BOARD OF TRADE
OF METROPOLITAN MONTRÉAL

Recommendations for the 2015 Federal Budget:

Investing in Cities to Stimulate Growth

THE ART OF BUSINESS

Introduction

Midway through 2014, the Canadian economy remains robust. The Government of Canada is solidly in control of public spending and all signs are that it will return to a balanced budget by the end of this year. However, this overall positive performance masks a significant imbalance between the country's regions.

Times are good in Canada's oil- and natural gas-producing provinces and their respective fiscal houses are in order. Ontario and Quebec, however, are not experiencing the same favourable conditions. Though they represent 60 percent of the Canadian economy, the two provinces are struggling to restore budget balance and are grappling with high public debt, rapid aging of their populations and a productivity gap between their businesses and their American competitors.

In Quebec, the under-performance of the provincial economy is partly due to stagnation in Montréal's economy. The recent disappointing jobs trend is a powerful indicator of this sluggishness: at 9.9%, the unemployment rate in the greater Montréal area remains high and the June 2014 numbers reveal six straight months of job decline.

Metropolitan Montréal accounts for 10 percent of the Canadian economy. It is therefore imperative that the Government of Canada adopt a budget that helps strengthen the region's economic growth. To that end, we recommend three areas of intervention to improve the business environment. Budget 2014/2015 should accomplish the following:

1) Reduce the tax burden on businesses and taxpayers;
2) Continue the strategy of making substantial investments in strategic economic infrastructure;
3) Support a nationwide, proactive effort to boost globalization of Canadian businesses, both small and large.

Aside from these three major areas of intervention, the Board also requests that the federal government **commit to investing the money necessary to ensure that Montréal's 375th birthday is a success and that the first big city in Canada's history can also count on significant federal legacies to underscore the nation's 150th birthday**.

Further, **we wish to stress once again that the Minister of Finance should drop the planned centralization and regulation of the capital markets**. This project and approach will damage the financial sector and businesses in the Montréal metropolitan area and weaken Canada's number two financial centre.

I. REDUCE THE TAX BURDEN ON INDIVIDUALS AND BUSINESSES

We are pleased to note the continued shrinkage of the budget deficit and the Government's intention not only to return to a balanced budget, but also potentially to achieve surpluses as early as 2014/2015. We also note that future surpluses put us on course to reduce the burden of the debt as a percentage of GDP. We commend the Government for its rigorous and responsible management of Canada's public finances.

The federal government will therefore very soon have significant budget flexibility. Given the disappointing economic growth in Ontario and Quebec, we feel that a large proportion of the surpluses should be given back to Canadians in the form of lower taxes for individuals and businesses.

A. Priority on reduction of individual income taxes

A broad-based reduction in income tax on individuals will encourage work and foster attraction and retention of highly mobile strategic workers. In the current context of a relative decrease in the pool of potential workers, this is critical to support the development of high value-added sectors.

B. Continued decrease in corporate tax rates

The federal government recently lowered the corporate income tax rate to 15 percent, placing Canada among the economies with the most competitive tax bases in the world. However, the government should continue in this vein by further lowering the corporate tax rate so that our companies are on even ground with those of other small, open economies such as Ireland. This type of approach will encourage our companies to invest here and make it easier to attract foreign businesses and investment.

II. CONTINUE THE STRATEGY OF MAKING SUBSTANTIAL INVESTMENTS IN STRATEGIC ECONOMIC INFRASTRUCTURE

A portion of the anticipated budget surpluses should be allocated to structural investment in metropolitan areas.

A. Adequate support for completion of priority municipal infrastructure

Funding of municipal infrastructure is a responsibility shared by all three levels of government and in many cases access to federal programs requires a substantial local financial commitment. However, the financial situation is very different from province to province and municipality to municipality. This situation makes it undeniably difficult to finance and complete strategic infrastructure in the Montréal metropolitan area, because of the limited financial capacity of the municipalities that comprise it and the Province of Quebec.

The federal government should lower its local co-funding requirements to accelerate the completion of priority infrastructure projects.

B. Focus on port, maritime and airport development in greater Montréal

Ports and marine and airport infrastructure are critical to facilitate and increase the transportation of goods and contribute to the growth of trade. The government must:

- **Outline budget guidelines and parameters for a program to strengthen the Ontario–Quebec Continental Gateway**. The Continental Gateway is a strategic international trade initiative, as it provides direct access to the U.S heartland and a corridor for trade with Europe. The Government should go ahead with the required investments as quickly as possible to strengthen the competitiveness of our port infrastructure. The investments will enable us to benefit fully from the spinoffs of the Canada–European Union Comprehensive Economic and Trade Agreement when it comes into force.

