized exporters grappling with the high cost of complying with the new customs standards;**

- **Make the investments announced in the road infrastructures leading to the Lacolle border crossing with a view to making it—in conjunction with the major work to be carried out at the U.S. Champlain border—a state-of-the art transit station for the flow of people and goods between Eastern Canada and the U.S. East Coast.**

1.2.3. Eliminate the capital tax

The capital tax is aimed at large corporations and financial institutions and is levied on equity capital, debt capital and capital reserves. Capital is a mobile factor of production that can be rapidly moved to those locations that offer the best conditions for profitability. Consequently, investment opportunities in Quebec are rendered less attractive to foreign investors who compare the business tax environments between countries and provinces.

Because it constitutes an additional fixed expense for businesses, capital tax stifles new investment growth and labour productivity, especially when the dollar is strong. It is also recognized that this additional expense dissuades innovation, the acquisition of new technology and the development of new skills.

The capital tax in Quebec was set at 0.60% for corporations (currently the highest rate in the country) in 2005 and 1.2 % for financial institutions since January 1, 2003. No additional reduction was planned for 2005. Although the government announced a gradual reduction of the capital tax in its 2005-2006 budget, the objective is only to reduce it by half by 2009, with the rate decreasing from 0.60% in 2005 to 0.29% in 2009. Although as of January 1, 2005,[11] 15,000 companies no longer have this burden and although the government has committed to abolishing the capital tax for SMEs during its current mandate, it is critical that the same advantages apply to large companies, especially since they are often the most geographically mobile, prime contractors and consequently, major job creators.

Recommendation 1.2.3.

That the Government of Quebec immediately and completely abolish the capital tax, a tax measure considered to be highly detrimental to business productivity, the competitiveness of financial institutions and job creation.

[11] In June 2004, the Quebec government announced the application of a new deduction ceiling starting in January 2005, bringing the percentage of companies exempted from this tax to 75.4%.

2. Improve the financial situation of cities

2.1. Diversify revenue sources

As previously mentioned, the economic competitiveness of Canada and the metropolitan regions is directly tied to the competitiveness of its businesses. However, it also tied to the quality of its urban infrastructures. In fact, according to a study published by Statistics Canada,[12] urban infrastructures are a factor that affects the operating and production costs of businesses and merchants, particularly in terms of merchandise flow and transportation.

If we are to have quality infrastructures, we must immediately improve the financial situation of our municipalities whose main problem is over-dependence on property tax revenues. In Montreal, 75% of 2006 revenues will be derived from properties,[13] i.e., property taxes, taxes aimed at non-residential property owner and compensation in lieu of taxes. These same businesses and merchants, through business taxes and property tax on non-residential properties, are among the largest contributors to city financing. In the case of Montreal, property tax on non-residential properties for the 2006 budget equals about half of the taxes collected by the City, whereas this category of property represents only 28.3% of the taxable property value.

In our view, it is critically important that under the new fiscal pact, the Quebec government provide for increased, diversified, predictable and recurring sources of revenue for the City.

Recommendation 2.1.

That under the new fiscal pact, the Quebec government provide for increased, diversified, predictable and recurring sources of revenue for the City.

2.2. Growth revenue

2.2.1. Transfer one percentage point (1/7.5) of the QST

One way to diversify city revenues that the Board of Trade finds especially appealing was proposed by the Minister of Municipal Affairs, Sports and Recreation, Jean-Marc Fournier, at the annual meeting of the Union municipalités du Québec on May 8, 2003. Mr. Fournier suggested setting up a revenue-sharing scheme between the government and the municipalities based on the Quebec sales tax (QST) revenues collected on the territory of such municipalities. As a guest speaker at the Board of Trade's forum during the last election campaign, the chair of the Conseil du trésor, Monique Jérôme-Forget, also raised the possibility of sharing a percentage point of the QST with the municipalities.

According to this proposal, 1/7.5 (or 13.3%) of QST revenues collected on a given territory would be transferred to municipalities in that territory. In this way, the amount collected by a municipality would directly correspond to the economic activity generated on its territory.[14]

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[12] Harchaoui, Tarek M. and Faoui Tarkhani, *Public Infrastructure in Canada: Where do we stand*; Statistics Canada, November 2003.
[13] Municipal council and agglomeration budget.
[14] In this regard, the Board of Trade recognizes the possible inequities of a transfer calculated according to the QST collected in a municipality: two neighbouring municipalities, while being part of the same economic whole, may have very different concentrations of commercial activity. For this reason, we believe it would be better to use the agglomeration territory or the metropolitan region as the reference territory.

