

**Bill 36**

*An Act respecting the Banque de développement économique du Québec*

**Brief from the Board of Trade of Metropolitan Montreal presented at the special consultation and public hearings of the National Assembly's Commission de l'économie et du travail**



**May 2013**



## **Preamble**

The Board of Trade of Metropolitan Montreal is made up of some 7,000 members. Its mission is to represent the interests of the business community of Greater Montréal and to provide individuals, merchants, and local businesses of all sizes with a variety of specialized services to help them achieve their full potential in terms of innovation, productivity, and competitiveness. The Board of Trade is Québec's leading private economic development organization.

Through its team of Info Entrepreneurs experts, the Board of Trade is a leader in the delivery of high-quality, integrated information about government programs and services for business people. Info Entrepreneurs is a prime source of business information, contributing to the economic growth of SMEs. Over 17,000 entrepreneurs and future entrepreneurs benefit from its services each year, at every stage of business development.

Furthermore, in 1984, the Board of Trade established a team of international trade experts, the World Trade Centre Montréal (WTCM), which has the mission to support, train and advise Québec sectoral associations, institutions and economic development organizations in their foreign market development efforts. In 2012, the Québec Government entrusted the WTCM with the mandate to serve as the regional export promotion organization (ORPEX).

## **Background**

On April 24, the Minister of Finance and the Economy, Nicolas Marceau, and the Minister for Industrial Policy and the Banque de développement économique du Québec, Éleine Zakaïb, tabled before the National Assembly and publicly announced a bill to create a Québec economic development bank, the Banque de développement économique du Québec (BDEQ). The bill specifies that this new entity will combine the services of Investissement Québec (IQ) and the front-line activities of the Ministry of Finance and the Economy. It will have a permanent presence in every region and its mission will be to support the economic development of Québec and its regions through the creation, establishment, growth and retention of businesses throughout Québec.

## **Position of the Board of Trade**

The Board of Trade welcomes the proposed creation of the BDEQ because of the potential it promises in the following areas:

- optimization of the government support mechanism for economic development to better reflect the needs and expectations of Greater Montréal's businesses and entrepreneurs;
- increased venture and development capital, especially targeting metropolitan clusters.

To this end, the new BDEQ cannot simply be a reorganization of structures. It must serve as an opportunity to offer a range of higher calibre products and services adapted to the needs of the city and the province, with appropriate human and financial resources. This is how it will fulfil its true potential.

The Board of Trade's interest in the government's proposal also relates to the Minister's intention to establish a single metropolitan office for the BDEQ, rather than five administrative regions. The Board of Trade feels that managing Greater Montréal as a whole will generate the required consistency and lead to a more equitable development perspective for the area.

More specifically, the Board of Trade believes that for the new BDEQ to achieve its potential, it must uphold the five essential principles outlined below.

### **1. BDEQ financing must be complementary to that offered by the private sector**

The role of the government should be to fill financing gaps without trying to replace the existing private offer. Our private financial institutions, including labour funds, are solid and effective. In this regard, the Board of Trade believes that the bill takes the right approach, which is to offer complementary financial interventions, as described in sections 5 and 30 of the bill. This condition is critical to maximize resources for businesses at every stage of development and nurture their expansion in Greater Montréal.

To this end, the Board of Trade is of the opinion that the creation of the BDEQ should serve as an opportunity to increase the venture and development capital available to businesses in the city, especially industrial clusters, which need access to the means to pursue their structuring innovations and expand their marketing efforts. It must also secure added stimulus for the entrepreneurship the city needs, in keeping with the Stratégie québécoise de l'entrepreneuriat launched in fall 2011.<sup>1</sup>

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<sup>1</sup> A study by the Fondation de l'entrepreneuriat on Greater Montréal in 2010 revealed weaker entrepreneurial vitality there than elsewhere in Québec, particularly in terms of business creation or acquisition intentions or efforts.

## **2. BDEQ activities and investments should be concentrated mainly in the metropolitan region**

The metropolitan area represents half of Québec's GDP, population and jobs. It houses the headquarters, research centres, international organizations and institutions of higher education that drive the province's economy. But it must also grapple with unique obstacles, including a high unemployment rate related to a job market that is in transition and that needs to more successfully integrate its immigrant workforce (Montréal receives over 87% of the province's new immigrants each year). In 2012, the 8.5% unemployment rate in Greater Montréal was the highest of all the main urban centres in the province.

