CHAMBRE DE COMMERCE
DU MONTRÉAL MÉTROPOLITAIN
BOARD OF TRADE OF METROPOLITAN MONTREAL

Recommendations of the Board of Trade of Metropolitan Montreal as part of Government of Quebec prebudget consultations, 2014-2015

January 2014

THE ART OF BUSINESS

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 businesses of all sizes with a range of specialized services to help them achieve their full potential in terms of innovation, productivity and competitiveness. The Board of Trade is Quebec's leading private economic development organization.

Background

In developing its budget for 2014-2015, the Government of Quebec is consulting the public and socioeconomic actors from across the province to gather their concerns and recommendations. Every year, the Board of Trade of Metropolitan Montreal takes part in this important exercise for the economic development of Quebec and Montréal.

On November 28, during his economic and financial update, the Minister of Finance and the Economy, Nicolas Marceau, announced a two-year postponement in achieving a balanced budget and the launch of prebudget consultations. The president and CEO of the Board of Trade, Michel Leblanc, met with Mr. Marceau on January 10, 2014 to share the Greater Montréal area business community's recommendations for stabilizing public finances and creating wealth.

This brief presents the Board of Trade's prebudget recommendations.

Introduction

The development of the Government of Quebec's budget for the coming year is a highly strategic, crucial exercise for the province's economic development. The budget outlines the government's major orientations and economic priorities, while shedding light on the state of public finances. As such, this budget, like all previous ones, will have a direct impact on businesses, financial institutions and socioeconomic players in Quebec and Greater Montréal.

The Board of Trade's recommendations are being made against the backdrop of a changing global economic climate that is difficult to read. While an improved outlook for the American economy leaves observers somewhat optimistic, emerging countries are facing a slowing of their growth rate, and the euro zone, while having recently emerged from a recession, is still experiencing growth that is fragile and uneven from country to country. Consequently, our businesses, rightly or wrongly, are concerned about the international economic outlook and its potential impact on their profitability.

Beyond the global economic situation, the economy of Quebec and Greater Montréal is facing both a cyclical and a structural challenge.

- On the one hand, the slowdown in economic growth over the past year kept inflation extremely low, with negative repercussions on anticipated revenue growth for companies. This low inflation also limited growth in government revenue and contributed to the delay in achieving a balanced budget, initially planned for 2013-2014.

- On the other hand, low business productivity combined with a rapidly aging population will have a negative impact on economic growth and job creation in the long term. This situation is threatening our public finances by increasing the risk of structural, recurrent budget deficits. Our collective prosperity is being compromised as a result.

Quebec and Greater Montréal are facing unfavourable conditions from several directions. To address them and to finance our public services adequately, we need to get our economy back on track. The government needs to pay particular attention to private investment and foreign trade, two key factors in economic growth. It must make a concrete effort to improve the business environment and encourage businesses to be more productive and create more wealth.

The Government of Quebec's budget needs to reflect these orientations. And, of course, the economic health of the metropolitan area must be central to the budget exercise. Representing over half of GDP, employment and population, the metropolitan area is the economic driver of Quebec. In leveraging Greater Montréal's economy, the entire province can come out a winner. Our recommendations fall within this line of thinking.

1st orientation: quickly stabilize public finances and take action to reach zero deficit within two years

A. Establish a clear, realistic and effective plan to rebalance the budget by 2015-2016

As we noted in our response to the Government of Quebec's economic and financial update on November 28, the two-year delay in achieving a balanced budget is unsettling news for the business community. As the experience of a number of industrialized countries shows, the failure to follow a plan to rebalance budgets in periods of growth, combined with significant public debt, sends a negative signal to investors and financial institutions. It could also lead to a downgrading in the province's credit rating and, in turn, a higher borrowing rate and debt servicing costs. From a broader perspective, this sort of situation fuels the public's perception that it is acceptable for the Quebec government to systematically spend more than its economy can support.

As indicated in the introduction, the marked slowdown in economic growth in the past 18 months has affected fiscal revenue. Given the circumstances, drastic public spending cuts to wipe out the deficit could have completely stifled already waning economic growth. The decision to postpone achieving zero deficit was therefore justified. However, we must not ignore the serious vulnerability of our public finances.

