Montreal: The urban advantage

2007-2008 Provincial pre-budget submission

Presented to
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Minister of Finance
Government of Quebec

By
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Metropolitan Montreal

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Chambre de commerce
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General recommendations

GIVE MONTREAL THE MEANS TO CULTIVATE ITS UNIQUENESS AND STIMULATE GROWTH

The Board of Trade of Metropolitan Montreal has some 7,000 members. Its mission is to represent the interests of the Greater Montreal business community and offer an integrated range of specialized services helping individuals, merchants, and businesses of all sizes to realize their full potential in terms of innovation, productivity, and competitiveness. It is thus as the largest private organization in Quebec dedicated to economic development that the Board of Trade transmits its 2007-2008 pre-budget recommendations to Quebec's Minister of Finance.

First of all, we must point out that, within Quebec, the optimal development of Greater Montreal is of the utmost importance. The metropolitan area, home to 46.6% of Quebec's population, accounts for 49.1% of its GDP and produces 70% of all Quebec exports. Economic activity in the metropolitan area thus generates spin-offs extending well beyond its borders.

Given Montreal's apparent "facility" for creating wealth at the provincial level, it might appear that Montreal needs nothing and that prioritizing the regions would be a good strategy. Unfortunately, if we compare Montreal's performance with that of similar cities – in North America or elsewhere – it becomes clear that Quebec does not benefit fully from its metropolis. The development of the metropolis should thus be a priority for all of Quebec. In fact, all Quebecers should be concerned that Montreal is having a hard time keeping up with its competitors. The next budget should therefore reflect a Quebec that expects more from <u>its</u> metropolis – and is determined to provide it with the optimum tools. Within this context, an investment in the "urban advantage" would be fruitful, since Montreal represents a formidable advantage to which Quebec – if it wishes to profit more fully from its metropolis – must give the means to develop its strengths.

It is time to fuel the growth of Quebec's economic engine – with a highly competitive tax system, of course –, but also with projects that will enhance the appeal of Montreal and serve as springboards for wealth creation. Moreover, the Board of Trade expects the Quebec government to adopt a responsible and balanced budget with a real *zero deficit* in accordance with accounting standards in line with those recommended by the auditor general of Quebec. But, in addition to this well-founded expectation, we also expect the government to intensify its efforts to repay the debt for, in the emerging context of a shrinking labour force, Quebec otherwise runs a high risk of heavily mortgaging its future.

Moreover, the Board of Trade believes that increasing collective wealth should be the primary objective of budgetary action and that, to that end, we must work tirelessly to establish a positive business environment. While the example set by Ireland must be viewed within a particular context, we nevertheless believe it demonstrates that carefully planned shifts can produce the desired results. Likewise, measures facilitating the move toward integrative trade and enabling companies to participate fully in global supply chains must constantly be improved.

In short, to rise successfully to the challenge of wealth creation, we must strive to increase our competitiveness by addressing the two major cornerstones of innovation and productivity. Budgetary action must promote the achievement of these objectives by allowing us to continue along the promising path opened by the government with the launch of the Quebec strategy for research and innovation.

Specific recommendations

1. INVESTING IN THE METROPOLIS

1.1 GROWTH REVENUES

For many years, the Board of Trade has stressed the important role played by major cities in Quebec's competitiveness. The impact of cities on the province's economic growth means they deserve careful attention, particularly with regard to the condition of infrastructures in metropolitan areas. In fact, according to a study published by Statistics Canada[1], urban infrastructures can affect the production and operating costs of businesses and merchants, particularly in terms of the transportation and flow of goods. To ensure the performance of these infrastructures, we must immediately improve the revenue structure of municipalities, for the basic financial challenge facing cities is their over-dependence on property tax revenues.

