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

Recommendations for the 2015 federal budget: Banking on major cities to stimulate growth

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CRÉATEURS D'AFFAIRES

Introduction

As of mid-2014, the Canadian economy is holding strong. The Government of Canada has a firm rein on public spending, and all signs point to a balanced budget by the end of the year. However, this overall positive performance hides a serious imbalance between the country's regions.

Canadian provinces that are oil and natural gas producers are enjoying a period of prosperity, and their governments have their public finances under control. However, Ontario and Quebec are not seeing the same favourable conditions. These two provinces, which together account for close to 60% of the Canadian economy, are struggling to balance their budgets and are facing a great deal of debt, a rapidly aging population and a productivity deficit among companies compared with their American competitors.

In the case of Quebec, the underperforming economy is in part explained by Montréal's lacklustre economic performance. The recent and disappointing shift in employment is clearly indicative of this slump: at 9.9%, the unemployment rate in the agglomeration of Montréal is high, and June 2014 was the sixth consecutive month of declining employment.

Greater Montréal accounts for 10% of the Canadian economy, so it is essential that the federal budget help stimulate economic growth in the region. To accomplish this and improve the business environment, we recommend three areas of intervention. The 2014-2015 budget should:

1) lighten the tax load of companies and tax payers;
2) continue major investments in strategic economic infrastructures;
3) support a national, proactive effort to promote the internationalization of large and small Canadian businesses.

In addition to these three mains areas of intervention, the Board of Trade also urges the federal government to **commit the investment required to make Montréal's 375th anniversary a success and to provide the oldest major city in Canada a meaningful legacy to mark the country's 150th anniversary.**

We would also like to reiterate our position that the Minister of Finance needs to set aside plans to centralize securities market regulation. Centralization would do a disservice to Greater Montréal's financial sector and weaken Canada's second most important financial centre.

I. DECREASE THE PERSONAL AND CORPORATE TAX BURDEN

We are pleased to see that the deficit continues to decline and that the government intends to balance the budget and even achieve a surplus in 2014-2015. We also note that future surpluses will go toward reducing the debt-to-GDP ratio. We applaud this diligent, responsible management of Canadian public finances.

As a result of these efforts, the federal government will soon have significant budget leeway. Given the disappointing economic growth in Ontario and Quebec, we believe that a large portion of these surpluses should be passed on to Canadians in the form of lower personal and corporate taxes.

A. Reduce personal income tax as a matter of priority

An across-the-board reduction in personal income tax would encourage work and help attract and retain highly mobile strategic workers. This is crucial given the decline in the pool of potential workers and the need to support high-value-added industries.

B. Continue to cut corporate taxes

The federal government recently reduced the corporate tax rate to 15%, making Canada one of the most competitive economies in terms of tax costs in the world. However, the government should reduce corporate tax rates even more to bring them in line with those of other small open economies, such as Ireland. This approach would encourage local businesses to invest at home and would help attract foreign businesses and investment.

II. CONTINUE MAKING MAJOR INVESTMENTS IN STRATEGIC ECONOMIC INFRASTRUCTURES

Part of the anticipated budget surplus should be allocated to implementing structuring investments in metropolitan areas.

A. Provide sufficient support to complete priority municipal infrastructures

Funding municipal infrastructures is a responsibility that is shared between the three levels of government, and access to federal programs often requires substantial local funding commitments. However, the financial picture is quite different province to province and municipality to municipality. These requirements are a clear impediment to financing and completing strategic infrastructures within Greater Montréal, given that its municipalities and those throughout the province have limited financial means.

The federal government should lower its requirements for local joint financing to complete priority infrastructure projects faster.