Quebec is the province in Canada with the most debt. It is also the province with the most rapidly aging population. These two factors alone should prompt the government to review its spending and basket of services to avoid facing structural deficits.

This is why the government must include in the upcoming budget a clear, realistic plan to balance the budget by 2015-2016 to regain the trust of financial institutions and investors. The credit rating agency Fitch has already placed Quebec on negative watch. So we must act quickly and effectively.

To be credible, the plan to balance the budget must:

- **Rely on structural reforms for all public expenditures** to ensure that spending evolves at a slower pace than revenue growth, so that the Government of Quebec is able to generate recurrent budget surpluses in periods of economic growth.
- **Ensure we have reserves in case the economic climate deteriorates**. We need to create financial leeway since the economic climate has been unpredictable and disappointing in recent years and the risk of low inflation remains.
- **Target public debt reduction**. The gross debt load will reach a peak in 2014, at 54% of GDP.[1] Furthermore, the delay in balancing the budget will create more pressure for debt reduction, legally required by 2026.[2] Reducing the debt will reassure investors and relieve the burden on future generations.
- **Adopt measures that improve the overall business environment** and reward private investment and wealth creation. In recent months, the government has largely targeted specific sectors and instituted measures to stimulate certain private investments. The time has come to look at what it can do to improve general, fiscal and regulatory conditions that have an impact on the overall business environment.

In short, the government needs to make immediate decisions to stabilize public finances.

---

[1] LAURENTIAN BANK SECURITIES. November 2013. *Quebec Economic and Financial Update: Back to the Drawing Board*.
[2] *An Act to Reduce the Debt* stipulates that by 2026 gross debt must not exceed 45% of gross domestic product.

Recommendation 1: The government must establish a clear, realistic plan to balance the budget by 2015-2016 at the latest (and even consider doing so earlier) and reduce public debt to regain the trust of financial institutions and investors.

B. Ensure a viable rate of long-term spending growth and rationalize spending

To avoid the pitfall of structural and recurrent deficits, public spending needs to evolve at the same rate as revenue in the long term. However, in the short term, the government needs to adopt a rate of spending growth that is **lower** than revenue growth if it wants to wipe out the deficit, reimburse a portion of the public debt and create the financial leeway to deal with future economic uncertainty.

Initially, the government must conduct an in-depth review of its spending in an effort to increase productivity and better control the rate of growth in program spending. To do this, we believe that the Government of Quebec should:

- **Evaluate all public services available.** Quebec has a more generous basket of services and social programs than other parts of Canada, while its wealth per capita is much lower. Quebec needs to live within its means.
- **Set itself the task of systematically and continually seeking efficiency gains** by identifying functions and programs that require optimization or that no longer serve a purpose. For example, a reorganization of major governance structures is necessary, particularly with respect to health and social services agencies and school boards.
- **Optimize the public system for economic development.** There are around 100 economic development organizations within the agglomeration of Montréal. A rationalization of these organizations is needed to propagate the use of best practices, avoid spreading resources too thinly and increase the impact of promising initiatives.

Recommendation 2: The government must perform an in-depth review of its spending and ensure that growth in spending is lower than revenue growth, for as long as it takes to eliminate the deficit and create the financial leeway to deal with economic uncertainty.

In a context of restricting spending growth, it is absolutely essential to ensure that **any new public expenditure is at zero cost for the government**. In other words, any new expenditure or program should be offset by the elimination of an equivalent expenditure or program. This approach has long been suggested by socioeconomic actors in Quebec, in particular by public finance experts.[3] Of course, this also applies to expenses included in the Government of Quebec's Economic Policy released in October.

Recommendation 3: Any new expenditure or new program must be offset by an equivalent reduction in spending or the elimination of an equivalent program.

C. Not increase the tax burden, and, if necessary, move rates toward market prices instead

Quebecers have an extremely heavy tax burden compared with the North American norm, and it has increased a great deal in recent years. For example, the sales tax went up two percentage points between 2011 and 2012, and in the fall of 2012, the marginal tax rate for high income earners increased and a new progressive health tax was introduced.

