Building a Successful Quebec
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On the heels of its strategic plan, the Fédération des chambres de commerce du Québec (FCCQ) presents its economic vision for building a successful Quebec. This document is intended to provide the framework for its actions and interventions in the coming years.

Through its vast network of 164 chambers of commerce, the FCCQ represents 57,000 small, medium and large businesses spanning all sectors of the economy and all regions of the province.

In the eyes of our members, Quebec must above all be competitive, innovative, and ready to seize the opportunities created by globalization if it is to be successful. This ambition is multifaceted, as illustrated by the intervention priorities and the sectors of activity that our members deemed strategic for business growth in the province.

The FCCQ will mobilize its vast network around the actions laid out in its economic vision in support of its policies. This is how the FCCQ intends to actively promote its mission to champion entrepreneurial freedom, born of initiative and creativity, in order to contribute to the creation of collective wealth by coordinating the efforts of all parties concerned.

Françoise Bertrand
CEO

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Chairman of the Board 2005-2006
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Quebec’s economic assets

01. Natural resources in abundance

- Whether considering mines, agricultural operations or fresh water, Quebec has an enormous potential as far as natural resources are concerned.

- In addition, despite the difficulties experienced by the wood products industry, forestry resources play an important role in the economy of some Quebec regions.

- Exploitation of natural resources represents the basic economic activity of seven of the 17 administrative regions of the province. In addition to export opportunities, our natural resources have largely contributed to the development of manufacturing activities throughout the province.

- The availability of fresh water in Quebec is an increasingly recognized asset. With a sound management of its use, this resource can be an economic leverage for many regions (food industry, health).

02. Hydroelectric power

- As a clean energy source with a relatively low production cost, hydroelectricity represents a recognized comparative advantage and an important vehicle to create wealth in Quebec.

- The performance of our economy depends on hydroelectricity, as it represents 3.2% of our GDP and close to 10% of the domestic demand. This sector accounts for 5.3% of the total investments made in the economy and provides 21,000 direct jobs, while allowing companies requiring large quantities of electricity to ensure 23% of international exports of goods.

- Here, electricity rates for the industrial sector are three times lower than those offered in New England. These rates allow Quebec to produce more than 2.5 million tonnes of aluminium, that is, 90% of the Canadian production and 92% of the American production. Quebec also stands out in the pulp and paper industry, accounting for 42% of the Canadian production and 3% of the production worldwide.

- Thanks to nearly $1 billion in net exports, the electricity sector contributes to reduce the trade deficit in the province’s energy sector by 23%.
Quebec production of metallic and non-metallic minerals (in billions of tonnes)
Quebec accounts for 17.7% of Canada's production of metallic and non-metallic minerals

Source: Natural Resources Canada

Electricity-generation capacity installed in Quebec
In MW
As a % of Canada's overall capacity

Source: Ressources naturelles et faune Québec
03. Proximity to the United States

- Quebec has a privileged access to 77 million American consumers, or 27% of the U.S. population in States generating 30% of the American GDP.
- Quebec is also perfectly positioned to serve as a springboard to Europe.

04. A capacity for innovation ready to be tapped

- One third of Canada’s investments in Research & Development are made in Quebec. More than half of these are made by businesses.
- The dynamism of R&D in Quebec can be explained, among others, by efficient tax incentives reducing notably the costs related to research. Quebec can also rely on an important pool of faculty researchers.

05. An effective university network

- Quebec’s university system comprises Université de Montréal, Université Laval and Université de Sherbrooke; three English-language universities – McGill, Concordia and Bishop’s –; and the Université du Québec network, composed of seven universities establishing a link between regions.
- Various research and teaching institutions, all with an international reputation, are related to this system, including Institut national de recherche scientifique (INRS), École nationale d’administration publique (ENAP), École de technologie supérieure (ÉTS), École des hautes études commerciales (HEC), École polytechnique de Montréal, Centre d’optique, photonique et laser, Institut québécois des hautes études internationales and Institut Hydro-Québec en environnement, développement et société.
06. A financial environment favourable to business development

- In Quebec, the financial system is stable, highly diversified and perfectly integrated to today’s globalized finances.
- We have numerous financial institutions, national as well as international in scope.
- Quebec manages 45% of the venture capital held in Canada, which ranks the province first in this field.
- In addition, Quebec can rely on a cooperative network of major and dynamic financial services, which significantly contributes to the vitality of our economy.
- Rounding out the list is a pool of internationally renowned business consultancy services, particularly in the fields of accountancy, engineering and information technology.
07. Huge tourism potential

- Owing to its cultural specificity in North America, the breadth and diversity of its landscapes and regions, a vibrant metropolis, its provincial capital rich in heritage, the distinctiveness of its four seasons and the tourism possibilities each has to offer, Quebec holds tremendous potential in this sector.

- Quebec’s creativity in the area of recreational and tourist events contributes to shaping the province’s image as a culturally dynamic place, thanks particularly to a number of international festivals.

08. The capacity to rally around public projects

- With the best of examples provided by their major hydroelectric developments, Quebecers have already shown their capacity to mobilize all their energy around projects capable of structuring a society, and which are of utmost importance for Quebec’s prosperity.

- Faced with demographic constraints and their consequences with regard to possible loss of human resources and tightening of public financing, Quebecers are in a good position to renew their former successful mobilization and partnerships with various social and economic players around major and attractive collective development projects.

09. Quality of life

- It is widely recognized that Quebec offers a good quality of life. The province owes this reputation to its relatively low cost of living, accessible educational and healthcare systems, safe cities, and stable political institutions.
Trips by Canadians to Quebec

As a number in thousands

As a % of all trips by Canadians in Canada

Revenues from tourism in Quebec (in $ millions)

Source: Statcan
THE QUEBEC ECONOMY

THE CHALLENGE: Strengthening Quebec’s competitiveness

Quebec must improve its productivity

• Productivity is a fundamental determining factor of economic growth and the level at which people can live comfortably.

• Quebec has a lower performance compared to other Canadian provinces and its American neighbours.

• Present demographic conditions and the evolution of technologies must imperatively drive Quebec to increase its productivity. Making the situation better will need, among others, increasing investments in machines, equipment and human resources, and speeding up on innovation.

Demographics more of a problem in Quebec than in the rest of Canada

• Quebec is faced with a faster aging of its population, a lower birth rate and a more modest net immigrant flow.

• Quebec’s prosperity depends on its capacity to take up the demographic challenge. In Canada, the portion of Quebec’s population decreases year after year. This has a direct impact on the province’s political and economic influence.

• Economic impacts are multiple: the slow rate of our demographic growth limits our availability in manpower. This results in an inadequate response to the needs of industry, in general, and penalizes, de facto, the growth of the economy. In addition, it reduces room for manoeuvre as far as public finances are concerned.
THE QUEBEC ECONOMY

Productivity (in $)
Difference with the national average
- Quebec
- Ontario
- Alberta

Source: Statcan

Demographic growth (as a %)
- Canada
- Quebec
- Ontario

Source: Statcan
Public debt a drag on economic development

- Stabilized during the last few years, the net debt per inhabitant seems difficult to reduce, despite a slight increase in demographic growth. This might mean a potential debt increase due to the faster aging of the population in the coming years.

