

BRIEF CONCERNING BILL 22, AN ACT TO AMEND VARIOUS LEGISLATIVE PROVISIONS CONCERNING THE URBAN AGGLOMERATION OF MONTRÉAL

Presented by the Board of Trade of Metropolitan
Montreal to the Commission de l'aménagement du
territoire of the National Assembly of Quebec

November 8, 2007



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**Chambre de commerce
du Montréal métropolitain**

Board of Trade of Metropolitan Montreal

Preamble

The Board of Trade of Metropolitan Montreal has some 7,000 members. Its mission is to represent the interests of the Greater Montréal business community and offer an integrated range of specialized services helping individuals, merchants, and businesses of all sizes realize their full potential in terms of innovation, productivity, and competitiveness. The Board of Trade is the largest private organization in Quebec devoted to economic development.

Introduction

For the Board of Trade, the parliamentary committee hearings on Bill 22 offer an important opportunity to discuss Montréal's development and, above all, the contribution of our metropolis to the success of Quebec society.

In our eyes, such discussions are invaluable as they remind us of the vital role played by Montréal as the engine of Quebec's economy. They allow us to highlight the unique context in which our metropolis is developing and consider what arrangements would enable Montréal to make the most of its strengths. Finally, they underscore the fact that Montréal is the metropolis of Quebec and therefore of all Quebecers – a metropolis with strong ties to all Quebec regions through the many individuals who live in Montréal but have roots in Gaspé, Saguenay, Quebec City, or Abitibi, for example.

In short, it is important for us to talk about Montréal. Devoting attention to our metropolis is not a luxury – it is an attempt to give Quebec's regions the best possible ally.

A review of the Board of Trade's earlier positions on municipal reorganization on the Island of Montréal

Ever since the launch of the merger of municipalities on the Island of Montréal, the Board of Trade has participated actively in discussions and consultations concerning the municipal organization and re-organization of this territory. This is an issue of vital importance to the economic development of Montréal. As a result, the Board of Trade has endeavoured to make pragmatic and constructive contributions to this debate.

This pragmatic approach was central to the Board of Trade's comments on Bill 9, which opened the door to reconstituting some municipalities on the Island of Montréal. While the Board of Trade was sorry to see the reopening of discussions about the merger, which it had supported, it acknowledged in its reaction to the adoption of Bill 9 that a return to the status quo was impossible and that the parameters underlying the reconstitution of municipalities – which were to be the subject of future referendums – were clear and preserved some of the benefits of the merger. In other words, for the Board of Trade, Bill 9 spelled out the rules of the game concerning the consequences of demergers, and everyone would have to live with the choices democratically made.

1. Bill 22: modifications to the functioning of the agglomeration council contrary to the spirit of Bill 9

With this in mind, the Board of Trade views with disfavour several of the measures in Bill 22 directly concerning the functioning of the Montréal agglomeration – particularly the institution of a secretariat of the urban agglomeration of the Island of Montréal.

The Board of Trade opposes this proposal for two reasons. In the first place, the Board of Trade considers that the institution of an agglomeration secretariat, a legal person established in the public interest, would be a significant modification of the conditions presented to citizens in 2004 during the consultation on the reorganization of the municipalities on the Island of Montréal¹. In addition to being unfair to the residents of the Island of Montréal, 87% of whom remained within the City of Montréal, this measure is in line with the desire of those pushing for changes to the functioning of the agglomeration so as to return as far as possible to the autonomous pre-merger municipalities. For the Board of Trade, this trend is particularly regrettable in that it goes against the need to make the agglomeration council function efficiently to promote the development of the Island of Montréal.

In the second place, the institution of an agglomeration secretariat seems to us to be in total contradiction to the government's initial intent to make the agglomeration council a "light" structure. With the powers granted to it – particularly the authority to require any information, reports, and explanations it deems necessary from all City employees – this secretariat represents an additional administrative level on the Island of Montréal, which could essentially slow down or obstruct the agglomeration's decision-making processes rather than guide them.