[3] ADVISORY COMMITTEE ON ECONOMY AND PUBLIC FINANCE. 2010. *Le Québec face à ses défis (fascicule 3)*.

A number of experts have already pointed out that raising income tax is much more harmful to economic growth than other tax measures such as increasing rates for public assets. It goes without saying that public finances must be stabilized without stifling still-fragile economic growth.

As such, it is imperative that we not increase sales or income tax. The business community believes that the government should instead consider lowering taxation rates in Quebec to bring them more in line with the North American standard.

However, given the importance of balancing the budget and creating the financial leeway to deal with future economic uncertainty, we recommend that the government begin an in-depth analysis of its taxation to ensure that it effectively responds to our demographic and economic challenges. Quebec's taxation needs to be rethought so that it supports public participation in the job market, promotes accelerated economic growth and creates conditions that foster private investment.

Recommendation 4: The government must carry out a fiscal reform so that the entire tax system is more conducive to public participation in the job market, economic growth and investment.

If the Government of Quebec absolutely needs to increase revenue to balance the budget, the mechanism that we feel would be the least harmful is moving rates for certain goods and services toward market prices. More appropriate rates for public services would increase government revenue and ensure better use of services.

Recommendation 5: The government must not increase the taxpayer burden. If the government needs to increase revenue, it should move rates for goods and services toward the market price.

2nd orientation: improve the business environment in the Greater Montréal area

The development of major cities depends on having the overall conditions to foster investment, creation and the growth of businesses and head offices. Put another way, this means that the government can support wealth creation and increase revenue by improving the business environment.

Yet the Greater Montréal economy has been losing steam in the past year, and unemployment remains high. According to a Board of Trade study on the competitiveness of the Greater Montréal business environment,[4] the quality of road infrastructures and the availability of qualified labour are the main checks on investment. The government therefore needs to pay closer attention to these two factors to revitalize the city's economy.

A. Leverage major structuring transportation projects for our economy

Major public infrastructure projects are of strategic importance. In addition to allowing for needed renewal and modernization of our infrastructures, they stimulate economic activity in the short term and improve the economy's productivity and performance in the longer term.

[4] BOARD OF TRADE OF METROPOLITAN MONTREAL. June 2012. *Competitiveness of the Greater Montréal Business Environment*.

The Greater Montréal area has an urgent need for functional, secure and high-performance infrastructures. Our infrastructures must allow for the fluid movement of people and merchandise. Priority construction sites already committed to by the government and its partners must continue on schedule and on budget.

1. **Provide leadership in completing priority public transit projects for the city**

The government is the main source of funding for public transit and needs to show leadership to ensure that the construction sites under way and priority projects are completed on schedule and on budget. The Board of Trade asks the government to ensure that the budget framework enables the rapid completion of the following priority projects:

- **The implementation of preferential treatment for buses.** Preferential treatment, including reserved lanes, is a more efficient and less costly way to accomplish a shift in modal share toward public transit, thereby reducing road traffic.
- **The implementation of the Pie-IX BRT.** This project has been bogged down in unacceptable delays since its launch. The government needs to impose a very tight schedule and ensure that the budget is freed up quickly.
- **The extension of the metro's blue line to Anjou**. While extending the metro is a very expensive option, the number of passengers transported, regularity of service and speed of travel make it a preferred mode of transportation if justified by the density of users. The government needs to ensure the efficiency of the project announced so that work is started as soon as possible.

Recommendation 6: In terms of public transit, the government needs to ensure that its budget framework allows for the rapid completion of priority public transit projects, in particular the implementation of reserved bus lanes, the immediate completion of the Pie-IX BRT and the start of work to extend the blue line of the metro.

2. **Complete strategic road projects as soon as possible to improve the flow of people and merchandise in the city**

While public transit is one of the keys to improving traffic flow in the metropolitan area, we cannot ignore the strategic importance of the road network. The Board of Trade asks the government to ensure that its budget framework provides for immediate investment in the following priority road construction sites:

- **Improving access to the Port of Montréal**. This will contribute to the smooth flow of merchandise, while reducing pressure on the surrounding road network. As such, the redesign of strategic access roads, particularly Autoroute 25 and Assomption Blvd., should get off the ground as soon as possible.
- **Rebuilding infrastructures along the road link between Montréal-Trudeau Airport and downtown, including the Dorval Interchange, the Turcot Interchange and the other interchanges along the route.** Work along this corridor must be sped up because the Metropolitan Highway requires major work, and simultaneous construction in these two areas would seriously hamper traffic flow along the east-west corridor of the city.