- **Support the construction of a new sea terminal at the Port of Montréal**. The current terminal cannot accommodate a sufficient number of large ships and its condition betrays its age. A new, modern facility will enable Montréal to increase its visibility and impact among the international cruise ship clientele.

- **Invest in federal assets in metropolitan Montréal, starting with the enhancement of the Old Port of Montréal**. The Old Port is strategic to the tourist industry and the entire greater Montréal economy. We ask the Government to move forward with the numerous upgrade projects and particularly to identify innovative solutions to enable the Montréal metropolitan area to take full advantage of Grain Elevator #5.

- **Reduce or even eliminate Canada's airport rents**. In the case of Montréal's airport, this will make airfares more competitive with those of U.S. airports near the border and make it easier to obtain additional direct international air links, a request repeatedly put forward by the metropolitan Montréal business community.

C. Increased support for university research infrastructure

Universities play a key role in scientific discovery and innovation. They increase our visibility and foster the establishment of high value-added industries.

The Board requests that the Government support university research by granting stable and predictable funding to the three federal research granting agencies and the Canadian Foundation for Innovation. We also recommend that the federal government invest more money in the Provincial–Territorial Infrastructure Component (PTIC) of the New Building Canada Fund, with a focus on innovation projects. The Government should also continue to invest in high-tech research infrastructure, encourage international partnerships and improve cooperation between universities and business to foster the transfer of knowledge and marketing of innovations.

III SUPPORT A NATIONWIDE, PROACTIVE EFFORT TO BOOST GLOBALIZATION OF CANADIAN BUSINESSES, SMALL AND LARGE

Enhancing the globalization of our companies is absolutely essential to support the economic growth of metropolitan Montréal and Canada as a whole. Canada and Quebec both continue to post trade deficits and the competitiveness of our companies internationally remains a challenge in the context of a strong dollar and greater international competition.

A. Increased bilateral trade negotiations to encourage market diversification and facilitate trade

We applaud the Government for its recent agreements, particularly the Comprehensive Economic and Trade Agreement (CETA) and the Canada–Korea Free Trade Agreement. These two agreements will no doubt boost trade and strengthen the presence of our companies in international value chains. The Board encourages the Government to continue negotiations to establish trade agreements with other promising regions, such as China, India and Japan, as well as to pursue negotiations towards a trans-pacific partnership.

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

Interprovincial trade is crucial for the development of our businesses. It enables them to diversify their markets and is an initial step towards international exporting for our small and medium-sized enterprises. Exports from Quebec to the other provinces alone accounts for over 25 percent of GDP. The Board asks the Government of Canada to ensure that the new Agreement on Internal Trade facilitates the recognition of qualifications and skills to improve labour mobility, harmonizes provincial transportation regulations to improve the flow of goods and people and fosters access to public markets.

C. Greater support for agencies that assist businesses, particularly SMEs, in doing business abroad

Such agencies are closer to the needs of businesses and are better able to provide them with information and support for their export initiatives, particularly by providing strategic advice, targeted training and trade missions to high-potential countries. We firmly believe in the positive and direct impact of these agencies—including the team of international trade experts at the Board of Trade of Metropolitan Montréal, World Trade Centre Montréal—on the visibility and performance of our companies on international markets.

Conclusion

As the federal government prepares to balance its budget, it should make the development of Canada's large cities a priority, as they are drivers of growth and prosperity for the entire country.

The Government should reduce the tax burden on businesses and individuals to encourage private investment and attract and retain talent and foreign investment. It should invest massively in strategic economic infrastructure. Lastly, it should strengthen the visibility of our companies on international markets.

Summary of Recommendations from the Board of Trade of Metropolitan Montréal

Introduction: Strengthen the economy of Canada's second-largest city A. Invest the money necessary to ensure that Montréal's 375th birthday is a success and that the first big city in Canada's history can also count on significant federal legacies to underscore the nation's 150th birthday B. Drop the planned centralization and regulation of the capital markets
I. REDUCE THE TAX BURDEN ON INDIVIDUALS AND BUSINESSES A. Priority on reduction of individual income taxes B. Continued decrease in corporate tax rates
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