- Furthermore, Quebecers’ tax burden is overall heavier than the one carried by tax payers in other Canadian provinces, and it is recognized to be among the highest in North America.

- Opportunities to cut budgetary expenses as well as to increase tax revenues are limited.

- In order to address this budget deficit, Quebec will have to rely in future on strong economic growth, a daring organization of the public administration, and transfers from the federal government responding to Quebec’s situation.

Business relocating abroad

- More and more businesses are relocating their activities in countries where production costs are lower.

- Relocations of Canadian companies abroad, especially in emerging countries, very often result in lost jobs here at home.

- Though often feared, relocation of activities can, however, allow businesses to reduce their costs and thus increase their competitiveness.

- With globalization speeding up, net investments made by Canadian businesses abroad have clearly increased in the past years.

- This has an impact on the industrial fabric and the nature of competitive relationships in our province. Quebec businesses must now come to grips with this trend and adjust their business model accordingly.

- On the other hand, emerging countries represent new markets to capture.
THE QUEBEC ECONOMY

Net debt per capita and demographic growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Net debt per capita (in $)</th>
<th>Demographic growth (as a %)</th>
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<tr>
<td>1984</td>
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<tr>
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</tr>
<tr>
<td>2004</td>
<td>14,000</td>
<td>1.4</td>
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</tbody>
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Sources: Quebec gov, budget 05-06, Statcan

All taxes from corporations (2001)
Contribution of provinces to total Canadian amount
Quebec accounts for nearly 21% of the Canadian economy

Source: Statcan, Provincial economic accounts

Foreign investments [in $billions]
Assets in direct foreign investments in Canada
Assets in direct Canadian investments abroad

Source: Statcan
More investments projects needed

- From 1999 to 2005, Quebec on average accounted for 21% of the Canadian GDP but only 18% of private investment.
- Quebec’s record in terms of investment in machinery and equipment is wanting as well, with the province posting one of the lowest ratios relative to the GDP in the land.

Wealth moving steadily westward

- Wealth is moving towards the west of the country. This trend is supported by the oil issues and a geographic location more favourable to trade relations with emerging countries in Asia.
- Increase in the global energy demand resulted in upwards pressure on oil prices in recent years.
- Benefiting from the oil environment and their favourable geographic location, thanks to their closeness to emerging Asian countries, Western Canada provinces are witnessing a rapid increase in private investments, resulting in a decrease of the Ontario and Quebec share in private Canadian investments.
- This phenomenon also occurs at the North American level. Therefore, it is important to cultivate the rapport between cross-border regions, developing thanks to trade corridors.

Quebec must broaden its export horizon

- United States being their main outlet, Quebec exporters are in a more demanding position: on account of the Canadian dollar appreciation; on account of the increasing Chinese and Mexican competition in the U.S. market; and also on account of the tightening of security measures at the U.S. border.
- More than one third of Quebec exports are concentrated in the aerospace sector, mining products and paper. Quebec must maintain its competitiveness in these important sectors in terms of jobs. The province must also globally diversify its exports and seek new markets.
- Quebec’s economic growth always depends on the increase of its export revenues.
Investment in machinery and equipment as a % of GDP, by province – 2005

Source: Statcan

Private investment (Index 100 = 1999)
- Alberta
- BC
- Ontario
- Quebec
- Canada

Source: Statcan

Total exports to the United States
- Quebec exports (in $billions)
- Quebec's share of Canadian exports (as a %)

Source: Strategis, Industry Canada
Entrepreneurial growth weak in Quebec

- The creation of businesses in Quebec is close to nil. From 1998 to 2002, it remained at 0.3% compared with 3% in the rest of Canada. Even though numerous new businesses are created each year, Quebec has an insolvency rate above the Canadian average.

- Thanks to favourable economic circumstances, the number of commercial bankruptcies per billion of dollars of the real GDP decreased in Quebec in past years, but it remains structurally above the Canadian average.

- Furthermore, it seems that businesses in Quebec have more difficulty growing than those in the rest of Canada. This is evidenced by, among other things, a relatively higher number of small businesses.
PREREQUISITES TO DEVELOPMENT

Globalization of the economy, in general, and globalization of information and knowledge, in particular, compel businesses to redirect their strategic activities towards a structural competitiveness and to aim for leading edge technologies in their production processes. It is this same globalization that today, more than ever, pressures us to use our natural resources in an optimal way and to protect our environment.

A global approach to economic development

Each region must contribute in its own way to Quebec’s prosperity.

In close complicity with the regions, Montreal is an important partner in the economic development of Quebec. Because they are vibrant, regions contribute with the metropolis to take up the major challenges Quebec is facing. The stakes are high: the province has to foster a favourable economic environment for investments, ensure employees are better trained and facilitate the establishment of a network of dynamic and innovative small, medium and large companies.

The present environment, characterized by an intensifying competition at the international level and by the resulting need to highlight Quebec’s assets, drives us to optimize the competitiveness of each region. To achieve this, it is necessary to have the respective strengths of the resource regions, the central regions, the Provincial Capital area, and the metropolis work in a network.
Bolster price competitiveness to strengthen non-price competitiveness

- Competitiveness is at the heart of our preoccupations. On account of the appreciation of the Canadian dollar over the past few years and the increasingly strong presence of emerging countries on international markets, Quebec has incurred a net loss with regard to the price competitiveness of several of its manufactured goods.

- This is even more true that Quebec’s industrial structure is relatively weak in value added while the cost of living in the province is tremendously higher than in developing countries.

- Consequently, given the increasing competition, the acceleration of technological innovations and the need to have industrial activities converge toward a knowledge-based economy, Quebec industries must switch from a largely price competitiveness until now to a non-price competitiveness.

- Productivity gains and innovation are the two main vehicles capable of really increasing Quebec’s competitiveness.

**Price competitiveness:** capacity to capture market shares because price levels are lower than those of competitors. More of a short-term strategy.

**Non-price (or structural) competitiveness:** capacity to capture market shares regardless of price level (related to adaptation to demand, quality, client service, branding, delivery time frame, etc.). More of a long-term strategy.
Globalization and the rapid pace of technological progress demand that business keep apace of the cutting edge

• Quebec businesses will not open up to new markets unless they perform a forceful adjustment to the new reality of the global economy. Globalization and the rapid evolution of technologies compel companies to turn to new products. Today, competition forces to the creation of value focused on highly intensive technological activities.

• New technologies provide rural regions with the opportunity to integrate in the economic flow of globalization by giving them the capacity to trade with large urban centres, provided quality transportation and telecommunications infrastructures are put in place.