Recommendation 7: In terms of road transportation, the government must ensure that its budget framework provides for immediate investment in priority road work sites, Port of

Montréal accesses and work along the road link between Montréal-Trudeau Airport and downtown.

B. Improve the availability and quality of human capital for businesses

Access to qualified labour is a growing concern for local businesses, particularly against the backdrop of an aging population. To increase productivity and compete, local businesses need to have access to increasingly qualified labour in line with their needs.

Consequently, the availability and calibre of labour in Greater Montréal are two conditions for business continuity.

1. Improve the attraction, integration and retention of qualified immigrants within the Greater Montréal area

The immigration of qualified workers is not only a metropolitan reality; it is also a source of essential labour for businesses. Businesses tell us all the time about their growing need for labour to stay competitive. By 2016, there will be close to 316,400 vacant positions[5] within the census metropolitan area (CMA) of Montréal. Immigration may be the solution to this problem. However, job market indicators show that integrating immigrants remains difficult.[6]

Given this, we support government initiatives to better select immigrants, better prepare them before they arrive in Quebec and improve their integration once here. The action plan *Un Québec fort de son immigration* proposes measures to refine the selection of immigrants based on real business needs, to improve their integration to the job market. We encourage the government to pursue and even step up such initiatives. The Board of Trade once again points out that the government also needs to increase the number of qualified immigrants (proportional to our demographic weight in Canada) to ensure the longer-term availability of human capital for local businesses.

To improve the integration of immigrants to the work force, **we ask the government to maintain its support to key organizations in Greater Montréal that promote contact between local businesses and organizations and unemployed immigrants.** Of course, in order to rationalize public spending, the government needs to focus on programs that have already proven their worth. In this respect, **the Board of Trade's Interconnection program is an important initiative for professional networking** between qualified new immigrants and businesses. On the one hand, its objective is to meet businesses' labour needs and to make them aware of the importance of hiring immigrants. On the other hand, the program is meant to improve the professional integration of new immigrants by familiarizing them with the job market. In 2012-2013, there were over 2,400 registrations for the program's activities. In total, 1,300 immigrant professionals from over 90 countries and 300 businesses (85% of them SMEs) took part in these activities, with a satisfaction rate of 90%.

Recommendation 8: The government must improve the selection of immigrants and their professional integration to Quebec and Greater Montréal. To accomplish this it must:

[5] EMPLOI-QUÉBEC. May 2012. *Le marché du travail et l'emploi par industrie au Québec 2012-2016*.
[6] In the CMA of Montréal, the unemployment rate among immigrants is more than four percent higher than that of the Canadian-born population (7.3% vs. 11.8% in 2012).

- Pursue measures in the action plan *Un Québec fort de son immigration* to better select immigrants, better prepare them before their arrival in Quebec and improve their integration once they are here;
- Increase the volume of immigration to Quebec, making it proportional to its demographic weight in Canada;
- Maintain its support for key initiatives that aim to improve the integration of immigrants to the work force (including the Board of Trade's Interconnection program).

2. Improve the quality of human capital by strengthening institutions of higher learning in Quebec and Montréal

Universities and CEGEPs are the drivers of our knowledge economy and incubators for qualified labour. Given our demographic and productivity challenges, now more than ever they play a crucial role in the economy and society. Montréal is a university city. It has nine renowned university institutions that employ over 36,000 people and have more than 184,000 students, representing 65% of all Quebec university students.

In recent years, the Government of Quebec has conducted widespread consultations on how to ensure that institutions of higher learning continue to play a key role in the economic development of Quebec and Montréal. As outlined in our briefs,[7] the Board of Trade believes that the government must **strengthen universities by ensuring they have access to adequate financing** that, at the very least, allows them to remain competitive with other major North American universities. The university funding policy that the government chooses has to correct the structural underfunding of universities. This means reviewing how universities are funded, to make funding more stable and predictable, and requiring a larger contribution from students.