Total QST revenues were estimated at $9.7 billion for 2005-2006.[15] One percentage point (1/7.5) would therefore amount to $1.3 billion. Because QST receipts are unevenly distributed across Quebec, it is rather difficult for the Board of Trade to estimate the exact value of the transfers to the main cities of Greater Montreal. Nevertheless, assuming that the distribution of the QST is more or less the same as the GDP, we estimate that Greater Montreal municipalities (in this case, the Census Metropolitan Area or CMA) would share 50% of the total or approximately $650 million annually. The City of Montreal, for its part, calculates its share at around $235 million.[16]

At first glance, one percentage point (1/7.5) of the QST rate and one percent (1%) of the QST revenues may appear the same. Nothing could be further from the truth.

Let's look at the facts. Total QST revenues in Quebec were estimated at $9.745 billion for 2005-2006. The QST rate is 7.5%. When the Board of Trade proposes transferring one percentage point of the QST, this means 1/7.5 (or 13.3%) of total revenues – quite a bit more than 1% of receipts

One percentage point = $1,299 million
(1/7.5 or 13.3% of revenues)

One percent of receipts = $97 million

Given that the government has little room to manoeuvre in the next budget, and given that the Board of Trade is against any increase in the tax burden of Greater Montreal residents, we would be pleased to see a portion of the current transfers and subsidies replaced by an equal amount coming from the transfer of one percentage point of QST revenues. This measure would ensure substantial, predictable growth in municipal revenues in the medium term, growth corresponding to the economic activity they helped generate on their territory and a return on their investments.

Recommendation 2.2.1.

That the Government of Quebec share one percentage point (1/7.5) of QST revenues with the cities of Quebec without increasing the tax burden of Greater Montreal residents.

2.2.2. Reimburse the QST in full

The upper levels of government do not charge each others sales tax; in fact, they are exempt, thus reducing the cost of the goods and services purchased for their operations and for the delivery of services to citizens, merchants and businesses. For the Board of Trade, the same logic should apply between the federal, provincial governments and municipalities.

Municipalities currently pay 7.5% QST on every purchase. Yet since the vast majority of goods and services they purchase are used to provide citizens, merchants and businesses with services on which QST is not charged, the cities, rather than the consumer, end up assuming the tax burden at the time of purchase.

For its part, the Government of Canada last year recognized the unfairness of charging municipalities the tax on goods and services (GST). Thus after giving them a partial reimbursement of 57.14% for many years, the Government implemented a full refund in February 2004.

In our view, exempting municipalities from QST or refunding them in full would make it more equitable and significantly reduce the real cost of municipal investment. According to the City of Montreal, the

[15] Gouvernement du Québec, Ministère des Finances, Synthèse des opérations financières au 30 septembre 2005, p. 23.
[16] Presentation by Frank Zampino, Chairman of the City of Montreal Executive Committee to the Board of Trade of Metropolitan Montreal, October 2004.

municipal administration paid the Quebec government some $80 million in 2005[17] in QST. There is no doubt that fully refunding this tax would greatly improve the financial means of Quebec municipalities.

Recommendation 2.2.2.

> **That as of the next budget year, the Government of Quebec grant municipalities a full refund of the QST.**

2.2.3. Compensation in lieu of taxes

When it comes to property, the Government of Quebec, unlike private owners, enjoys a special status whereby it does not have to pay the full property tax amount, and as a result, the full cost of municipal services its properties nevertheless enjoy. Even if the Government of Quebec is required to pay the rates and service charges incurred for services consumed directly by public buildings, in most cases, these charges are not enough to cover the entire cost of the municipal services. Compensation intended to address this shortfall is referred to as “compensation in lieu of taxes.”

A new fiscal and financial agreement signed in 2000 between the Quebec government and the municipalities (better known as the “Fiscal Pact”) somewhat resolved the situation and was followed by gradual increases in the compensation rates.