Sustainable development: No more dodging the issue

• With the globalization of economies comes along a tightening of requirements in terms of investment quality because the globalization and sophistication of financial markets tend to reduce the average profitability rates, especially in more mature sectors. Consequently, investment projects will have to prove their “sustainability”.

• “Sustainable growth” means “responding to the needs of present generations without compromising the ability of future generations to meet their own needs”. If the foundations of the concept first rest on nature conservation and protection, applying the concept does not mean hindering economic growth. As a matter of fact, it is through economic activity that environment protection can be materialized.

• Embracing a dynamic of sustainable growth first means allowing companies to enjoy vigorous growth and embrace a dynamic of innovation. It is also through solid commitments to economic development that our society will be able to truly converge towards a clean environment.
Managing demographic shifts

- From 2010 and on, the aging of the population will have an increasingly strong impact.
- While increasing Quebec’s productivity is a priority issue, there is a need to carefully assess the shifts in the population and what they entail in terms of quality and availability of manpower to ensure that Quebec’s competitiveness is not hindered.
- Workforce succession problems have direct consequences on the survival of smaller businesses, the development potential of a specific industry and the capacity to attract investments in activities with high as well as low value creation, especially in remote areas.
- What is at stake is not only to strike the right balance between manpower and industry needs/business growth; the aging of the population also has a direct impact on public finances.
Building a successful Quebec means:

Integrating all the regions in a developmental game plan and using their diversity and complementariness to best advantage in order to create wealth throughout Quebec

Stimulating economic growth by nurturing entrepreneurship and increasing the capacity of business to expand

Transforming the industrial structure into an engine of value-added growth to permit Quebec to navigate the currents of globalization

Lifting productivity above the national average in order to provide Quebec with the means to invest in sustainable growth
Eight top intervention priorities

01. Nurture entrepreneurship

02. Gear the industrial structure to creating greater value added

03. Act on productivity drivers

04. Foster the development of a workforce that is better skilled, more flexible and better suited to the needs of business

05. Support the development of our energy potential as an economic lever while improving energy efficiency

06. Encourage government to carry on with the transformation of its apparatus and to focus more sharply on being a facilitator rather than an entrepreneur

07. Stimulate our potential for innovation

08. Attract foreign investors and strategic trade partners
01. Nurture entrepreneurship

Business growth to guarantee competitiveness

- There are a number of factors hindering Quebec’s small- and medium-size companies, the first being a higher tax rate than in other provinces, namely, 8.5% compared with a Canadian average of about 8%. In order to grow, businesses have to increase their merchandising and distribution. In addition, financing in Quebec is more readily available for company start-ups than for their growth.

- Accounting for 98% of all businesses, small- and medium-size companies are also for the most part microcompanies.

- The vitality and growth of Quebec small- and medium-size companies represent a vital component for the economic development of the province. Along with a net business creation rate lower than in the rest of Canada, the insolvency rate of Quebec businesses seems higher than the national average.

Intergenerational transfer

- Owners of smaller businesses, especially those close to retirement, encounter serious difficulties in finding a successor, including in their own family environment. One of the issues concerns the buyout of Canadian companies by foreigners, ensuing risks of capital drawn out of the country or the closing of businesses and thus, a loss in our economic heritage.

Role of SMBs in enhancing Quebec’s competitiveness

- Quebec’s economic development also depends on a new entrepreneurial culture. Technological innovation and creation of new products are traditionally taken on by small- and medium-size businesses who, thanks to their flexibility, are recognized as vehicles of industrial transformation. They test ideas, innovations and new markets.

Local development hinges on local entrepreneurship

- In the case of one-industry cities and resource regions, the concentration of local resources around a few large companies limits the possibilities of industrial diversification.

- To ensure local sustainable development, it is imperative for the local population and players to get involved. The creation of small- and medium-size businesses is core to the industrial diversification of remote areas.

- In the context of a stagnating labour pool, setting up cooperative organizations also contributes to the vitality of local economies.
MEASURES ADVOCATED BY THE FCCQ

Facilitate business creation and expansion

- Encourage a taxation process facilitating the creation of businesses, and quickly lower taxes to meet the Canadian average
- Reduce regulations and administrative burden
- Strengthen risk capital supporting the creation and growth of businesses
- In general, strengthen support policies for small- and medium-size businesses, especially for the development of services to motor industries, attractive to foreign investors
- Revisit the sharing of responsibilities between local and provincial authorities with regard to the support of economic development in order to leverage the efficiency of this support

Contribute to setting up measures to help small- and medium-size manufacturers to integrate high-tech sectors

- Inform small- and medium-size businesses about market opportunities and best management practices in their respective sectors
- Foster consultations and local initiatives to facilitate the integration of small- and medium-size companies in the industrial fabric

Participate in intergenerational transfer initiatives in SMBs

- Raise awareness in young entrepreneurs

Promote the improvement of management skills
02. Gear the industrial structure to creating greater value added

- Quebec’s industrial profile is characterized by a manufacturing production overall low in value creation.

- The manufacturing sector is under new pressure to lower prices owing to increased interprovincial and international competition.

- Quebec companies must increasingly resort to using leading-edge technologies and their innovation potential.

- Quebec’s economic growth requires an industrial renewal to achieve manufacturing production processes creating more value added and enhancing their non-price competitiveness.

Move up the added value chain

- Support businesses in furthering their integration in economic activity.

To reinforce businesses’ integration in a competitiveness and value creation logic, it is possible to bring closer together companies belonging to the same industry. One way of doing this is to take advantage of the complementary nature of businesses and exploit their production capabilities to the largest extent. This can be achieved through partnerships and cooperation agreements, among others.

- Develop niches of opportunity.

Each Quebec region has a basic fundamental economic activity and a portfolio of specific assets. Allowing each region to perform a key role in economic growth requires highlighting their very characteristics capable of supporting businesses in developing niches of opportunity, going up in the value chain and, thus, implement a sound economic development strategy.
MEASURES ADVOCATED BY THE FCCQ

Develop industrial networks likely to improve competitiveness
- Put in place information, consultation and evaluation tools to stimulate initiatives
- Encourage the development of R&D and training infrastructures for each industrial network.
- Develop export opportunities offering more value added on international and interprovincial markets
- Develop follow-up procedures and performance indicators
- Within an industry, develop models integrating several smaller vendor companies to make them more competitive when contracts are given out by major prime contractors

Adopt modern management models
- Perform a benchmark exercise for each activity sector
- Support companies when they plan to develop leading-edge industrial applications

Encourage the development of business support services
- Encourage support activities to businesses in order to consolidate industrial networks and increase attractiveness of communities for investors
Gear the industrial structure to creating greater value added

A case in point: The textile industry

The textile industry is the perfect example of a strategic repositioning of a traditional sector in better value added products. Even if Quebec textile companies have not been spared by the increasing competition from low-salary countries or by the ensuing job losses, they have been able to adapt to advanced textile technologies by redirecting part of their activities in industrial and technological textiles. This is an industry segment with higher value added creation in which Quebec is still price-competitive.