The government must ensure that its tools reflect the distribution of the economic base and help strengthen the city's businesses. We are therefore asking the Minister for a political commitment to ensure that a fair share of the BDEQ's activities and investments support businesses in the Montréal metropolitan area.

## **3. The BDEQ's structure must make it easy for businesses to access**

One of the essential conditions for effective business support is to reduce the duplications and complications that so often obstruct access to programs, create high administrative costs and discourage entrepreneurs. In this sense, the creation of a single window of delivery and the offer of business development assistance services and coordination of government departments and bodies (article 3) are a good response to the concerns expressed by businesses and entrepreneurs, especially during the consultations held for the Stratégie québécoise de l'entrepreneuriat.

In practice, however, it is important to ensure that the proposed structure for the BDEQ, which relies on local access points, particularly CLDs, will have the desired effect for businesses. Over the years, the CLDs have above all demonstrated their capacity to respond to the needs of small businesses and entrepreneurs in the start-up stage. SMEs and large businesses, on the other hand, take more direct routes (Investissement Québec, regional offices of ministries related to the economy) that are better suited to their needs. The Board of Trade feels that a single delivery window may quite simply be ill-suited to the task. Carrying capacity, accountability and internal coordination appear to us to be more pivotal in this situation.

A closer examination of the Montréal CLDs reveals, however, that the service offer is quite variable from one region to another. The resources and service standards will have to be upgraded to ensure that each CLD can play the important role expected of it in light of the creation of the BDEQ.

From the highly desirable perspective of presenting a more integrated and coordinated approach for businesses, the government should take into account the complex Montréal environment created by the large number of economic development support organizations in the metropolitan area. The government goal of simplifying the life of entrepreneurs cannot turn a blind eye to the fact that Montréal has over one hundred organizations dedicated to economic development.<sup>2</sup> This is why, in keeping with the Côté-Séguin report, the Board of Trade is reiterating the need to further rationalize and simplify the city's economic development network.

#### **4. Allow the BDEQ to hire experts and talent in line with its mission**

We must be well aware that Bill 36 signals the government's intention to create a development bank that, to achieve its mission, will need very specific expertise. To provide effective support and coaching to businesses, it will be essential for the BDEQ to have human resources with the required competencies to assume the new functions of the development bank. A simple transfer of government employees will not be enough. The Board of Trade is concerned by the announcement that this will initially be the case. We recommend that the BDEQ be permitted to freely recruit the talent it will need to fulfil its *banking* mission, to complement existing specialized international trade expertise, including that of the WTCM and the ORPEX network.

#### **5. In terms of economic development strategy, the BDEQ's regional Montréal office should recognize the accomplishments of local stakeholders and avoid unnecessary duplication**

The Québec government's intention to have each regional BDEQ office create an economic development strategy should be adjusted to account for the achievements of the Montréal region. We request clarification of the scope of section 8 of the bill and the responsibilities of the regional partners involved in its application, to avoid exacerbating the overlap among plans and strategies for the new metropolitan strategy.

By way of reminder, section 8 of the bill reads as follows:

The Bank [...] must draw up an economic development strategy for each region in collaboration with the regional county municipalities, which, in accordance with section 91 of the Act respecting the ministère du Développement économique, de l'Innovation et de l'Exportation (chapter M-30.01), entrust the exercise of their powers in that matter to a local development centre.

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<sup>2</sup> Ville de Montréal, *Le développement économique dans l'agglomération de Montréal : état de la situation*, presentation to the Commission permanente du développement économique et urbain et de l'habitation, March 13, 2012.

The Bank must also draw up an economic development strategy for Greater Montréal. Any elements of the regional strategies that relate to any part of the territory of an administrative region that is situated within the territory of Greater Montréal must be integrated into the Greater Montréal strategy.

The economic development strategies for Greater Montréal and the Capitale-Nationale administrative region are drawn up in collaboration with the bodies determined by the Government.