In Montreal in 2007, 71.4% of revenues[2] derive from properties, i.e., taxes and payments in lieu of taxes. Moreover, through business taxes and property tax on non-residential properties, businesses and merchants are among the largest contributors to city finances. In the case of Montreal's 2007 budget, slightly more than half of the taxes collected by the City come from non-residential properties, while this category of property represents just 24.3% of the taxable property value. Moreover, the property tax is poorly adapted to the new and ever-expanding municipal responsibilities: it is a tax base that does not evolve at the same pace as economic growth.

For the Board of Trade, the funding of cities should be commensurate with both the vitality and economic growth they generate and the specific challenges faced by major urban centres such as Montreal. The Board of Trade thus sees the new fiscal and financial partnership between the Government of Quebec and the municipalities, effective between 2007 and 2013 - particularly the agreement to refund to municipalities the sales tax they pay to Quebec (QST) on their purchases of goods and services - to be a positive step toward improving Montreal's financial situation. There are nevertheless many important steps to be taken to achieve what Montreal needs to reach its full potential: growth revenues.

The metropolis requires a structure of tax revenues stimulating the creation of wealth and bringing it income rather than expenses when municipal authorities invest time and money to generate economic activity. Such a structure, which would reward local efforts by allowing the municipal government to benefit from economic spin-offs, rather than just the provincial and federal governments through consumption and income taxes, would help fuel the economic engine of Quebec.

Recommendation:

That the metropolis be given a new permanent tax revenue structure further stimulating wealth creation.

1.2 PUBLIC TRANSIT: SUSTAINABLE AND ESSENTIAL

The public transit system contributes effectively to the City's sustainable development by improving the mobility and quality of life of residents while reducing the number of vehicles on the road, thereby facilitating the transportation of goods. A full 57% of downtown workers use public transit to commute

[1] Harchaoui, Tarek M. and Faoui Tarkhani, *Public infrastructure in Canada*, Statistics Canada, November 2003.
[2] Municipal council and agglomeration budget

to work. Nevertheless, the number of public transit trips (by train, bus, and metro) during morning rush hour in the greater metropolitan area is 367,000, or just 20% of all motorized trips, leaving much room for improvement.

Moreover, public transit generates major economic spin-offs for the Greater Montreal area. In fact, the economic benefits generated by public transit extend far beyond the expenditures of the region's public transit agencies. In 2003, for example, public transit saved Montreal households nearly $600 million in commuting costs, providing them with greater purchasing power that could be used for expenditures of all kinds, including general consumer spending, cultural outings, and entertainment.

While the Board of Trade was pleased by the Quebec Government's announcement that the Montreal metro's MR63 cars would be replaced, it believes that additional measures must be taken to maximize the use of public transit and, above all, increase the market share of public transit compared to car trips.

In 2007, the amounts paid by the various government levels to the municipalities in the Montreal Metropolitan Community (MMC) to be used for public transit are as follows: $22.9 million from transfers of the federal excise tax on gasoline, $81.2 million from the Layton amendment (an agreement ending in 2007), and $9.5 million from the Quebec Government.

Finally, despite the sums already earmarked for public transit in Greater Montreal, the Board of Trade believes that public transit agencies must receive the necessary investments to increase the market share of public transit, in particular through the following four strategies:

- Ensure passenger comfort by upgrading certain public transit infrastructures and creating new infrastructures adapted to passenger needs;
- Reduce travel times and increase frequencies to enhance the appeal of public transit over automobile use;
- Ensure the reliability of the transit system, since this is a major comparative advantage over automobile use, which is subject to the vagaries of 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 ten years to replace and upgrade metro cars and renew fixed equipment such as concrete structures and ventilation systems.

Recommendation:

That the Quebec Government implement measures providing public transit agencies with stable, recurring, and predictable funding sources to upgrade their infrastructure and develop their network.

2. STRATEGIC DEVELOPMENT PROJECTS FOR MONTREAL

Investments designed to increase Montreal's appeal and serve as springboards for wealth creation are needed to fuel Quebec's economic engine. Among the promising development projects likely to energize Montreal, three are of particular interest.

