



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

2012-2013 PRE-BUDGETARY RECOMMENDATIONS TO THE GOVERNMENT OF CANADA



December 20, 2011



December 20, 2011

The Honourable James M. Flaherty
Minister of Finance of Canada
140 O'Connor St.
Ottawa, Ontario K1A 0G5

Subject: 2012-2013 pre-budgetary recommendations

Dear Minister:

On behalf of the Board of Trade of Metropolitan Montreal, allow me to share with you our recommendations for the next Government of Canada budget.

We are pleased to see that among OECD members Canada is one of the countries that best weathered recent economic and financial turmoil. Nevertheless, world economic growth has slowed in recent months, and the risk of further decline has increased. A number of advanced countries – in particular in Europe – are struggling to establish a credible plan to rebalance their budgets, while in the grips of stagnation, even a contraction of their economy. The American economy remains a difficult read, with businesses that appear to be financially sound but that are reluctant to invest and create jobs, and a government that at some point has to adopt a disciplined plan to achieve a balanced budget.

This precarious situation requires that the Government of Canada demonstrate a great deal of vigilance in its budget planning. The potential impact of our main trading partners' difficulties on our own economy is a concern both nationally and municipally. Our city's businesses, which are increasingly active on international markets, must not only deal with this uncertainty, but must also tackle our own challenges, including our disappointing performance in terms of productivity and the shrinking labour supply caused by a rapidly aging population.

The Board of Trade's recommendations are along three main lines. First, we ask the government to stay the course to achieve a balanced budget by 2015-2016. This financial discipline is essential to maintain the robustness of the government's budgetary situation and justify the credibility Canada enjoys with financial institutions and investors. Then the Government of Canada must pursue its efforts to adopt the measures necessary to increase business productivity, a key contributor to improving Canada's competitiveness. Finally, we ask that the federal government support certain strategic projects for the development of the metropolitan area.

Please rest assured of the Board of Trade's full cooperation in your efforts.

Sincerely,

Michel Leblanc
President and CEO



RECOMMENDATIONS OF THE BOARD OF TRADE OF METROPOLITAN MONTREAL

I. Stay the course for a balanced budget without increasing the tax burden

Re-establishing a balanced budget is important because it sends a positive signal to investors and allows us to maintain our credit rating. Furthermore, our economy's resilience and low interest rates are an opportunity to pay down part of the public debt and continue to take the lead among industrialized nations.

Given the decline of the world economy and the deterioration of our outlook for growth, the government must be vigilant about measures to re-establish a balanced budget. The government's efforts must not impede economic growth or the credibility of our budgetary policy. This exercise must focus on spending cuts in all departments, rather than increasing the tax burden.

In this context, the Board of Trade believes that the government should:

1. continue reviewing and rationalizing public spending. The perspective of weaker than anticipated growth reinforces the need to make larger budget cuts and to conduct a more thorough review of programs to balance the federal budget. The government must systematically study all expenditures and identify those that are no longer of value. It must increase the productivity of its services and evaluate potential savings from its programs;
2. avoid increasing the tax burden of taxpayers and businesses. Increasing the tax burden will put a stranglehold on the competitiveness of our businesses while they are still fighting for survival. If the government is forced to increase revenue, we ask that it not increase tax rates, because this could have even more serious consequences on the private sector and therefore compromise future growth. The Board of Trade asks the government to maintain the corporate tax rate at a level that remains competitive internationally;
3. maintain transfers to the provinces because their health care spending will increase significantly in the coming years.

II. Pursue initiatives to increase business productivity

Given the challenges we face with regard to the relative contraction of the labour pool and the weakness of our structural productivity, combined with the prospect of a Loonie that will remain strong, we encourage you to treat the issue of productivity as a priority to ensure our long-term economic prosperity.

The Board of Trade asks the federal government to strengthen initiatives to increase business productivity, in particular through the following means:

- **Review and strengthen support to research and innovation.** Canada and Quebec rank favourably among OECD countries when it comes to public funding of research and development. However, they are lagging in terms of the number of patents filed. We recommend that the government heed the expert report entitled *Innovation Canada: A Call to Action*, the goal of which is to study federal support to R&D and to simplify and