Ensuring close to two thirds of Canadian deliveries, the Quebec textile industry created 16,606 jobs in 2003 (representing close to 4% of jobs in the manufacturing sector, excluding the 44,000 jobs in the clothing industry). Mainly concentrated in the Montreal metropolitan area and the Montérégie region (representing 60% of jobs in the sector), textile production stands out as a key element in the chain production for a sizeable number of industries including, apart from clothing and household textiles, transportation, health, sports and leisure, environment, agriculture, safety and construction.

With an objective to bring Quebec’s economy to increase its wealth creation, the textile industry, although categorized among "traditional industries", resorts more and more to the most sophisticated technologies. For example, biotechnology and nanotechnologies are applied to textile and there also exists an "intelligent textile". These applications still remain parallel to the bulk of the industry but, even without systematically reaching such a high level in R&D, Quebec textile companies are already managing the inevitable change to this industrial restructuring by investing in modern equipments and occupying strategic niches.
Quebec has all the assets it needs to successfully turn around its textile industry. Its creativity is recognized, as well as its capacity to innovate - supported by an important research centre dedicated to textile technologies - and highly competitive energy costs. In addition, the proximity of the U.S. market offers a very wide variety of potential outlets, especially in industrial and technical textiles for which demand promises to be on an upward trend during the coming years.

Quebec textile companies are faced with a number of challenges, including: disadvantageous trade regulations – in particular with regard to access to the U.S. market of textile products and clothes; a decline in the clothing industry; limited opportunities in developing countries; an appreciation of the Canadian dollar; and most importantly a poorly educated workforce who must adapt all by itself to this restructuring. This is probably the most sensitive challenge Quebec textile companies are facing. Generally, the labour issue concerns all the traditional industries which, like textile and clothing, must undergo a major restructuring and drastically shift to high value added products.

Finally, the time constraint must also be factored into these challenges. If China has not yet taken on technical textile, globalization of the economy also has the merit to increase the speed at which companies, including those in emerging countries, can copy new technologies and innovation.
03. Act on productivity drivers

Improve Quebec’s overall productivity in order to raise its standard of living and boost profits

- The relatively low level of productivity in Quebec explains in large part why the Quebec GDP per capita is lower than the national average.
- A low-level productivity has an impact on income and consequently on the purchasing power and saving capacity of Quebecers. In the end, low productivity puts investments and company benefits at a disadvantage.
- It is imperative to increase our productivity to limit the impact of a loss of price competitiveness, especially on manufactured products.
- To keep or gain market shares, companies can consider reducing their prices, without penalizing their profit margin, by increasing their productivity.
- Increasing our productivity thanks to a more available and better qualified labour force is an essential support to achieve a higher value added production.

Though manufacturing remains a key sector in Quebec, services, which are intangible by nature, are less amenable to productivity gains

- Contrary to the production of goods, increasing capital intensity in the production of services has its limits. That’s why, in an economy increasingly focused on service activities, production gains should be sought through ongoing improvement in logistics (e.g., investments in software materials), an increase in high-knowledge jobs and, finally, investment in education and professional training.

In the long term, productivity will essentially depend on technological advances

- Increasing workers’ productivity has its limits.
- In the long term, technology must take over in the drive to be ultraproductive.
MEASURES ADVOCATED BY THE FCCQ

Raise the participation rate and the employment rate

• Reduce rigid barriers on the labour market
• Reduce taxes on the payroll
• Increase incentives to join the labour market by, among other things, facilitating reconciliation between work and family
• Encourage late retirement

Improve the efficiency of production processes for both goods and services

• Disseminate information on best practices in logistics
• Consider social innovation as a promising avenue

Increase capital intensity

• Increase fiscal incentives for modernizing capital investments and/or investments in software materials
• Eliminate quickly and completely the tax on capital

Revise all regulatory and administrative elements that create a competitive disadvantage for Quebec industry and business

Promote the use of information technologies in all regions and industries

• Recognize factors hindering access to information technologies
• Intensify the development of telecommunications infrastructures in the regions
04. Foster the development of a workforce that is better skilled, more flexible and better suited to the needs of business

- Quebec’s training system should be completely focused on a quality and innovative labour force.
- The main key factor considered by companies with a high technological and knowledge-based potential is definitely quality of the labour force.
- In a largely service-based economy, productivity gains lie mainly in investments in human capital of which the quality must be recognized as a fundamental factor of the profitability of any innovation process.
- Investment in human capital must meet not only the present needs of businesses, but also the need to acquire an innovative labour force.
- In businesses as well as provincewide, a strategic plan must be established to ensure that the return on investment in human capital is lasting. All education and training institutions must be involved in this strategy.
- As a primary source of economic growth and competitiveness, innovation must be achieved on an ongoing basis. This involves giving special attention to continuous training and skills recognition.
- In a changing economic environment, businesses’ competitiveness is increasingly achieved through the flexibility of their organization. The notion of human capital must go beyond the strict professional environment and recognize the importance of teamwork, ability to undertake things, decision making, innovation potential and leadership.
- School drop-out is an important issue that undermines the efficiency of labour policies. In Quebec, one out of five 19-years-old has not completed high school.
MEASURES ADVOCATED BY THE FCCQ

Revise financing of the post-secondary and university systems
- Remove the freeze on tuition fees
- Recuperate federal transfers dedicated to post-secondary education at the level prevailing during the first half of the 1990s

Make partnering between industry and post-secondary institutions systematic
- Facilitate skills/knowledge transfer and ensure a balance between industry needs and graduates’ qualifications
- Develop school/work models to train young people in sectors where the demand is high

Revitalize professional learning and technical vocational training
- Meet the specific needs of each industry and business with flexibility
- Lessen rigid rules and counter-incentives to continuous professional training

Facilitate inclusion of immigrant workers, particularly in the regions
- Encourage a better recognition of skills

Increase training aimed at developing an entrepreneurial culture
- Further ensure intergenerational transfer in small- and medium-size companies with a mind to better adjust to the present acceleration in the aging of our labour force and to maintain capital under Quebec ownership
- Allow entrepreneurial initiatives to be introduced in schools, cégeps and universities

Prepare a skilled workforce for the industries of tomorrow
- Establish a proactive labour force training strategy in industries with a high technological level and recognized as niches of opportunity for Quebec
05. Support the development of our energy potential as an economic lever while improving energy efficiency

Present environment increases value of Quebec’s hydroelectric potential

- Demand for energy is growing fast in North America.
- In an environment where sustainable development standards are increasingly present and as the increase in energy prices is widespread, Quebec’s hydroelectric potential is a particularly attractive source of competitiveness.
- A sound use of this potential is good for industrial development, and it offers an important revenue source when exported.
- Quebec ensures 58% of the Canadian hydroelectric production. This also allows Quebecers to boast the lowest greenhouse gas emission level per capita compared to other Canadian provinces.