By virtue of its constitution, the Communauté métropolitaine de Montréal (CMM), whose territory corresponds almost exactly with that of the metropolitan area outlined in Bill 36<sup>3</sup>, is expected to create an economic development plan (EDP). The EDP in effect for 2010-2015 is based on a solid analysis. It was subject to wide-reaching consultations and has achieved buy-in from economic stakeholders in Montréal. This is undoubtedly the document that most closely reflects the spirit of Bill 36. Sufficiently so, in our opinion, for the government not to reinvent the wheel and make the EDP a reference document.

Moreover, although it is not an obligation under its Charter, the agglomeration of Montréal has developed its own economic development strategy for 2011-2017, to complement the CMM's EDP. Like the EDP, Montréal's strategy has achieved consensus in the business community.

Each local development centre must, in turn, create a local action plan for the economy and employment (PALÉE) that is directly inspired by the two preceding documents and that must be adopted by the relevant local municipal authority.

Finally, every Conférence régionale des élus (CRÉ) must, under its own constitution, create a five-year development plan.

Not only does section 8 not take these existing structures into account and not clearly propose a much-needed simplification, it raises questions about the authority of the cities and municipalities concerned with regard to the BDEQ in terms of planning. It says, in effect, that "The economic development strategies for the administrative regions and for Greater Montréal are submitted to the Minister for approval." Further along, section 132 specifies that "The regional county municipality participates in the development and implementation of the economic development strategy of the administrative region in which it is located."

Moreover, the alignment of the guidelines for regional or local economic development is also deeply influenced by the plans and policies issued by the government, whether they are related to entrepreneurship, research and innovation or industrial development. This cannot help but add to the complexity of the system and to the resulting need to ensure a minimum of consistency, for example, in the support of cluster projects that are mentioned to differing degrees in every Montréal strategy.

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<sup>3</sup> With the exception of: Ville de Bellefeuille, Canton de Gore, Ville de Lafontaine, Village de Lavaltrie, Municipalité de Notre-Dame-de-Bonsecours, Ville de Saint-Antoine, Paroisse de Saint-Antoine-de-Lavaltrie, Paroisse de Saint-Colomban, Ville de Saint-Jérôme, Municipalité de Saint-Placide.

In short, the Board of Trade is in agreement with the intent expressed in the bill that the BDEQ and the CLDs should coordinate their intentions and that the cities should cooperate. There is, furthermore, a need to clarify the related planning and accountability issues. While the service offer could be simplified and improved for businesses and entrepreneurs, it may be another story in terms of governance, unless clarifications are made to clearly establish the appropriate hierarchy of strategies and to achieve consistency in implementation and accountability in application.

### **Follow-up and evaluation**

Bill 36 naturally outlines an accountability mechanism (chapter VI), comprised of the usual components – strategic plan, accounts and periodic reports. The Board of Trade recommends that the BDEQ Act also provide for a formal, independent evaluation mechanism after a period of three to five years. This will ensure that the government economic development support mechanism – the objectives, means and delivery of services – remains optimal.

The Act respecting the MAMROT stipulates that the CRÉs have the mandate to evaluate planning and development organizations at the local and regional level. Subsection 21.7 states that "The mandate of a regional conference of elected officers consists primarily in evaluating local and regional planning and development bodies funded in whole or in part by the Government, promoting concerted action among partners in the region and, where warranted, giving advice to the Minister on regional development matters." The CRÉs have never exercised this evaluation role, however.

The Board of Trade is of the opinion that in light of the creation of the new BDEQ and the links that are established with local and regional economic development organizations, the CRÉs should not begin to do so.

### **Conclusion**

The Board of Trade believes that the proposed BDEQ can offer a new impetus for businesses and entrepreneurs, who are currently negotiating their way through a complex ecosystem. For the BDEQ to have the desired positive impact for Greater Montréal, the five following success factors will have to be ensured:

- **Complementarity:** in complement to the private sector, dedicate more resources to entrepreneurship and marketing, especially in support of structuring innovations proposed by the city's industry clusters
- **Equity:** allocate resources appropriately to reflect the economic weight of the Montréal region
- **Ease of access:** deliver consistent and outstanding customer service based on high standards that are recognized and shared by all stakeholders involved
- **Expertise:** have human resources capable of delivering on its mandates
- **Effectiveness and efficiency:** simplify and consolidate, from economic development planning to the delivery of services to businesses

If the five conditions of success identified by the Board of Trade are met, we are confident that the BDEQ will be a strategic tool in the city's development.