2.1 MONTREAL'S HARBOURFRONT

The Montreal harbourfront development project spearheaded by the Société du Havre is one of the most ambitious urban development and planning projects in Montreal's history. Either because of the size of the territory under consideration or the magnitude of the work involved, the investments required to exploit the immense potential of the harbourfront are enormous. While a partnership with the private sector would help to ensure the high quality of this development, the Governments of Quebec and

Canada, along with that of Montreal, could jointly exercise the leadership needed to serve as a catalyst. Just as the Quebec government did with the construction of the head office of the Caisse de dépôt et placement du Québec, the expansion of the Palais des Congrès, and the creation of the Quartier International, the launching of a major initiative, in synergy with the planners of the Société du Havre, could greatly contribute to the acceleration and achievement of this project.

Recommendation:

That the Quebec Government contribute to the project to upgrade Montreal's harbourfront in a manner befitting the strategic value it represents.

2.2 THE UHC PROJECT: A CATALYST

The construction of the various components of Montreal's university hospital centres – particularly those of the Université de Montréal (CHUM) and McGill University (MUHC) – along with the redevelopment of part of the Sainte-Justine university hospital centre represents one of the most stimulating projects Quebec has ever seen.

The enormous potential of the project results from the fact that, in North America, Montreal is a major player in the life sciences sector. In fact, it ranks 8th among North American metropolises and counts no less than 40,000 employees in 660 establishments. It is therefore important to consolidate this key economic sector and to set in place the conditions necessary to protect Montreal's leadership position in this field. Of all possible measures, promoting links and exchanges between companies in the life sciences sector and researchers at university hospitals is certainly one of the most promising, and the UHC project is firmly in line with this goal. Not to mention that it offers an excellent opportunity to highlight Montreal's know-how in the field of urban development and the enhancing of various aspects of the City's heritage.

Recommendation:

That the Quebec Government support the players involved in the project to construct the UHC so that Montreal is quickly given the tools it needs to compete with the most dynamic metropolises in the life sciences sector.

2.3 THE QUARTIER DES SPECTACLES: STRENGTHENING THE METROPOLIS'S CULTURAL VITALITY

In terms of urban development and the vitality of the cultural milieu, the Board of Trade believes that the Quartier des spectacles project is a strategic element for maintaining and strengthening a dynamic cultural and artistic milieu in the heart of the metropolis. Emerging from a proposal advanced by ADISQ at the Montreal Summit, the Quartier des spectacles partnership promotes a vision of development based on the enhancement of cultural assets in this downtown neighbourhood centred on the intersection of Sainte-Catherine Street and St. Lawrence Boulevard. Covering almost a square kilometre, this area is home to more than 30 performance halls with almost 28,000 seats, numerous international festivals, art galleries, and centres for the distribution and broadcast of alternative culture. The Quartier des spectacles counts more than 8,500 culture-related jobs, from education and creation to production, exhibition, and broadcasting. Concerned by the importance of issues related to urban development and cultural vitality, the Board of Trade believes that the Quartier des spectacles project is a strategic element for maintaining a dynamic cultural and artistic milieu in the heart of the metropolis.

The Quartier des spectacles partnership is made up of players from many horizons, all sharing a common vision of what the Quartier des spectacles could be in the coming years. The combination of an urban development approach aligned with the needs of the many stakeholders promoting the artistic and cultural development of this neighbourhood is particularly promising for the goal of consolidating Montreal's position as a North American cultural metropolis.

The long-term work proposed by the Partnership to develop this strategic development project for Greater Montreal should be carried out with the support of all stakeholders in government, private enterprise, and the communities involved. It is through the implementation of such inspiring visions that Montreal will be able to create high-quality urban spaces.

Recommendation:

That the Quebec Government grant the Quartier des spectacles partnership the means needed to quickly carry out projects aiming to promote the cultural vitality and urban development of this neighbourhood.