The compensation rates for the three categories of buildings in Montreal for 2006 are 97.7% for buildings in the health and post-secondary education systems (CEGEPs and universities), 86.9% for elementary schools and 73.4% for other buildings in the primary and high school systems. The shortfall is substantial when you consider that the amount the Quebec government will pay the City of Montreal as compensation in lieu of taxes for 2006 is estimated at $43.2 million and $54.9 million respectively for buildings in the health and post-secondary education systems and $39.1 million for elementary and high schools.

The Board of Trade is therefore reiterating its recommendation with regards to compensations in lieu of taxes. In the interest of tax equity, the Board of Trade of Metropolitan Montreal supports the conclusion of the *Commission nationale sur les finances et la fiscalité locales* recommending that the Quebec government pay compensation in lieu of taxes equal to 100% of the local taxes on the property values of its own buildings. Such a measure would simplify compensations in lieu of taxes and increase municipal revenues.

Recommendation 2.2.3.

> **That the compensation in lieu of taxes paid by the Government of Quebec to the municipalities equal 100% of the local taxes on the property value of all the buildings it owns as of the next budget year.**

[17] This amount includes the QST paid by para-municipal companies, including the Société de transports de Montréal (the largest) and Société d’habitation de Montréal.

3. Major urban infrastructure projects

3.1. The Société du Havre: A top priority

The Montreal Harbourfront development project spearheaded by the Société du Havre is possibly the most ambitious urban development and planning project in Montreal's history. Perhaps because of the size of the territory being planned or the magnitude of the work, the investment required to exploit the immense potential of the Harbourfront is simply colossal. We believe that to ensure its top-quality development, a partnership with the private sector is inevitable.

In this particular case, we believe it important to mention the leadership the Quebec and Canadian governments can provide as catalysts of the project. Just like the Government of Quebec contributed to the construction of the head office of the Caisse de dépôt et placement du Québec and the expansion of the Palais des Congrès to make the Quartier International a reality, its participation in this major project with Société du Havre would greatly speed up its execution. In this regard, we would like to see the governments of Quebec and Canada join forces and give priority to the following projects: modernize the Bonaventure Autoroute to access the shores of the Saint Lawrence; build a world-class exhibition centre; and create a public transit link between the Harbourfront and downtown as integral parts of the project to relocate the Casino near the Peel Basin. As well, the Government of Quebec should immediately launch a feasibility study for the run-of-river hydroelectric generating station project mentioned in the document *Montreal Harbourfront – Vision 2025*, made public in spring 2004 by the Société du Havre de Montréal.

Recommendation 3.1.

That the governments of Quebec and Canada each contribute to the Montreal Harbourfront development project, notably, by placing a priority on the planned investments in the Harbourfront and, in so doing, give the project real impetus.

3.2. Access to the Montreal-Trudeau Airport

In terms of the proximity of its international airport to downtown, Montreal ranks among the leading cities in the world. With adequate roads, the Montreal-Trudeau Airport could therefore become a benchmark in airport-downtown links. However, the transportation infrastructures serving the airport are dilapidated and the Dorval exchange is obsolete and ineffective. The competitive advantage of the airport's proximity is therefore offset by the compromised transportation flow, which only underscores a need the Board of Trade has recognized for many years now: airport users must have better access.

At a time when the Dorval exchange is about to be overhauled, we believe that easy, rapid and reliable rail shuttle access – which exists in most major cities in the world – should be added to the project. In fact, such a shuttle would make it possible to reach the airport from downtown in less than 30 minutes regardless of the weather or traffic conditions. Thanks to its speed, the shuttle would definitely appeal to business people as well as relieve traffic in and around the airport. Moreover, setting up this type of shuttle would be relatively easy because a rail corridor is already in place on just about the entire route between downtown Montreal and the airport. It makes sense that the departure point from downtown should be from the Gare Centrale where the other rail links are located, not to mention many public transit links.

Recommendation 3.2. :

That the governments of Quebec and Canada implement the necessary measures to rapidly implement the project to overhaul the Dorval exchange and set up a rail shuttle facilitating the mobility of Montrealers and visitors to and from the international airport.

3.3. Road transportation infrastructures

Given that investments of $7.2 billion over 10 years[18] will be required to rehabilitate Montreal's infrastructures, including $3.8 billion to upgrade municipal roads, and given the lack of funding to address all these needs, we believe priorities must be established.