B. Leverage port, maritime and airport development in the city

Port, maritime and airport infrastructures are essential to the movement of goods and the development of trade. The government needs to:

- **provide the broad strokes of and identify budget parameters for a program to reinforce the Ontario-Quebec Continental Gateway.** The Continental Gateway is strategic to international trade, because it provides direct access to the heart of the U.S. and is a hub for trade with Europe. The government should waste no time in making the investment necessary to increase the competitiveness of our port infrastructures. Such an investment will allow us to reap the full benefit of the Comprehensive Economic and Trade Agreement between the European Union and Canada once it comes into effect.
- **support the construction of a new passenger terminal at the Port of Montréal.** The current terminal cannot accommodate enough large ships and is showing its age. A new, modern building will increase Montréal's visibility with international cruise operators.
- **invest in federal assets within the city, starting by upgrading the Old Port of Montréal.** The Old Port is strategic for tourism and for the entire economy of the metropolitan area. We urge the government to move ahead with the many modernization projects and propose innovative solutions for Greater Montréal to exploit the full potential of Silo no. 5.
- **reduce, or even eliminate, rent at airports in Canada**. For Montréal-Trudeau Airport, this would increase the competitiveness of airfares vis-à-vis airports in border U.S. states and would help attract more direct flights, something the Greater Montréal business community has requested repeatedly.

C. Increase support to university research infrastructures

Universities play a key role in scientific discovery and innovation. They help build our reputation and foster the emergence of high-value-added industries.

The Board of Trade asks the government to support university research by granting stable, predictable funding to the three federal research granting agencies and the Canada Foundation for Innovation. We further recommend that the federal government invest more money in the Provincial-Territorial Infrastructures Component of the New Building Canada Fund, with a particular focus on innovation projects. The government should also continue to invest in leading-edge research infrastructures, encourage international partnerships and improve collaboration between universities and businesses to promote knowledge transfer and the commercialization of innovations.

III. SUPPORT A NATIONAL, PROACTIVE EFFORT TO STIMULATE INTERNATIONALIZATION AMONG LARGE AND SMALL CANADIAN BUSINESSES

Increasing the internationalization of our businesses is essential to supporting economic growth within the city and across the country as a whole. And yet, Canada's and Quebec's balances of trade are consistently in deficit, and our businesses struggle to compete internationally against a backdrop of a strong dollar and increased international competition.

A. Step up bilateral trade negotiations to encourage market diversification and facilitate trade

We welcome recent agreements, in particular the Comprehensive Economic and Trade Agreement (CETA) and the Canada-Korea Free Trade Agreement. They will undoubtedly help improve trade and reinforce the presence of our businesses within international value chains. The Board of Trade encourages the government to pursue negotiations for trade agreements with other regions with strong potential, such as China, India and Japan, and continue to negotiate for a Trans-Pacific Partnership.

B. Pursue efforts and negotiations with the provinces to improve Canada's domestic trade

Interprovincial trade is essential for the development of local companies. It allows them to diversify their market and is a first step for SMEs toward international exports. Quebec exports to other provinces alone represent over 25% of GDP. The Board of Trade asks the Government of Canada to ensure that the new domestic trade agreement expedites the recognition of titles and skills to promote labour mobility, standardizes provincial transportation rules to improve the circulation of goods and people and promotes access to government contracts.

C. Increase support to business support organizations – particularly for SMEs – for doing business internationally

These organizations understand the needs of businesses and are in a better position to educate and guide them in their export efforts, in particular by offering strategic advice, targeted training and trade missions to countries with strong potential. These organizations – including the Board of Trade of Metropolitan Montreal's team of international trade experts, the World Trade Centre Montréal – have a direct, positive impact on the presence and performance of local businesses on international markets.

Conclusion

Now that the federal government is close to balancing the budget, it needs to place high priority on the development of Canada's metropolitan areas, which are drivers of growth and prosperity for the entire country.

The government needs to reduce the personal and corporate tax burden, encourage private investment and help attract and retain foreign talent and investment. It should be making massive investments in strategic economic infrastructures. Lastly, it needs to reinforce the presence of our companies on international markets.

Summary of the Board of Trade of Metropolitan Montreal's recommendations

Introduction: Strengthen the economy of Canada's second largest city A. Invest as required to make Montréal's 375th anniversary a success and to provide the oldest major city in Canada a meaningful legacy to mark the country's 150th anniversary B. Set aside plans to centralize securities market regulation
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