3. SUPPORT FOR METROPOLITAN INNOVATION

3.1 INTEGRATING INNOVATIVE TECHNOLOGIES

Thanks to the revenues they generate, innovative technologies are increasingly considered to be economic engines, and their many beneficiaries include universities, hospitals, and, of course, companies. All contribute actively to wealth creation, embodied, in part, by productivity gains and the creation of high value-added jobs. In this regard, we must welcome the government's approach, as set out in the Quebec strategy for research and innovation, which addresses this issue.

But while efforts such as those outlined in this strategy may be particularly useful for supporting the development of innovations and maximizing their commercialization potential, it is equally important to promote their adoption by companies – particularly by focusing more on continuing education to enable them to successfully integrate these innovations. To this end, an awareness campaign among SMEs to increase the demand for integrating innovations within business processes would be opportune.

To rise to the challenges posed by competition from countries such as China and India, Quebec must develop its talent pool along with an advantageous tax system. Its competitive position will increasingly depend on its ability to develop and exploit its know-how to the maximum. The strong competition offered by economies benefiting from the ability to pay very low wages means that Quebec companies must position themselves through their ability to surpass competitors in ways other than by competing to pay the lowest wages. It is thus imperative to promote the transformation of local SMEs into global SMEs, which must first of all be innovative.

Recommendation:

That measures be developed to help make SMEs aware of the importance of integrating innovations within their processes.

3.2 MEASURES SUPPORTING THE COMMERCIALIZATION OF INNOVATION

It is well known that the marketing of knowledge is an important step in the wealth-creation process, yet the commercialization of discoveries is a weak link in Quebec's innovation chain. The Quebec strategy for research and innovation includes several measures to remedy this situation, including expanding the eligibility criteria for the technology showcase program and the granting of additional funds to that program. With the adoption of this strategy, the Quebec Government has clearly made a significant step forward. While the Board of Trade approves this policy, it must nevertheless point out that, in terms of commercializing innovations, it could have gone much further.

Not only does the commercialization of innovations enable the companies that originate them to assess, share, and take full advantage of the fruits of R & D, but it also increases the ability of SMEs to adopt innovations and effectively include them in their efforts to improve productivity and competitiveness. It is important to ensure that our companies – particularly our SMEs – are able to market the innovations they develop. The adoption of tax measures, such as carefully targeted tax credits, would promote the implementation and transfer of R&D results. Such measures would improve the ability of our companies to maintain their competitiveness and improve their positioning by maximizing the spin-offs of their innovations rather than standing by while foreign companies commercialized them instead.

Recommendation:

That tax credits with specific parameters be implemented to promote and support the commercialization of innovations.

4. SUPPORT FOR INTERNATIONAL TRADE

4.1 SUPPORTING FOREIGN DIRECT INVESTMENT

Foreign direct investment (FDI) is one of the many components of international trade, and in recent decades it has grown considerably. According to the United Nations Conference on Trade and Development (UNCTAD), the total value of FDI throughout the world was US$53.7 billion in 1980. Ten years later, that figure had jumped to US$238.7 billion, and, by 2000, it had reached $1.2 trillion. After a slight slowdown, it then picked up speed again, soaring to US$730.2 billion in 2004.

FDI offers many benefits. According to an OECD study[3], every dollar invested outside the country results in two dollars of additional exports and a trade surplus of $1.70 for the country making the investment. Moreover, outward FDI offers a powerful mechanism for accessing foreign markets. In fact, through FDI, exported finished products are gradually replaced by high value-added intermediate products and by services offered by the parent companies of foreign subsidiaries.

Yet Quebec could be much more present in international markets and take fuller advantage of the benefits such investments could bring. Moreover, companies that participate in FDI are usually major corporations[4]. In comparison, SMEs, which dominate the province's economic fabric, are relatively under-represented in the global economy. This may be because international activities expose SMEs to a more complex and risky business environment for which, compared to major corporations, they are relatively unprepared and have far fewer resources – particularly financing tools for FDI projects.