Among the infrastructure projects that can improve the movement of people and merchandise in the Montreal area, the Board of Trade has identified the ones it believes should be a priority.

According to metropolitan planning and development logic, the priorities should be to quickly redevelop Notre-Dame to improve transportation to Montreal East and to build access roads to the Glen and Turcot sites to adequately serve the future McGill University Hospital Centre.

As well, we believe that in order to facilitate the transportation of people and merchandise in the Montreal area in the coming years, the governments and municipalities should examine the two projects with a metropolitan impact: create access to the Décarie-Cavendish-Jean-Talon area, and restructure the Crémaize-Metropolitan Autoroute intersection.

Recommendation 3.3.

That the Quebec government and the City of Montreal ensure efficient and coherent development of metropolitan road infrastructures.

3.4. Public transit: Sustainable and essential

The public transit system contributes significantly to the City's sustainable development, improving the mobility of individuals, reducing the number of vehicles on the road and improving the population's quality of life.

While public transit is a key aspect of Montreal's development, it also generates major spinoffs for the Greater Montreal area. The economic benefits extend beyond the fact that public transit organizations make purchases to run their operations. For instance, in 2003, public transit saved Montreal households nearly $600 million in commuting costs, providing them with greater purchasing power that can be used for shopping, cultural outings and recreation.

In our view, the Quebec government should strive to increase the use of public transit and especially its market share in relation to vehicle use. To do so, the Board of Trade has identified four conditions that merit consideration:

- Ensure passenger comfort by upgrading certain public transit infrastructures and setting up new infrastructures adapted to passenger needs.

[18] City of Montreal, *Portrait et diagnostic*, June 2005.

- Improve travel time and frequencies to enhance public transit's appeal over automobile use.

- Ensure the reliability of the transit system because this element is a major comparative advantage over automobile use, which is subject to the vagaries of the weather and traffic conditions.

- Improve infrastructures: For the Société de transport de Montréal (STM) alone, $3.5 billion will have to be spent over the next 10 years to replace and modify metro cars and renew fixed equipment such as concrete structures and ventilation systems.

Recommendation 3.4.

> **That the Quebec government implement a financial framework that would provide transit organizations with reliable, recurring and predictable financing to upgrade their infrastructures and develop their network.**

3.5 The Quartier des spectacles: An asset to the City's cultural vitality

Concerned with the importance of urban development issues and cultural vitality, the Board of Trade believes that the Quartier des spectacles is a structuring project that will strengthen and maintain a vibrant artistic and cultural milieu in downtown Montreal.

The stakeholders that make up the Partenariat du Quartier des spectacles come from varied backgrounds and share a common vision of what the Quartier des spectacles should become over the next few years. Combining an urban development approach with the needs of the many players involved in the artistic and cultural development of this area is most promising indeed to ensure Montreal carves a place as a cultural metropolis in North America.

The long-term project proposed by the Partenariat to develop this structuring project for Montreal and the metropolitan region must be carried out with the support of all the stakeholders involved, i.e., governments, private business and associations. It is these types of mobilizing visions that will allow Montreal to develop quality urban spaces that citizens will flock to and that will ultimately improve their quality of life, generate more projects and propel Montreal to the ranks of the most competitive cities.

Recommendation 3.5

> **That the Quebec government grant the Partenariat du Quartier des spectacles the necessary means to rapidly carry out projects that can improve the cultural vitality and urban development of this part of the city.**

Conclusion

As an economic engine, Greater Montreal is contributing more than ever to Quebec's prosperity. In this global context where economies are based on knowledge and innovation, this role is apt to become even more pronounced.

Faced with this reality, the development of the City must not be viewed in opposition to that of the other regions of Quebec. We must not think that the prosperity of one takes resources away from the development of the other regions. Quite the contrary; indeed, it is in Quebec's best interest to ensure that its economic engine runs at full throttle and it should therefore equip it with the right tools, namely through a fiscal pact, to maximize its potential.

It is with this in mind that the Board of Trade has presented the budget expectations of its members and put forth constructive proposals apt to improve the economic performance of the City and, by extension, that of Quebec as a whole. In this same constructive spirit, the Board of Trade would also like to impress upon the government that it is available to work together on concrete, fundamental measures that will help grow the Montreal economy.