



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

January 18, 2011

Raymond Bachand  
Minister of Finance  
12 St-Louis Street, 1st Floor  
Québec City, Quebec G1R 5L3

### **Re: Pre-budget recommendations**

Dear Mr. Minister:

On behalf of the Board of Trade of Metropolitan Montreal, I would like to submit our recommendations for the Quebec government's next budget.

First, we are pleased to note that compared to other North American regions, Montréal and Quebec were less hard hit by the recession and are enjoying a fairly strong recovery. As a result, all the jobs lost during the downturn have been recovered and Quebec's unemployment rate is now lower than Ontario's.

That said, the economic performance of both Quebec and Montréal is being seriously affected by the fact that growth continues to be modest and fragile. Furthermore, the U.S. economy remains hard to read. Lastly, Quebec's debt, its aging population and low structural productivity all threaten to slow our economic growth in the years ahead.

Last year, we were pleased to see the budget address some of Quebec's key challenges for the future. This year's recommendations continue along these lines as the Board of Trade feels very strongly about seeing the government implement some of the measures announced in 2010.

First, we would like the Quebec government to keep its promise to balance the budget by 2013-2014. The Board of Trade also feels that measures are needed to boost business productivity, which is essential to our long-term prosperity. Finally, we recommend that the government continue with the strategic infrastructure projects underway or announced to further Montréal's economic development.

As such, the Board of Trade's recommendations revolve around three broad orientations:

- 1. Stay the course to return to a balanced budget according to plan and clearly state the spending cuts that will be made to eliminate the deficit;**
- 2. Limit new measures that increase public spending to those designed to boost economic and business productivity;**
- 3. Carry out the infrastructure projects already announced by the government and postpone new projects.**

**1<sup>st</sup> orientation: Stay the course to return to a balanced budget according to plan and clearly state the spending cuts that will be made to eliminate the deficit**

It is vital that the government honour its 2010-2011 budget commitment to return to a balanced budget. Already highly indebted, Quebec would be severely penalized by the financial markets if it announced that its deficit would persist long after the recession was over. Quickly achieving a balanced budget would not only send positive signals to investors and financial institutions, it would also demonstrate sound fiscal management and allow the government to hold on to its credit rating. Over the long term, reducing debt service payments would free up funds for public services or personal tax cuts.

The Board of Trade believes the government can balance the budget by cutting spending rather than increasing taxes. We are therefore asking the government to make a concerted effort to streamline its expenses and boost its productivity. To this end, it must systematically and continuously strive to enhance efficiency by identifying programs or functions that are no longer useful.

Moreover, following the example of the merger between Société générale de financement (SGF) and Investissement Québec, we encourage the government to consolidate public agencies with similar missions in order to cut unnecessary expenses. This should be done for heavily subsidized not-for-profits with similar vocations, particularly those active in economic development.

In addition, as stated in our report titled "A City that Lives up to Our Aspirations," the Board of Trade asks the government to take better stock of Montréal's metropolitan reality. Having five administrative regions results in a fragmented approach; the problems of big cities require solutions based on their real economic weight. As such, among the recommendations in this report, we ask the government to prioritize the following:

1. The Quebec government should form a ministerial committee charged with ensuring coherent policies for the city and shaping the relations between regional authorities and the government.
2. The Institut de la statistique du Québec should be mandated and receive the necessary resources to develop and implement an economic and social statistics program for the metropolitan regions of Quebec, including, in particular, the Montréal metropolitan region.
3. Each ministry of the Quebec government should prepare an action plan for the city to ensure that the programs managed in regional administrative offices are consistent with the development priorities for the city as a whole.
4. The Ministère du Développement économique, de l'Innovation et de l'Exportation and the Ministère de l'Emploi et de la Solidarité sociale should entrust the responsibility of their five regional offices in the Montréal region to an assistant deputy minister.
5. The Quebec government should abolish the CREs whose territories correspond to those of a municipality and transfer their responsibilities and budgets to cities or municipalities that correspond to their territories.
6. The task force recommends that the government of Quebec streamline the network of CLDs, CEDCs and SAJEs on the Island of Montréal in order to pool their strengths.
7. The Quebec government should assume full responsibility for public transit in the Montréal region. After consulting with local political authorities, it should determine the major development orientations and priorities for the regional public transit network,

including the metro. These priorities should reflect the changing demographics of the region and its own sustainable development policies.

The Board of Trade feels very strongly that the government of Quebec should not raise personal or corporate taxes. The last budget already announced measures to increase personal taxes. Another hike in corporate taxes could hamper business competitiveness. As for individuals, they are already among the most heavily taxed in North America. Furthermore, a reduction in household disposable income would jeopardize the metropolitan and Quebec economies at a time when the government is trying to trim spending.

If increasing its revenues is the only way for the government to balance the budget by 2013-2014, the least damaging measure in our opinion is to raise the prices of certain public goods and services to market rates. Charging more for public services would provide more revenue, result in better use of services, and in the case of electricity, free up volumes for export.

## **2<sup>nd</sup> orientation: Limit new measures that increase public spending to those designed to boost economic and business productivity**

Given the aging of the population, boosting productivity will be Quebec's biggest challenge going forward. The current economic situation further underscores this fact since the prospect of a slow U.S. recovery and a Canadian dollar that could well remain on par with the greenback for several years will force our businesses to become more productive if they are to remain in the game.

The Board of Trade is asking the government to implement specific measures to improve our human capital.