Canada and Quebec offer no real financial support to companies wishing to invest overseas. While many economic development agencies are mandated to attract foreign investment to Canada and Quebec, there are very few concrete measures to promote direct investments by Canadians and Quebecers abroad. All other G7 countries have established their own foreign direct investment funds (FDIF). Today, there are nineteen FDIF in Europe, two in Asia, and one in North America, all charged with providing equity, quasi-equity, loans, technical assistance, risk insurance, etc.

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

[4] In fact, according to a KPMG study, 97.14% of FDI carried out by Canadian companies in 1998 were transactions of more than C$100 M, the majority of which involved mergers and acquisitions.

Unfortunately, neither Canada nor Quebec has an equivalent fund. Of course there is the Canada Investment Fund for Africa (CIFA), but it is limited to a specific geographic region and is open to all private investors, whether they are Canadian or not. In addition, since CIFA investments are between US$5 and 50 million, they are less accessible to Canadian SMEs. In this context, the Board of Trade believes that a strategy to support FDI should be developed, with particular attention paid to SMEs.

Recommendation:

That a strategy to support foreign direct investment be made available to Quebec SMEs.

4.2 TRADE MISSIONS: LAUNCHING MONTREAL SMEs IN FOREIGN MARKETS

The most successful and innovative SMEs operating in the most promising sectors must be encouraged to surpass themselves, expanding and generating greater economic activity. To this end, the government should promote the emergence of new champions to be added to the list of major corporations generating enormous wealth. A productive strategy would be to focus on SMEs in high value-added clusters such as information technology (110,000 jobs), life sciences (40,000 jobs), and aerospace (38,000 jobs). The government should take steps to facilitate the insertion of SMEs in international networks, enabling them to both export and import items needed for them to reach new heights. The objective would be to create alliances, enable SMEs to integrate global supply chains, and expand markets.

For we must acknowledge that, given the limited size of our domestic market, companies wishing to grow must increasingly carve out niches in international markets. This allows them to remain competitive both locally and internationally. And since 99% of Quebec companies have 500 employees or less and generate 58% of all jobs, they clearly merit special attention. More dramatically, 98% of Quebec businesses have 100 employees or less.

Recommendation:

That the insertion of SMEs in international networks be facilitated by supporting foreign trade missions, particularly in high value-added sectors.

5. ATTRACTING, TRAINING, AND RETAINING TALENT

An economy's innovative capacity is closely linked to the level of talent and education of its workforce. This new reality is taking shape at a time when demographic growth is slowing in Quebec and the population is aging. The vital issue of talent can therefore no longer be dealt with solely by developing local talent, particularly given that, within just a few years, the net growth of our labour force will depend primarily on immigration.[5] Quebec must strive to attract – and permanently retain – skilled workers from around the world looking for a better place to live and develop their talent.

5.1 ATTRACTING AND INTEGRATING IMMIGRANTS

The Board of Trade believes that greater efforts must be made to attract immigrants to Quebec and to integrate these new arrivals into Quebec society. What's at stake is not just attracting skilled immigrant

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

workers but also promoting their active participation in Quebec's social, cultural, and economic life, since such participation is a decisive factor in encouraging newcomers to stay in Quebec.

The minister responsible for immigration must therefore have the means to achieve these goals. Yet, in recent years, that budget has been reduced. The Board of Trade therefore recommends that the next budget should reverse that trend by increasing the funds allocated for the purpose of attracting and integrating immigrants.

Recommendation:

That the budget allocate increased amounts to the Ministère de l'Immigration et des Communautés culturelles for the purpose of attracting and integrating immigrants.

5.2 ATTRACTING AND RETAINING FOREIGN STUDENTS

Montreal is a leading university city, and no less than 17,000 of its 170,000 university students come from outside the country.