- better target R&D funding. The government should favour direct financing insofar as it is likely to have an impact on business innovation. By targeting specific projects that are upstream from research, businesses will be encouraged to pursue applied research themselves.
- **Pursue initiatives to support business on international markets.** The weakened economies of our main trading partners, a Canadian dollar that will remain strong and the extent of exports in an open economy like Canada's means that the government needs to maintain measures that will increase our businesses' competitiveness on international markets and enable trade. To do this, we ask the government:
 1. to continue to facilitate access to financing for small businesses that want to penetrate or develop new markets;
 2. to pursue its trade policy and seek to enter into more free trade agreements, which will facilitate trade between Canada and the rest of the world and make Canadian businesses more competitive. The Comprehensive Economic and Trade Agreement (CETA) currently being negotiated between Canada and the European Union is a good example. The Board of Trade encourages the government to find, as soon as possible, mutually beneficial common ground with the European Union so as not to delay the signing of this agreement. Furthermore, we encourage the government to pursue bilateral trade agreements such as the one recently announced between Canada and the United States intended to accelerate and simplify the movement of merchandise and people between the two countries;
 3. to increase tariff relief initiatives. We applaud the federal government's announcement regarding tariff relief through the elimination of customs duties on over 70 categories of products. These measures will undoubtedly help make Canadian businesses more competitive on foreign markets. We therefore encourage the government to pursue these initiatives for a wide selection of products and services.
 - **Continue to simplify and reduce red tape for small businesses.** Businesses often spend a great deal of time and energy complying with the government's administrative requirements, when they should be concentrating on their commercial activities. We therefore applaud the government's initiative in creating the Red Tape Reduction Commission and eagerly await its recommendations. As soon as possible after the Commission's report is released, we ask the government to put in place concrete measures to simplify and reduce red tape for small businesses to quickly make them more competitive.
 - **Keep investing in human capital.** It goes without saying that given Canada's long-term economic challenges, strong human capital is a strategic priority to ensure continuity and growth. The government should therefore pursue measures to improve the performance of human capital, helping young people stay in school and supporting lifelong learning.
 - **Continue to encourage entrepreneurship and support small business.** Small businesses are essential to the country's wealth creation and prosperity. They alone represent close to 99% of businesses and over 20% of GDP. We encourage the



government to continue to support businesses by facilitating access to financing and further raising awareness about the advantages of entrepreneurship.

III. Support certain strategic public infrastructure projects

Public investment in infrastructure has a strategic importance for the country's economic performance. It meets a real need for renewal and modernization and acts as an economic stimulus that helps boost productivity and the standard of living.

The Government of Canada is a key player with essential tools to deploy strategic assets for the Montréal metropolitan area's economic growth. The Board of Trade views the following four projects as important:

1. The Government of Canada is committed to building a new Champlain Bridge. The Board of Trade believes that **the government must ensure that the construction of the new Champlain Bridge is complete within six years.** To do this, it is important to optimize the decision-making process around this project. We encourage the government to immediately implement a project office with the Ministère des Transports du Québec and other stakeholders to avoid political and administrative stumbling blocks.
2. The Board of Trade asks the Government of Canada to **confirm its intention to contribute financially to the construction of a rail shuttle between Montréal-Trudeau airport and downtown.** The rail shuttle is of strategic importance to accelerate travel within the city. The federal government's contribution is estimated at \$200 million, which will complete the financing of the project, evaluated at \$600 million.
3. The Board of Trade asks the Government of Canada to **pursue the development of the Old Port of Montreal.** The Old Port sector, a prime federal asset, makes a very significant contribution to Montréal's tourism offer and international visibility. Developing the Old Part is a base-building project that has already demonstrated its incredible leverage for stimulating private investment.
4. The Board of Trade asks the Government of Canada to **honour its commitment to the Ontario-Quebec Continental Gateway.** The Port of Montreal deserves the same Canadian marine gateway status as the ports of Vancouver and Halifax as well as the federal government financial support that goes along with this recognition. Such recognition would allow the Port of Montreal to realize strategic investments to improve the intermodal transfer of merchandise. The intermodality of the Port of Montreal is central to its competitive advantage in serving the American Midwest. Furthermore, as part of this development of the Port of Montreal, the Board of Trade asks the federal government to commit to **supporting the construction of a new maritime terminal.** The existing facilities are out of date and do not allow Canada to attract international cruise operators and to enjoy the economic benefits generated by the spending of travellers on stopover.

Finally, the Board of Trade asks the government to **initiate an opportunity analysis for a high-speed train in the Québec City-Windsor corridor.** This sustainable development project is instrumental to a powerful vision of Canada in the 21st century. Furthermore, it will give the rail sector in Canada and Quebec an enormous platform for development. Not only could a high-speed train connect a number of major Canadian cities, but it would also help make Canadian companies more innovative and competitive internationally.



Recent studies suggest that this project is both feasible and profitable. Given the large population pool that lives in this corridor, such a means of transportation would be preferred by the Quebec and Ontario business community. Facilitating business travel would bring the different actors in a single sector together, thereby encouraging creative synergies for entire sections of the Canadian industry.