2. Granting of fiscal and administrative powers

Notwithstanding these profound reservations, the Board of Trade nevertheless wishes to salute the opening of Bill 22 to the increased autonomy of Montréal's municipal government through the granting of a general taxation power. The issue of municipal financing is extremely complex, and the Board of Trade therefore considers the general taxation power to be a positive gesture – although it does not go far enough. To fully understand its scope and, above all, demonstrate that additional measures are still required, the Board of Trade believes it would be helpful to make the following observations.

Strong support for the greater autonomy of Montréal

For the Board of Trade, there can be no doubt that the City of Montréal has the maturity needed to decide for itself what measures should be taken with regard to its citizens. In fact the size of Montréal's municipal government, the 1.1 million voters to whom it is accountable, and the close scrutiny it receives from the media guarantee Montrealers a sufficiently democratic environment for the City to achieve greater autonomy.

¹ The question asked during the referendums – *'Are you in favour of the de-amalgamation of City of Montréal and the constitution of a municipal entity for the sector (...) in accordance with the Act respecting the consultation of citizens with respect to the territorial reorganization of certain municipalities?'* – was clearly linked to the conditions set forth in that Act, which did not include the existence of an Agglomeration secretariat for the reconstituted municipalities.

In this regard, the Board of Trade views the general taxation power granted to the City by Bill 22 as a positive step toward aligning the powers enjoyed by the City with the responsibilities it assumes. In other words, for the Board of Trade, it is totally appropriate that the City should be granted a power conferring greater fiscal and administrative freedom and autonomy.

... but reluctance to see a heavier tax burden on Montrealers

That said, the Board of Trade nevertheless considers that the tax burden of Montréal taxpayers is fairly heavy, and it would be unfortunate if the City's exercise of this new taxation power led to an increase in this burden. In fact, for the Board of Trade, the only desirable use for this new power by the City would be to diversify its revenue sources through the redistribution of the tax burden – rather than through its net increase.

Nevertheless, while it has real concerns regarding the manner in which the City's general taxation power will be used, the Board of Trade firmly believes it should be up to Montrealers to decide these questions. It thus seems far preferable to us that the Quebec Government grant Montréal a degree of autonomy consistent with its status as metropolis rather than impose decisions on Montréal citizens and unduly limit powers. In the same way that the Board of Trade can participate actively in the debates and consultations held by the National Assembly on subjects of interest to Montréal, the Board of Trade is confident that Montréal's democratic environment will allow it to be consulted and heard on the issues important to it, beginning with the distribution of the tax burden.

Administrative powers

In accordance with its conviction that the City of Montréal should enjoy a level of autonomy more fully in line with the scope of its responsibilities, the Board of Trade believes that the general taxation power included in Bill 22 should be far more extensive and that greater administrative powers should also be granted to the City.

This includes labour relations, for example, and the negotiation of collective agreements. Municipal administrative powers are far more limited than are those of the Quebec Government; for example the City can not terminate fruitless negotiations by imposing a settlement – as the Quebec Government did last year. So, while we support giving the City greater revenue-collection powers, we also believe it is vital for the City to have the tools allowing it to fully control its expenditures.

There are also many areas – from lowering speed limits to signing long-term agreements – where the City can take no direct action without first obtaining the authorization of the Quebec Government. An administrative power wherein the City could do anything – except what it was explicitly forbidden to do – would limit these occurrences and increase the City's ability to act. Here again, the Board of Trade believes that Montréal's democratic environment should be sufficient to ensure these new powers were not abused.

Greater diversification

More specifically, with regard to the general taxation power granted by Bill 22 to the City of Montréal, the Board of Trade would like to stress that, in its current form, this power is insufficient to meet Montréal's need to diversify its sources of revenue. Indeed the limits imposed on this general taxation power – particularly the exclusion of a general tax on goods and services – make it difficult for the City of Montréal to diversify its revenues – much less increase them – without creating major imbalances in Montréal's economy.