The Board of Trade believes that greater efforts must be made to ensure that the number of foreign students who remain in Montreal once their studies are finished – currently one in three – is increased to two in three. During their studies, these students create personal and professional networks, become familiar with our society's cultural referents, and earn degrees from our institutions, facilitating their entry into the job market, particularly in professions governed by professional bodies.

Since universities are well positioned to solicit foreign student clienteles, the Board of Trade believes the government should introduce a financial incentive encouraging universities to recruit more foreign students. As those students pay higher tuition fees, the fees could help finance a return on investment mechanism for universities that increase the number of students coming from outside Canada.

Recommendation:

That the budget allow for a mechanism allocating to universities that increase the number of foreign students a portion of the additional funds obtained through the higher tuition fees paid by those foreign students.

5.3 INCREASING THE RESOURCES OF INSTITUTIONS OF HIGHER EDUCATION

The university network

As home to more than 60% of Quebec's university students, Greater Montreal is the principal hub of university activity in Quebec: almost 75% of Quebec's university R&D is carried out here[6]. It is nevertheless true that the means available to establishments in Quebec's university network are not comparable to those available to their competitors outside Quebec. Indeed there is a consensus to the effect that, in 2002, the operating deficit of Quebec universities compared with that of other Canadian universities was $375 million[7].

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[6] Fernand MARTIN, *Savoir et croissance, les universités : catalyseurs du Montréal métropolitain – Les retombées économiques*, Université de Montréal, February 2004, p. 9.

[7] CREPUQ-MEQ, *Rapport du Comité conjoint CREPUQ-MEQ sur le niveau des ressources*, November 2002, p. 19. (CREPUQ and the Ministère are currently working to update this data but, given inflation, the figure $400 million would be a conservative estimate.)

The Board of Trade therefore believes that students should be expected to pay a larger percentage of the cost of their education, without this larger contribution becoming an obstacle to attendance by less well-off students. The Board of Trade also believes that the government should increase its contribution to an amount equivalent to that paid by students and that this additional amount should be seen not as an expense, but rather as a very high value-added investment.

Finally, the Board of Trade believes that companies should also play a larger role in funding education, training, and research. To this end, mechanisms whereby the private sector could partner with students – former, current, and future – to defray higher tuition fees could be implemented. For example, the repayment of student loans of recently graduated employees could be seen as an eligible expense under Bill 90, the legislation requiring companies with payrolls of $1 million or more to invest 1% of their payroll in employee training. Another option would be to encourage companies to make a financial contribution to the Registered Education Savings Plans (RESP) of employees with children, just as some now do with RRSPs.

Recommendations:

That students be required to make a greater financial contribution to cover the first half of the "under-investment" in universities and that the government contribute an equivalent amount.

That measures be taken to ensure that this greater financial contribution does not become an obstacle to a university education for less well-off students.

That mechanisms be implemented making the private sector a partner of students – former, current, and future – in paying higher tuition fees.

The college network

Quebec enjoys the unique advantage of a college network that not only trains future technicians for our companies and institutions but also prepares many students to enter university. More than 175,000 students attend Quebec CEGEPS and more than 85,000 of these are in Greater Montreal. In 2006, the Fédération des cégeps estimated that the annual recurring underfunding of the public college network was $305 million.

To maintain high-quality services for students and upgrade infrastructures and facilities, it is necessary to reinvest in this sector. The Board of Trade believes that a way must be found to enable all stakeholders to contribute to the more adequate funding of the college network.

In a society that must rely on innovation and productivity to remain competitive, education – particularly technical training – warrants greater budgetary attention.

Recommendation:

That the government develop a way to enable all stakeholders to contribute to the more adequate funding of the college network.