Recommendation 9: The government must ensure that its budget framework strengthens institutions of higher learning by providing access to adequate, stable and predictable funding.

C. Streamline red tape for businesses and the process for granting public contracts

Businesses, particularly SMEs, spend too much time and money on regulatory compliance. According to a study published in 2012 by the CFIB,[8] regulatory compliance cost Quebec businesses over $6.9 billion. These costs impede business productivity and competitiveness.

In October, the Ministère des Finances et de l'Économie published a report[9] outlining government measures implemented to streamline regulatory and administrative formalities for businesses. The report was in response to a commitment in the 2013-2014 budget to implement the 63 recommendations of the report of the *Groupe de travail sur la simplification réglementaire et administrative* (task force on regulatory and administrative streamlining). We applaud the government's progress and initiatives and **encourage it to pursue its objective to reduce the cost of red tape by 20% by 2015**, generating annual savings of over $300 million for businesses.

[7] In April 2013, at the end of the Higher Education Summit, the Government of Quebec put in place five projects for the future of higher education: developing framework legislation for universities, putting in place the Conseil national des universités, CEGEP training, the university funding policy and improving financial aid.
[8] CANADIAN FEDERATION OF INDEPENDENT BUSINESS. 2013. *Canada's Red Tape Report with U.S. Comparisons*.
[9] MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE. September 2013. *Simplifier la vie des entreprises et mieux réglementer*.

Furthermore, in the context of the Commission of Inquiry on the Awarding and Management of Public Contracts in the Construction Industry, we support the government in its stated intention to put in place provisions to allow businesses that have been found “at fault” to start submitting proposals again for public contracts, provided they respect strict governance and ethical criteria. While vigilance is required, **it is also important to balance efforts so as not to unduly hinder businesses in these sectors, some of which are the flagships of our economy.**

Recommendation 10: The government needs to pursue measures to reduce the administrative and regulatory burden for SMEs. Furthermore, for awarding public contracts in the construction industry, the government needs to put in place stable, predictable support measures for Quebec companies that want to access public markets.

D. Support the public finances of Greater Montréal municipalities

A prosperous Quebec depends on a prosperous Greater Montréal and downtown core. The agglomeration of Montréal alone represents 43% of the population, 63% of jobs and 65% of economic activity of the Greater Montréal area.[10] And yet, the agglomeration of Montréal faces major challenges, including the maintenance deficit for its road and water system infrastructures and funding pension plans for its employees. These two factors are putting a great deal of pressure on Montréal’s financial framework and its ability to create a competitive business environment.

Since the financing of the Ville de Montréal depends in large part on property taxes and since property taxes have grown slower than the economy in recent years, there is additional pressure on tax payers, already the most taxed citizens in North America. We therefore ask the Government of Québec to waste no time in negotiating a new *Entente Québec-municipalités* (Quebec-municipalities agreement). This new agreement must protect gains from the 2007-2013 agreement, increase the total budget and include the sharing of revenues generated by the Quebec sales tax, giving the Ville de Montréal new sources of revenue.

Recommendation 11: In 2014, the Government of Quebec will negotiate a new *Entente Québec-municipalités*. This new agreement should protect gains from the 2007-2013 agreement, increase the total budget and include the sharing of revenues generated by the Quebec sales tax, giving the Ville de Montréal new sources of revenue.

Furthermore, over the years, defined benefit pension plans have become an enormous financial burden and are putting a serious strain on the budget of the Ville de Montréal. Experts have studied the matter and issued recommendations, particularly the Expert Committee on the Future of the Quebec Retirement System (D’Amours Committee). All of them have shown that this is a structural problem and that urgent action is needed to limit the rising cost of plans.

We ask the government to rapidly table a bill on supplemental pensions plans to allow the Ville de Montréal and other municipalities in the metropolitan area to institute new employee cost sharing for pension plans (including new deficits).

Recommendation 12: The Government of Quebec should maintain its commitment to quickly table a bill on supplemental pension plans to allow municipalities to reduce the pressure placed on their budgets by pension plans.

---

[10] Sources: Institut de la statistique du Québec and Ville de Montréal.