Quebec’s energy potential an asset for economic development

- Quebec’s hydraulic power makes wind energy sources more attractive. Regions should take advantage of this asset to stimulate their economy.
- Availability of inexpensive electricity allows Quebec to see the installation of a fair number of highly job-creative companies in different regions.

Sound use of hydroelectric resources could help Quebec recover leeway in public finances

- Present low electricity prices contribute to indirectly lighten Quebecers’ tax burden.
- However, these low rates do not send the right signal concerning actual costs and, therefore, reduce the incentives to being energy-efficient as well as export revenue sources while limiting government’s capacity to lower the public debt.
MEASURES ADVOCATED BY THE FCCQ

Ensure the role of electricity as a lever of economic growth
• Ensure major hydroelectric projects are carried out
• Foster the development of small, private power plants producing less than 100 MW
• Take full advantage of export opportunities
• Maintain electricity rates competitive for industries

Diversify Quebec’s energy portfolio
• Build methane harbours
• Increase the use of alternative energies, especially by exploiting the wind potential and highlighting industrial repercussions

Promote energy efficiency and the growth of this option
• Submit fiscal measures encouraging the adoption of energy-efficient measures
• Reduce interfinancing and send a sound price signal to residential consumers
• Confirm the role and place of the Agence de l’efficacité énergétique (Energy Efficiency Agency) in the global perspective of generating savings in the energy portfolio
06. Encourage government to carry on with the transformation of its apparatus and to focus more sharply on being a facilitator rather than an entrepreneur

Resolve the budget shortfall for the sake of Quebec’s future prosperity

- The budgetary deadlock Quebec is in limits the investment capacity of companies and reduces the attractiveness of our economy for investors. Postponing the reimbursement of the debt and stabilization of government finances goes against Quebec’s interest.

- Solving the budgetary deadlock is all the more urgent in that Quebec is faced with the aging of its population, increased international competition and the need to reorganize its industrial structure: A maximum of resources must be focused on the improvement of our competitiveness.

Bank on economic growth rather than taxation to balance public finances

- Economic growth must be supported by a greater tax effectiveness. With development as a goal, it is totally inappropriate to tax production means such as capital or labour. Even if the tax on capital was reduced, the signal clearly remains negative for investors. Tax on capital is deducted regardless of the economic situation and, consequently, regardless of businesses’ revenue performance, which makes this tax fundamentally regressive.

- The budgetary balance is so tight that reaching it year after year is vulnerable to a bad economic performance.

- If stabilizing government finances means reducing the debt and upward pressure on health and education expenditures, this stabilization nonetheless requires wise government investments, capable of driving economic growth.

Role of government and re-allocating public spending to foster growth

- Resorting to public/private partnerships is an excellent way of tying Quebec’s social choices to the economic constraints imposed by globalization.

- Government’s role in economic development has to focus on improving the business climate.

- The Quebec government must go on with the public infrastructure program, especially in transportation, telecommunications and fixed assets dedicated to research and development activities.
MEASURES ADVOCATED BY THE FCCQ

Refocus role of government more sharply on being a facilitator rather than an entrepreneur

- Reduce the size of the government apparatus and review the ways government operates

Encourage adequate distribution of public services across the province

- Improve the distribution of public service to curb rural exodus

Re-examine the supply of public services

- Encourage the establishment of public/private partnerships
- In delivering public services, distinguish clearly what needs to be universal, accessible and free
07. Stimulate our potential for innovation

Steering innovation

• Innovation is a set of complex links, involving numerous steps from R&D to marketing and including the technological transfer process. Stimulating innovation requires carefully measuring all the complexity of inter-relationships between the various players.

• With industrial restructuring as a goal, any innovation process needs a systematic institutional and governance frame.

• The way interrelations between the different players in innovation are devised and governed determines for the most part the innovation potential.

• In principle, the tax policy relative to R&D is efficient in Quebec. However, R&D is not sufficient to generate innovation. R&D must undergo industrial applications and be supported by an effective marketing strategy, which is why it is important to put in place an efficient device to manage the innovation chain.

• A multidimensional approach must be adopted in any innovation strategy, that is, on a regional basis (exploitation of local resources) as well as on a sectoral basis (exploitation of the growth potential of each industry).

Partnerships

• In the development or restructuring of an industry, financing R&D using a public/private partnership model can be effective in the case of an industrial start-up.

• The rapid evolution of technologies and the underlying growth of research costs lead to establishing partnerships between the different players in innovation.

Innovation management contributes to the quality of the business environment

• Savings generated by the condensing process as well as the learning and coordination repercussions sought by managing innovation reassure financiers with regard to risks and profitability related to projects.

• In establishing relationships and partnerships, and fostering communication between the players, innovation management is seen as a favourable factor by investors.
MEASURES ADVOCATED BY THE FCCQ

Consolidate the Quebec innovation system

- Organize the innovation system by involving all the players and channelling resources available to create a real lever for innovation
- Integrate the innovation process in the institutional environment (i.e., into regulations, financial institutions, the education system and research institutes) while taking into account businesses’ cultural characteristics and specific sectoral attributes
- Put in place consultation and strategic planning activities with the different players in innovation
- Inform economic players about existing governmental support programs for innovation; follow up on best practices

Encourage partnering among innovation-system players

- Develop cooperative and research programs between industries and universities
- Coordinate and speed up technological transfer, and encourage marketing of a given innovation
- Link a labour force training policy to the strategic plan for innovation
- Look for strategic partnerships at the international level

Adjust fiscal policy and the regulatory framework to favour innovation

- Further taxation fostering investments in modern equipments, R&D and innovation (eliminate the tax on capital, increase tax credits for R&D)
- Strengthen legislation on protection of intellectual property rights

Strengthen the innovation infrastructure

- Foster the installation of incubators and excellence centres allowing to counter the increasing costs related to innovation, research and development of new products
- Highlight new materials technologies, among other things
08. Attract foreign investors and strategic trade partners

Quality of business environment a fundamental factor

- The corporate image in any desired location is a determining factor taken in consideration by Canadian and foreign corporations in their decision to invest. The ability to effectively resolve conflicts is a definite advantage for local development.

- Increasing outlets and competitiveness of Quebec exporters is a fundamental issue. Quebec must imperatively boost its manufactured goods exports to support economic growth and finance its imports.

With both competition and the Canadian dollar on the rise, Quebec exporters need a highly supportive business environment, including as regards the transportation infrastructure

- In essence, investments are risky. Among foreign investors’ criteria in their location choices, business environment stability and regulation measures are two crucial factors.