6. CULTURE AS A DEVELOPMENT ENGINE FOR MONTREAL

Montreal is particularly spoiled by the wealth, inventiveness, and determination of its artistic talent, which has made cultural vitality one of its greatest assets. Culture is now a fundamental component not only of Montreal's identity but also of its quality of life, allowing the City to attract and retain talent. This sector, whose successes on the international stage are a source of inspiration, serves to leverage the city's development.

The Board of Trade therefore strives to promote the development and reputation of this incomparable asset. The cultural milieu has much to contribute to the economic milieu, beginning with a major direct contribution to the gross domestic product. In Montreal, the cultural sector generates annual spin-offs of almost $5 billion along with some 90,000 direct and indirect jobs.[8] It also helps attract the more than seven million visitors who come to Montreal each year to enjoy its major festivals, museum exhibitions, orchestra's concerts, dance performances, and theatrical productions.

Culture also has a developmental impact on various Montreal neighbourhoods, as it does in the case of TOHU and strategic development projects such as the Quartier des spectacles. For the Board of Trade, culture clearly plays a strategic role in enhancing quality of life, the collective capacity for innovation and knowledge enrichment, and the ability to attract and retain talent. In short, culture has a direct impact on the growth of the metropolis. The Board of Trade therefore believes it is in the interest of the business community to support this milieu and strengthen ties with it.

6.1 THE PRIVATE FUNDING OF CULTURE

In focusing on ways to increase the contribution of the private sector, we certainly don't mean to suggest that the withdrawal of government funding would be either desirable or feasible. On the contrary, we simply wish to stress the extraordinary opportunity we have to further strengthen the contribution of culture to the success and reputation of Montreal by encouraging the private sector to become one of its valued partners. The results of a recent Board of Trade study highlighted the still inadequate contribution of the private sector to the funding of culture.

We therefore recommend that the Government of Quebec develop new tax measures encouraging companies to provide financial support to the cultural milieu. Simple and innovative incentives would no doubt create a ripple and demonstration effect, stimulating Quebec's emerging philanthropic culture. As the baby boomer generation reaches maturity, a time more conducive to supporting charitable agencies, the time is ripe for educating and encouraging this influential group to become more philanthropic, thereby reaping a benefit from the aging of the population.

In the same vein, the Board of Trade welcomed the launch of the Placements Culture program for its stimulating effect on the financial support of cultural organizations by the private sector. Financially supporting the cultural organizations registered in this program provides not only the tax benefit related to charitable donations – a reduction in taxable income for companies and a non-refundable tax credit for individuals – but also the certainty that, through matching and the external management of funds, the donation will serve as a powerful lever for years to come.

This program also makes it possible to establish conditions encouraging the private sector to contribute more to the funding of cultural organizations over the long term. This is why the Board of Trade considers it essential that the budget for this program be maintained for a sufficiently long period to have a profound effect on promoting philanthropy among the public, increasing the participation of the private sector over the long term to support the efforts made by our artists to invigorate and enhance the reputation of Quebec culture and creativity.

[8] Board of Trade of Metropolitan Montreal, The private funding of culture, November 2005.

Recommendations:

That tax measures encouraging companies to participate in the funding of culture be significantly strengthened.

That the Placements Culture program be assured of recurring, stable, long-term funding.

CONCLUSION

As the economic engine of Quebec, Greater Montreal contributes more than ever to its prosperity. In the global context of an economy based on knowledge and innovation, this role is likely to become even more pronounced.

Given this reality, the development of the metropolis must, above all, not be viewed as detrimental to that of other Quebec regions. We must not imagine that investing in the economic engine of Quebec diverts resources earmarked for regional development. On the contrary, it is in every region's best interests to ensure that Montreal runs at full throttle and that the Montreal advantage is fully exploited.

It is with this in mind that the Board of Trade has presented not only its expectations regarding the next budget but also proposals for improving the economic performance of Quebec. And it is with a view to constructive and open-minded cooperation that we would like to assure the government of our desire to work together to promote the economic development of Montreal.