3rd orientation: support growth-generating projects and wealth creation

A. Leverage natural resources and energy, drivers of our collective prosperity

The natural resources and energy sectors have the potential to become real drivers of our collective prosperity. A study by the Board of Trade released in 2012 estimated spinoffs from the natural resources sector at $52 billion for Greater Montréal over the next 25 years.[11] Yet clearly natural resources in Quebec are not being exploited to their full potential. As a result, Quebec is missing out on considerable revenue.

The mining sector is currently under major pressure because of the price of metals and minerals on the international market. Quebec's mining sector is no exception. The recent adoption of the mining bill is a step in the right direction. The bill clarifies the rules of the game and will help make the legislative framework in this important economic sector more stable and predictable.

Now that the government has adopted its mining royalty regime and new mining legislation, it needs to restore Quebec's reputation among investors to maximize the economic spinoffs of this sector. In just three years, Quebec dropped from first to eleventh in rankings of the most attractive mining territories in the world.[12] In 2013, mining investment saw its first drop in a decade.[13]

Recommendation 13: The government needs to make the exploitation of natural resources a priority to increase revenue. We also suggest that it create a campaign to promote Quebec as a leading destination for investors in the mining sector.

Furthermore, with Hydro-Québec currently producing a surplus, we encourage the government to use this surplus to attract major industrial users. The recent establishment in the metropolitan area of important data centres, such as those of Ericsson and OVH, shows the value of this effort.

Particular attention should be paid to existing major users. Consequently, rates for electricity should remain competitive. For example, the elimination of the rate L would result in major cost increases for the Société de transport de Montréal. This would hamper the electrification of transportation, a central part of the government's new economic policy.

Recommendation 14: We encourage the government to use Hydro-Québec surpluses to attract major users and ensure that hydroelectricity rates remain competitive, particularly for companies most vulnerable to price increases.

B. Take swift and effective action in economic policy to foster wealth creation and job creation

As we have already noted, the economic policy announced by the Government of Quebec in October is ambitious and is headed in the right direction. It aims to strengthen a number of pillars of the economy of Quebec and Montréal and includes four strategic initiatives, i.e., the National Research and Innovation Policy, Quebec's Industrial Policy, the External Trade Development Plan and the Transportation Electrification Strategy. In total by 2017, this economic policy will rely on tax and budget measures worth $2 billion.

---

[11] BOARD OF TRADE OF METROPOLITAN MONTREAL. April 2012. *Natural Resources: Leverage for the City's Growth*.
[12] FRASER INSTITUTE. 2013. *Survey of Mining Companies 2012/2013.*
[13] INSTITUT DE LA STATISTIQUE DU QUÉBEC. October 2013. *Mining by the Numbers, Québec*.

That said, in the context of vulnerable public finances and an uncertain economic climate, it is important to strike a balance between the need to stimulate the economy and the need to stabilize our public finances. Therefore, to maximize the benefits of the economic policy while ensuring sound management of our public finances, the Board of Trade recommends that the government:

- **Ensure that any additional spending as part of this policy is offset by an equivalent reduction in spending or the elimination of a program**. The government must also consider limiting or postponing growth in public spending related to the economic policy until the budget is balanced in 2015-2016.
- **Pay particular attention to the economy of the Greater Montréal area.** The Greater Montréal area represents over 50% of the GDP, employment and population of the province. Yet, in terms of GDP per capita, the census metropolitan area ranked 32nd out of 33 major North American cities in 2011,[14] and its unemployment rate remains high (7.9% in November 2013).[15] The policy's implementation must reflect the metropolitan area's circumstances and weight and thereby contribute to its economic recovery.
- **Introduce performance indicators and a mechanism to evaluate the impact of the policy** to ensure that the expected results are actually achieved.
- **Ensure that the business environment fosters private investment,** creation and the development of companies. Ultimately, this policy should prompt companies to invest of their own accord and create wealth without having to count on ongoing support from government.

Recommendation 15: As part of its economic policy, the government must ensure that any additional spending be offset by an equivalent reduction in spending, that its implementation reflects the weight and circumstances of the Greater Montréal area, that a mechanism for evaluating the benefits of this policy be put in place and that the business environment foster private investment.