Broaden the export horizon to diminish risks for Quebec exporters

- The vast majority of Quebec exports are aimed at the U.S. market. While the United States are increasingly turning to partners such as China and Mexico, Quebec could find new export outlets, notably in Europe and emerging economies.
MEASURES ADVOCATED BY THE FCCQ

Attract foreign investors

• Set up investment attraction programs (promotions, missions, etc.)
• Improve tax and budgetary incentives for foreign investors, such as discounts on real estate tax
• Highlight the presence of universities, the research and innovation potential, as well as support services close to municipalities sought after by investors
• Create alliances with strategic trade partners

Broaden the marketing and export horizon

• Prospect new markets
• Further the development of trade corridors

Sustain the position of Quebec and Canadian authorities in trade relations with the United States
Sectoral Approach

On the strength of its vast natural resource potential, the Quebec economy was for the longest time geared to manufacturing production with low value added. Over the past 15 years, Quebec’s industrial structure has shifted towards high-value-creating sectors of activity, such as aerospace, life sciences and information technologies. Quebec must continue in this direction, following the basic principle of building on its assets and consolidating its key industries.
01. Agri-food
02. Mines and metals
03. Forestry, pulp and paper
04. Manufacturing of transportation equipment
05. Life sciences
06. Distribution network, transportation, and supply chain management
07. Communications, information technologies and multimedia
08. Culture
09. Tourism
10. Financial services
01. Agri-food

- Industrial sectors related to farming, from production to delivery of agri-food products, represent an important economic base for all Quebec regions. The food industry represents 7% of the Quebec GDP, 12% of total jobs and 6% of provincial exports.

- The agri-food sector is the perfect example of the possible economic inter-relationships between urban and rural regions.

Move up the added value chain and develop industries

- Farmhouse holidays, viniculture, gastronomy and country products are part of the industries opening up great opportunities of economic development for Quebec.

- As well, biotechnologies offer major innovation opportunities to the food industry. Quebec has several research centres in the agri-food area.

- Increasing export outlets necessarily involves reorienting Quebec businesses towards new and innovative products.

Industry diversification

- About 54% of Quebec’s agricultural revenues are generated by pig and milk production. Diversification of our agriculture must be pursued.

- If the poultry, eggs and milk sectors must be kept under supply management, producers will have to be more dynamic in the production of by-products.

Workforce

- The major role agriculture plays in the Quebec economy raises the issue of labour force succession, especially in rural regions.

- The intergenerational transfer of farm properties represents a specific dimension of this issue.

- Jobs related to agriculture require increasingly diverse and specialized skills. There is a need to improve the way all those different jobs as well as the levels of qualification fit together.

International markets

- Acceleration of globalization means rationalizing activities, moving towards regional concentration and tightening quality criteria, including by consumers. Because of the resulting pressure on prices, profit margins for farmers and food-processing businesses remain limited.

- Subject to strict regulation with regard to sanitary standards and labelling rules, Quebec companies are at a disadvantage relative to foreign companies whose exports are not subject to the same controls.

- Country products and Quebec expertise represent great opportunities for exports.
MEASURES ADVOCATED BY THE FCCQ

• Implement a strategy to diversify agricultural production and the food-processing industry

• Make the industry go upwards in the value chain by producing by-products and taking advantage of opportunities related to biotechnologies

• Seek export outlets and facilitate the growth of farm businesses to ensure they can increase their productivity and remain competitive

• Promote the agricultural industry to ensure labour force succession

• Submit foreign competitors to the same sanitary standards and labelling rules as those imposed on Quebec businesses (harmonization)

• Encourage network initiatives between rural businesses and distribution companies to facilitate marketing operations
02. Mines and metals

- Quebec holds an important place in the world mining industry, while primary metals processing contributes 6.3% of the Quebec GDP.

- A large part of Quebec’s mining and metal production is exported.

- This industry is subject to major cyclic fluctuations. In addition, prices are negotiated at the global level, which leaves producers with little control over market evolution. The way the Canadian dollar recently went up has also lessened Quebec’s price competitiveness.

The industry must address four key issues:

- stability in electricity rates;

- labour force succession;

- environmental pressures, especially on exploration of new mines; and

- the non-renewable nature of the resource, which increases the profitability requirements of mining exploration.

Diversification

- Viability of the potential directions to develop secondary and tertiary processing is not obvious. Diversifying the mining industry needs to be coordinated within a strategy taking into account, among other things, the quality of transportation infrastructures and availability of a skilled labour force.

- While the industry does not create a lot of value added, potential directions to develop secondary and tertiary processing activities first require tax incentives, but also a labour force development strategy.

- The successful diversification of activities in the mine and metal sector will largely depend on the sector’s capacity to innovate.

- The increase in gold prices should speed up its production.

- Quebec exporters need to take advantage of the increasing demand from emerging countries and the upward trend in mineral prices.
MEASURES ADVOCATED BY THE FCCQ

- Eliminate the tax on capital and maintain tax credits to support mining exploration
- Promote the upholding and application of standards relative to disclosure on mineral resources information (These were developed by the Canadian Institute of Mining, Metallurgy and Petroleum.)
- Support the mining industry in one-industry regions, including providing these regions with adequate resources in training, R&D and innovation applied to the mine and metal sector
- Promote a vertical and horizontal diversification of the sector to lessen the lack of control on the evolution of global prices and the economic situation
- Recognize the contribution of new materials technologies to the potential of industrial development
03. Forestry, pulp and paper

• Forestry production has always been a significant component of Quebec’s economy. And it still is today. However, globalization, the value of the Canadian dollar and the trade disputes with our southern neighbour create new pressures that affect the economy of both resource regions and the metropolis.

• The number of jobs related to wood fibre harvesting and processing activities has clearly gone down on account of government restrictions, the economic environment and, in the past few years, the softwood lumber dispute with the United States.

• Today, forestry sectors are facing a necessary consolidation and a restructuring of the saw-milling industry due to poorer harvests.

• The recent reduction in stumpage rights forces to reallocate resources, especially with regard to the labour force. However, the restructuring of activities is not always accompanied by an appropriate match to the labour force pool.

• Quebec must face fierce competition from the Western Provinces and Europe.

• The pulp and paper sector: Pulp and paper consumption has clearly diminished over the past few years, resulting in pressures to lower the prices of paper, while production costs are increasing. This can be related to the recent difficulties experienced by the forestry industry.
MEASURES ADVOCATED BY THE FCCQ

- International relations: strengthen Quebec and Canadian governments’ stance in front of the U.S. position and speed up the resolution of the softwood lumber dispute

- Facilitate industry restructuring and consolidation by encouraging the capital flows needed to restructure plants because businesses in the sector are, for the most part, in the red

- Encourage innovation in the financing structure by, among other things, creating financial partnerships to accelerate investments

- Encourage innovation and creation of higher value-added products to maintain economic activity in regions more severely hit by the poorer harvest; reuse some structures and regenerate value added to recover lost jobs

- Help communities retain their young workers and ensure workers’ qualifications meet the needs of businesses (If the younger workers’ drain is not controlled, putting to retirement in the near future experienced workers will result in major challenges in the short term.)
04. Manufacturing of transportation equipment

• The transportation equipment manufacturing industry alone represents 12% of the total manufacturing production in Quebec. It is also a major export sector.