In fact, the Board of Trade believes it would be dangerous to implement taxes affecting specific sectors – including, as specified in Bill 22, taxes on meals or beverages or admission to places of amusement – to diversify its tax base, which is currently linked almost completely to property. To avoid harming the competitiveness of Montréal's economy, the use of highly targeted taxes should be used on a small scale – making them insufficient to meet the City's financial needs. This is all the more true in that new taxes affecting restaurants and places of amusement could decrease the competitiveness of downtown Montréal compared to the outlying areas, where tax burdens are generally lighter.

In reality, the Board of Trade believes the major appeal of targeted taxes is their ability to "discourage" certain behaviours and encourage positive changes. From this perspective, the City should have much greater freedom with regard to the goods and services it can tax. The goal would be to give the City greater opportunities to use taxes to influence behaviours within its fields of jurisdiction.

For example, we believe it would make sense for the City, which has chief authority over public transit within its territory, to have access to a source of revenue linked to the use of cars (a gasoline tax or tolls, for example) so as to be able to finance and indirectly encourage the use of public transit.

The involvement of higher government levels

Another inherent limitation of targeted taxation is that it does not meet the City of Montréal's need for access to revenues tied to economic growth generated within its territory. By definition, a tax on entertainment or restaurant fare would reflect only the vitality of those sectors. So the general taxation power granted in Bill 22 still does not enable the City to link its revenues more closely with the growth of its economy.

The Board of Trade therefore believes that granting the general taxation power in the form proposed by Bill 22 would not lead to the improved financial situation for which the Board of Trade has campaigned for many years. The involvement of higher government levels is therefore still necessary.

The Board of Trade would therefore like to remind the Quebec Government of its proposal to share with the municipalities the equivalent of one percentage point of revenues from the Quebec sales tax (QST). Since total revenues from the QST in 2005-2006 are estimated to have been about \$9.7 billion, one percentage point of that amount would be about \$1.3 billion. Since QST receipts are distributed unevenly throughout Quebec, it is difficult for the Board of Trade to determine the exact value of the transfers to the major cities in metropolitan Montréal. Nevertheless, based on the hypothesis that the distribution of the QST is similar to that of the GDP, we estimate that municipalities in the urban agglomeration of Montréal (in this case, the census metropolitan area, or CMA) would share about 50% of the total, or \$650 million annually. The City of Montréal estimates that its share would be about \$235 million.

That said, insofar as the government has limited fiscal flexibility and the Board of Trade does not favour an increase in the overall tax burden on residents, a first step could be to harmonize the annual increase in transfers and subsidies currently paid by the Quebec Government to the City of Montréal with the increase in QST receipts. Such a measure would provide Montréal with a form of revenue growth over the medium term reflecting the economic activity generated within its territory.

Another possibility would be to use the fiscal space freed up by lowering the GST to 5% on January 1, 2008. This option would be all the more desirable since reducing the percentage of government revenues from taxes on added value is not the most efficient way to reduce the tax burden.

Conclusion

In conclusion, the Board of Trade believes that Bill 22 will require some fundamental changes if it is to make a positive contribution to the development of Montréal. The Board of Trade believes the proposed changes to the functioning of the agglomeration council of the Island of Montréal would be contrary to the commitments already made by the government during the public consultation on the municipal reorganization and contrary to the interests of the Montréal agglomeration.

The general taxation power is an important advance in terms of granting the City of Montréal increased autonomy. The Board of Trade supports this advance, although it is clear the City of Montréal will have to use this power with the greatest discernment. That said, the general taxation power provided for in Bill 22 will not solve the financial difficulties facing the City of Montréal and will not meet its needs for administrative autonomy. It is thus clear to the Board of Trade that higher government levels will still have to support the City of Montréal in diversifying its revenue sources and obtaining revenues tied to its economic growth. For the Board of Trade, this will require a real enabling power in both the fiscal and the administrative domains.