Conclusion

The Government of Quebec's next budget is crucial for our economic future. It must reassure investors and financial institutions, stimulate the economy in the short term and put in place structuring measures to ensure sound public finances in the longer term. The time has come to make courageous choices.

The government needs to put in place a clear, realistic and predictable plan to balance the budget, reduce the public debt and stabilize finances while banking on strengthening the business environment and wealth creation. To accomplish this, tax reform and an evaluation of all public services, programs and spending are necessary. Furthermore, it is essential to strengthen Greater Montréal's economy, the economic driver of Quebec, by moving toward the completion of structuring road and public transit projects and by relying on the quality and availability of human capital and natural resources in Quebec.

[14] Sources: Bureau of Economic Analysis, Conference Board of Canada, OECD and Statistics Canada.
[15] Source: Statistics Canada.

SUMMARY OF RECOMMENDATIONS OF THE BOARD OF TRADE AS PART OF GOVERNMENT OF QUEBEC PREBUDGET CONSULTATIONS

Recommendation 1: The government must establish a clear, realistic plan to balance the budget by 2015-2016 at the latest (and even consider doing so earlier) and reduce public debt to regain the trust of financial institutions and investors.

Recommendation 2: The government must perform an in-depth review of its spending and ensure that growth in spending is lower than revenue growth, for as long as it takes to eliminate the deficit and create the financial leeway to deal with economic uncertainty.

Recommendation 3: Any new expenditure or new program must be offset by an equivalent reduction in spending or the elimination of an equivalent program.

Recommendation 4: The government must carry out a fiscal reform so that the entire tax system is more conducive to public participation in the job market, economic growth and investment.

Recommendation 5: The government must not increase the taxpayer burden. If the government needs to increase revenue, it should move rates for goods and services toward the market price.

Recommendation 6: In terms of public transit, the government needs to ensure that its budget framework allows for the rapid completion of priority public transit projects, in particular the implementation of reserved bus lanes, the immediate completion of the Pie-IX BRT and the start of work to extend the blue line of the metro.

Recommendation 7: In terms of road transportation, the government must ensure that its budget framework provides for immediate investment in priority road work sites, Port of Montréal accesses and work along the road link between Montréal-Trudeau Airport and downtown.

Recommendation 8: The government must improve the selection of immigrants and their professional integration to Quebec and Greater Montréal. To accomplish this it must:
- Pursue measures in the action plan *Un Québec fort de son immigration* to better select immigrants, better prepare them before their arrival in Québec and improve their integration once they are here;
- Increase the volume of immigration to Quebec, making it proportional to its demographic weight in Canada;
- Maintain its support for key initiatives that aim to improve the integration of immigrants to the work force (including the Board of Trade's Interconnection program).

Recommendation 9: The government must ensure that its budget framework strengthens institutions of higher learning by providing access to adequate, stable and predictable funding.

Recommendation 10: The government needs to pursue measures to reduce the administrative and regulatory burden for SMEs. Furthermore, for awarding public contracts in the construction industry, the government needs to put in place stable, predictable support measures for Quebec companies that want to access public markets.

Recommendation 11: In 2014, the Government of Quebec will negotiate a new *Entente Québec-municipalités*. This new agreement should protect gains from the 2007-2013 agreement, increase the total budget and include the sharing of revenues generated by the Quebec sales tax, giving the Ville de Montréal new sources of revenue.

Recommendation 12: The Government of Quebec should maintain its commitment to quickly table a bill on supplemental pension plans to allow municipalities to reduce the pressure placed on their budgets by pension plans.

Recommendation 13: The government needs to make the exploitation of natural resources a priority to increase revenue. We also suggest that it create a campaign to promote Quebec as a leading destination for investors in the mining sector.

Recommendation 14: We encourage the government to use Hydro-Québec surpluses to attract major users and ensure that hydroelectricity rates remain competitive, particularly for companies most vulnerable to price increases.

Recommendation 15: As part of its economic policy, the government must ensure that any additional spending be offset by an equivalent reduction in spending, that its implementation reflects the weight and circumstances of the Greater Montréal area, that a mechanism for evaluating the benefits of this policy be put in place and that the business environment foster private investment.