• Whether automobiles, commercial and recreational vehicles, or railroad and aerospace transport equipments are concerned, Quebec displays real dynamism in a large variety of transportation products.

Quebec’s aerospace industry is ranked 6th in the world and is the leading sector in Quebec in terms of exports, accounting for 12% of the province’s shipments abroad

• This is a key R&D intensive sector involving many industries, upstream as well as downstream, and numerous small businesses evolving around the sector’s larger companies.

Trend towards delocalization

• Despite Quebec’s position in manufacturing of transportation equipment and its outstanding expertise in aerospace, pressures to relocate are being observed: if automobile manufacturers are increasingly attracted to low-wage countries, aerospace manufacturers, operating in an area with high value-added creation, are courted by governments using strong incentives.

• Impacts on the activities of numerous small- and medium-size Quebec-based companies in this sector must be taken into account.
MEASURES ADVOCATED BY THE FCCQ

- Strengthen the transportation equipment manufacturing industry by, among other things, increasing the integration of small- and medium-size businesses in the sector and support their innovation potential
- Ensure investments in Quebec are maintained
- Ensure the business environment remains attractive for the industry
- Increase public contribution to R&D financing
- Focus training on aerospace engineers and technical training in transportation sectors
05. Life sciences

- As they are very structuring industries, highly creative in value added and spinoff jobs, industries related to life sciences must imperatively be supported.

- Quebec has very strong assets in this field, in particular in biopharmaceutical research. The province has put together an excellent and sound scientific base, and has attracted several multinational companies having massively invested in R&D.

- Quebec’s attractiveness and competitiveness in these industries are very sensitive to regulation and quality of the business environment. Largely made by big international companies, investments in the biopharmaceutical sector now move easily from one country to another.

**Constraints inherent to how the life sciences perform:**

- heavy regulatory constraints

- a sector ruled by intensive research activities and an ongoing involvement in innovation processes

- increased competition from generic-drug manufacturers reducing the return on R&D investments (due to the relative weakness of intellectual property rights protection)

- new fields of medical research increasingly complex and costly

**Public policies in line with growth of the biopharmaceutical sector**

- The biopharmaceutical sector accounts for a major part of the life sciences sector, ensuring close to 50% of employment, including contract-based research companies (2004).

- In essence, investments in this sector are very risky, their commercial success depending on a fistful of new innovative products. Consequently, companies involved in the sector choose to set up their business where investment and merchandising conditions make the risk worthwhile.

- Drug costs are at the heart of tensions between economic objectives and public policies, especially when it comes to public finances. In particular, control over prices and restrictive lists of reimbursed drugs reduce investment incentives.

- The challenge for public policies lies in optimizing the social and economic benefits to which the dynamism of life sciences industries largely contribute.
MEASURES ADVOCATED BY THE FCCQ

- See that government ensures public policies are in agreement with industry growth
- Insure the drug price-setting mechanism allows for a fair balance between a reasonable price allowing access to products and compensation for innovation costs (Quebec must reinstate this balance and evolve to a more competitive environment on the global market, starting by removing the price freeze on drugs already on the market.)
- Maintain an access policy to drugs encouraging innovation, while favouring a fast registration of new drugs and approaches fostering optimal use of drugs, as opposed to their rationing
- Stabilize the Canadian intellectual property protection regime in the life sciences sector and make it fully competitive compared with other industrialized countries, especially in including clauses to review patent duration under certain circumstances
- Maintain favourable conditions to attract and retain high-calibre researchers, and promote the opportunities and advantages of our regions (R&D tax credits and five-year tax exemptions granted to foreign researchers should be maintained in Quebec and adopted by the federal government.)
- Foster adequate financing of university training and research to ensure the competitiveness of life sciences through the quality of a labour force recognized internationally
06. Distribution network, transportation, and supply chain management

A core sector of productivity

• Including planning, search for vendors, procurement and logistics activities, supply chain management also includes distribution networks, whether retail (5.8% of Quebec GDP) or wholesale (6.1%) businesses, as well as all transport and warehousing activities (4.3%).

• Supply chain management is core to an adequate match between supply and demand. The stakes related to these activities are, in a general manner, a determining factor in the performance of a given industry or business.

• In a study by Industry Canada, compliance with customs requirements (security), cooperation within the supply chain, and search for new clients were listed among the priority issues facing exporters. These issues are also directly related to logistics activities.

Improve supply chain efficiency

• In 2003, costs associated with the supply chain were evaluated for Canada at 32% of total consumer product manufacturing costs. This compares with a 23% rate in the United States, indicating there is room in Canada and in Quebec for improving expertise and infrastructures related to procurement activities. It is an important source of productivity gains.

• This activity sector has a strong potential in terms of organizational innovation and processes. It also represents a key sector for Quebec, whose economy is largely focused on export markets, and for regions in particular where supply issues are vital to their economy.
MEASURES ADVOCATED BY THE FCCQ

Promote process innovation in companies

- Promote the importance of logistics tools and methods for productivity, especially in small- and medium size businesses, as these appear to be insufficiently equipped with computer and logistic tools

Improve productivity in freight transportation

- Promote freight transportation by ship and rail
- Measure and improve transport networks connections to distribution centres
- In the case of the most remote Quebec regions, draw the attention of governments and local players to the supply issue in these regions, and encourage the creation of modern distribution centres
- Promote the sharing of resources to help the largest possible number of businesses benefit from the most advanced technologies in logistics

Improve cross-border flow

- Increase public investments to improve border crossing between Quebec and the United States
- Encourage investments required for businesses to comply with the new security standards (NEXUS/FAST)

Promote occupations related to supply chain and logistics

- Highlight the diversity of activities related to supply chain management
07. Communications, information technologies and multimedia

Sectors of activity well established in Quebec that need to be valorized

- Starting in the second half of the 1990s, Quebec began taking advantage of the expansion of information technologies, communications and multimedia activities. Despite a drop in the stock market value of information technologies in 2000 and 2001, Quebec has remained strong with a creativity recognized at the international level and a solid price-based competitiveness.

- The industry has numerous institutions encouraging the vitality and integration of its companies, including the Cité du commerce électronique, the Cité du multimédia, the Centre national des nouvelles technologies de Québec (CNNTQ), various forums for the new economy and other Centres de développement des technologies de l’information (CDTI), the International Telecommunications Institute, the Centre de recherche informatique de Montréal, the inter-LogiQ network, PROMPT-Québec, etc.

- Many international companies are established in Quebec.

- Information technologies present tremendous possibilities in terms of service exports, as well as new growth avenues for regional economies, especially for those in the most remote areas.

- The vitality of these industries also has many side-effects for economic activities as a whole, particularly in terms of productivity.

Communications infrastructure and economic development

- Information and telecommunications technologies play a role in the development of both industrial activity and regional economies.

- Some areas, in all Quebec regions, still cannot access high-speed Internet and cell phone services. This hinders the development of local businesses.