### **I. Increase funding to universities**

The formation of a highly qualified labour force depends heavily on the calibre of our universities. These institutions, however, have been underfunded for many years. This could ultimately affect the quality of education and even the value of the degrees conferred, and productivity of our labour force.

Therefore, as discussed during the education partners meeting in December, the Board of Trade recommends that the government increase the overall level of funding to universities. To this end, it should:

- maintain the current level of public funding in real terms and increase the loans and bursaries program by 25%;
- catch up to the rest of Canada by lifting the freeze on tuition fees. This means raising tuition fees by \$1,000 per year for three years, i.e. from 2012 to 2015;
- consider offering tax incentives to increase:
  - private donations to universities;
  - industry-university collaboration;
- improve monitoring and feedback mechanisms for university performance indicators, which would be:
  - established based on the university's mission;

- based on measurable and adjustable data.

## **II. Continue efforts to support the immigration, integration and retention of qualified workers**

The immigration of qualified workers – permanent and temporary alike – is important for the Quebec economy in that it could, among other things, mitigate the effects of a shrinking workforce on our public finances. However, statistics show that the immigrant unemployment rate is still very high. The government should set aside additional funds to improve the professional integration of immigrants.

The government has already pledged to improve the process for recognizing foreign diplomas. Indeed, the *Plan emploi métropole* brings together various players to find ways to better integrate immigrants into the workplace. We invite the government to support initiatives that facilitate the recognition of work experience and help immigrants find jobs more quickly.

## **III. Boost business productivity through innovation and entrepreneurship**

The Board of Trade feels that the Government of Quebec should speed up implementation of the measures set out in its research and innovation strategy, specifically those aimed at:

- enhancing the competitiveness and visibility of Quebec research and innovation, both in Canada and abroad. The government should continue its efforts to attract the best researchers with a view to maximizing innovation;
- better aligning post-secondary research with business needs;
- supporting the commercialization of innovations, encouraging businesses to systematically adopt innovations developed here and elsewhere, and encouraging international collaborations;
- strengthening measures that support ongoing employee training, especially in SMEs, aimed at improving their ability to adopt new technologies.

Lastly, we recommend that the government include measures in its entrepreneurship strategy that financially support entrepreneurs interested in starting or growing a business. Assistance programs for start-ups and growth projects must also become more flexible, and the number of applications and forms should be reduced.

## **IV. Support the cultural sector**

We also believe the government should continue its strong support of the cultural sector and its businesses.

Culture is a powerful lever of economic development and wealth creation. According to a study conducted by the Board of Trade in November 2009, titled “Culture in Montréal: Economic Impacts and Private Funding,” the cultural sector employs 96,910 people in the Greater Montréal area and generates direct spinoffs of close to \$8 billion, or 6% of the city's GDP. Culture also raises Quebec's international profile as well as its reputation as a creative, dynamic and open society.

In light of these facts, the Government of Quebec should implement tax measures to boost private funding for the cultural industry.

## V. Support Quebec businesses on the international markets

International exports account for about 31.4% of Quebec's GDP and 71% of our shipments are bound for the U.S. A loonie that is hovering at par with the greenback, combined with a modest growth outlook south of the border, could weaken Quebec's international trade, and by extension, its GDP growth.

Due to this state of affairs, it is imperative to encourage Quebec businesses to venture into other markets and to support those already active outside our borders. This type of support would help them become more competitive and spread their risks.

- The government should therefore financially back Quebec SMEs looking to diversify their markets. It should also improve the assistance programs available to businesses in search of new markets.
- We also consider it important to tailor these assistance programs to the needs of entrepreneurs and to minimize the associated red tape. For instance, applications should be processed faster and there should be more flexibility in the way the programs are applied. This would maximize spending efficiency and generate the desired spinoffs.

### **3<sup>rd</sup> orientation: Carry out the infrastructure projects already announced by the government and postpone new projects**

An economy's performance also hinges on the quality of its infrastructures, and public investments in this area greatly enhance productivity. Given the current budget context, we are not suggesting that the government undertake large new projects but rather carry out the ones to which it has already committed, namely:

1. Investments in transportation infrastructures
  - Begin reconstruction of the Turcot Interchange according to the planned schedule;
  - Improve access to the Port of Montréal and ensure the smooth flow of cargo. We would especially like to see the redevelopment of two strategic access roads, i.e. an extension of Autoroute 25 and access via Assomption Boulevard;
  - Honour the pledge to allocate \$200 million dollars for the construction of a rail shuttle between the airport and downtown Montréal;
  - Invest massively in public transit;
2. Continue construction of CHUM (Centre hospitalier de l'Université de Montréal) and MUHC (McGill University Health Centre). The economic spinoffs of this project for the construction industry, the life science sector and the neighbourhoods where the hospitals will be located largely justify the investments required;
3. Launch phases III and IV of the Quartier des spectacles. This highly structuring urban development project may very well redefine Montréal's brand image and drive the city's economic recovery. The Board of Trade would like to impress upon all the partners involved the importance of completing this project within the prescribed timelines.

In conclusion, now that the recovery is well under way, the government must make sure to respect the plan to rebalance the budget by 2013-2014. This is an essential condition for a sound, prosperous economy. The government must also set the stage for Quebec's future. In light of our aging population, low productivity and weak growth outlook, we feel that productivity should be a priority. Finally, the government should continue with the committed investments and projects that will provide Montréal and Quebec with strategic infrastructures that will have a leverage effect on economic activity and wealth creation.

Please be assured of the Board of Trade of Metropolitan Montreal's full cooperation in the development of Quebec and its metropolis.

Sincerely,

Michel Leblanc  
President and CEO