Necessary updating of industrial policy

- On account of the industry’s evolution per se and the appreciation of the Canadian dollar, Quebec’s competitive advantages are not as clear as they used to be.

- The very real trend to relocate activities in emerging countries like India can hardly be countered by government support, whether in the form of tax reductions, grants or venture capital.
MEASURES ADVOCATED BY THE FCCQ

• Government support to the industry must focus on attracting world leaders in the communications, IT and multimedia sectors (The state of competition in these markets prevents spreading the economic policy too thin in industries now largely dominated by low-wage countries, especially in the equipment sector.)

• The service industries most supportive for economic development remain those focused on creativity and innovation. There is a need to focus training efforts in the sector on a highly qualified and innovative labour force

• Improve factors supportive for businesses’ growth by rethinking financing

• Channel public venture capital in fewer investment projects but which are more supportive in terms of profitability

• Consider a transfer of public venture capital to private fund bearers, these people being more oriented towards profitability

• Meet the needs of areas lacking in telecommunications infrastructures by, among other things, combining the know-how of new technologies (e.g., Wi-Fi) and new business models, such as cooperatives

• Speed up the access of traditional industries and small- and medium size businesses to new information technologies

• Develop related industries like the data security industry
08. Culture

Culture: a pillar of economic development

- Cultural industries are increasingly recognized as an economic pillar in Quebec.
- Cultural businesses are often under-capitalized, which greatly limits their growth potential. The activity types are very diverse, while there exist important gaps in size and influence between the various businesses.
- In the perspective of attracting qualified workers, the presence of cultural activities and the standard of living associated with these activities are two factors increasingly sought after in western economies.
- The aging population and the necessity to converge towards a high knowledge-based economy involve retaining and attracting a labour force sensitive to the presence of cultural products.

Vehicles of culture: communications, broadcasting, publishing and content production

As vehicles of culture, the communications and publishing industries, as well as television, cinema and media productions must be integral parts of any strategy geared to the development of cultural industries.

In this respect, the globalization environment is not without effect on the activity of content producers and on communication supports in Quebec. Despite a growing demand for increasingly varied contents delivered on increasingly diverse communication supports (press, Internet, etc.), competition between content producers is intensified by digital technologies and Internet tools, the latter allowing worldwide distribution at extremely low transportation costs. Consequently, it is a sector where market accessibility is particularly large. So, while Quebec benefits from definite advantages in this industry – a favourable price-based competitiveness, strong technical skills, quality of installations – its capacity to stand out in the content market mainly depends on two factors:

- creativity; and
- the players’ financial soundness.

It is to be noted that the international influence of Quebec’s cultural productions also play a role in the international positioning of the Quebec economy and industries as a whole. In addition, introduction of foreign contents in the province is more and more abundant. In this sense, the present environment offers opportunities but also compels Quebec producers to ensure their growth in foreign markets.

Yet the Quebec content production industry is characterized by a vast number of small businesses, more often than not carried by sole projects. This fragmentation of activities is harmful to the consolidation of an industry linked to a local market as small as the Quebec market.
Consequently, the present government financing of Quebec content, favouring a selection based on the validity of a project rather than on criteria aimed at industry development, seems like a factor deterring the growth possibilities of businesses presenting a real R&D and export potential. As a matter of fact, the way government money is presently distributed maintains the scattering of activities and prevents the needed consolidation of the content production industry.

This situation is in clear opposition to the size of the broadcasting and distribution players. It creates an imbalance between all the players at a time when the great accessibility and democratization of increasingly high-performance digital technologies introduce the competition issue in the digital content area.

**MEASURES ADVOCATED BY THE FCCQ**

- Set up public/private partnerships to develop infrastructures related to culture
- Support cultural activities in all Quebec regions by, among other things, increasing tax and budgetary incentives specific to cultural organizations
- Support *Placement Culture* in its objective of encouraging greater involvement from the private sector in financing culture
- Provide the means to help new content adapted to new platforms (cellular, digital, etc) emerge
- Develop new business models corresponding to present digital realities (rights sharing, new distribution agreements, etc.)
- Encourage initiatives supporting the international influence of Quebec cultural businesses
- Foster public financing of content production focused on developing the industry and company growth, and not only on support to isolated projects with limited repercussions
- Support education institutions to ensure basic training in these areas and meet the new economy needs
- Promote cultural businesses’ growth to ensure that entrepreneurship is more dynamic and thriving and that their dependence on public financing diminishes
09. Tourism

- The tourist industry ranks 6th in export products and represents 2.8% of our GDP. In 2004 in Quebec, revenues from this industry were evaluated at 9 billion dollars. An important economic driver, this industry is responsible for ensuring 133,500 direct jobs and some 48,000 indirect jobs.

- Tourism supports the development, maintenance and vitality of many Quebec regions, and it also ensures economic prosperity for several municipalities.

- In this way, the tourist industry provides a solid structure; it involves many service industries, from transportation to retail sales and cultural industries.

- Consequently, government commitment is vital to ensure that growth in this industry is accompanied by the development of the infrastructures it needs, without which any tourist development strategy would be fruitless.

- International competition is fierce and represents a major challenge for this industry.
MEASURES ADVOCATED BY THE FCCQ

- Raise government’s awareness of the need to develop the infrastructures required to allow growth in the tourist industry, including air, rail and waterway transportation infrastructures
- Put in place a promotional strategy on tourist attractions in Quebec’s regions
- Further the “specific agreement” approach, as its flexibility encourages the creation of financial partnerships and implementation of investment projects
- Increase support to the development of cultural and leisure industries; among other things, encourage the implementation of major projects
- Allow tourist development interventions to fit more easily together by taking advantage of the structure and expertise of regional tourist associations
- Recognize the important contribution of private companies enriching our tourism heritage
10. Financial services

- In attracting the capital required for investments, the vibrancy of financial services is an absolute condition to the sound development of Quebec’s economy.

- In essence, financial services activities increase with economic growth. Their development and efficiency largely depend on the quality of the legislative and tax environment.

- During the past few years, governance quality has stood out as an increasingly recognized factor of soundness for financial industries.
MEASURES ADVOCATED BY THE FCCQ

- Foster a right balance between regulation/taxation and the vitality and competitiveness of financial services
- Promote the implementation and application of good governance principles
- Speed up the removal of the tax on capital applied to financial institutions
- Review taxation relative to investment income in order to increase savings
- Ensure that advantages fostering the attractiveness of the province, such as CFIs (centres financiers internationaux – international financial centres), are maintained
The FCCQ wishes to thank the members of its board and executive committee, as well as the experts and sectoral associations for their participation and guidance in developing this economic vision for “Building a Successful Quebec”.

THANK YOU
In a globalized economy, business is what drives economic growth. If Quebec’s prosperity rides on its assets, these assets will provide a true advantage only if accompanied by a leap in competitiveness. Maintaining an open dialogue among all economic partners is the key to building a successful Quebec.