

Large cities have become the main engines of regions' economic development thanks to their ability to attract and develop the skills and talents, the capital, the technologies and the infrastructure suited to spawning ideas, innovating, and creating wealth. This makes the efficiency with which they handle their responsibilities essential to the development and competitiveness of regional and national economies. The growing importance of the knowledge-based economy gives large cities an even more preponderant role at the world level.

Montreal faces enormous difficulties in playing this role as a metropolis because of its disappointing economic performance, its inadequate high school and university graduation rates, the rampant inefficiency of its municipal services, and a critical lack of action in implementing major projects. These shortcomings lead us to observe that Montreal comes close to deserving the title of marginal metropolis.

However, Montreal has huge potential, with its highly qualified workforce, its large higher education capacity (four universities and many specialized schools), its proximity to the world's biggest economic market, its vibrant spirit of enterprise and creation, its open and relative

ly secure social environment and, if this needs repeating, its favourable multicultural context with high levels of bilingualism and trilingualism. Despite all this, Montreal is getting poorer from a relative point of view,



which in the medium term is undermining the quality of life it still provides.

### Montreal's relative impoverishment

In recent years, many observers have criticized the weak

economic performance of Montreal<sup>1</sup> which, compared to other large cities in North America, is quickly losing ground.

Toronto's GDP per capita is 20% higher than Montreal's (a difference of \$7,000 per capita), and the 23 largest U.S. cities' GDP per capita is 68% higher.<sup>2</sup> The average nominal GDP growth rate was 3.5% between 2000 and 2007 in the Montreal administrative region, 5.4% in the neighbouring regions<sup>3</sup> and 4.2% for Quebec as a whole.<sup>4</sup>

Data from the 2006 census show that median household income was \$64,128 in the Toronto metropolitan census area, or 34% more than in Montreal. The percentage of persons earning low after-

1. See, for example, Marcel Côté and Claude Séguin, *Dix chantiers pour Montréal*, presentation to the Board of Trade of Metropolitan Montreal, June 9, 2009.

2. *Idem*.

3. This includes Laval, the Laurentians, Lanaudière and Montérégie. Great caution must be taken in interpreting GDP data for administrative regions, given how many workers flow between regions: much of the Montreal administrative region's GDP is produced by residents of neighbouring regions. Growth rate comparisons are less problematic, however.

4. Institut de la statistique du Québec, *Principaux indicateurs économiques*, July 24, 2009.

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tax incomes was 16.1% in Montreal compared to 14.4% in Toronto.

In 2006, the proportion of low-income families stood at 16.1% in the Montreal administrative region but at only 7.3% in the neighbouring regions and 9.3% for Quebec as a whole.<sup>5</sup>

Investment growth has been anemic in the Montreal administrative region over the last 10 years. The average annual rate of growth in capital investment was 0.1%, compared to 11.3% in the Capitale-Nationale (Quebec City) region. Montreal's share of Quebec's total investment went from 37% to 20% in 10 years!<sup>6</sup>

The high school dropout rate is 32% in Montreal compared to 25% for Quebec as a whole.<sup>7</sup> In comparison to other large North American cities, the proportion of university graduates among people aged 25 to 64 is low: 26% in Montreal, 31% in Vancouver and 33% in Toronto.<sup>8</sup> The proportion of university graduates in Boston, Washington and San Francisco is around

double that of Montreal.

In reaction to these observations, we wish to suggest a few ideas to help the city of Montreal meet the challenges it must deal with. They do not necessarily come under the aegis of the municipal government, but they are fundamental to Montreal's development.

“For the city of Montreal to make up for lost time and move ahead of its competitors, elected officials will have to show boldness and an entrepreneurial spirit.”

### **Using market mechanisms systematically in providing municipal services**

A large city that seeks to be a regional and national economic engine must aim systematically to raise its productivity in providing municipal services.

All municipal services should

be assessed at regular intervals (whether every three, four or five years) to see if these services are competitive and comparable in quality to the best in comparable cities, to review and challenge current methods of providing services, and to consult both the public and specialists on ways of improving the system. Evaluation reports must be oriented toward continuous improvement of services by putting them up for competition if necessary. The systematic use of market mechanisms to provide services would allow for higher-quality and lower-cost services to be obtained.<sup>9</sup>

In the specific case of public transit, the fully public management model used in Montreal is increasingly being abandoned in large cities worldwide because of its inefficiencies and its constantly rising costs. Public authorities have been moving toward a model of delegated management through tenders and toward more partnerships with the private sector to provide transit services to their citizens. The principle of this model is quite simple. It is

5. Institut de la statistique du Québec, *Taux de faible revenu, selon le type de famille, par région administrative et ensemble du Québec*, December 4, 2008.

6. Institut de la statistique du Québec, *Dépenses en immobilisation et en réparation des secteurs privé et public, par région administrative*, June 19, 2009.

7. Institut de la statistique du Québec, *Taux de décrochage (sorties sans qualification ni diplôme) du secondaire, en formation générale des jeunes, selon le sexe, Montréal et ensemble du Québec, 2002-2003 à 2006-2007*, December 4, 2008.

8. According to the Canadian Association of University Teachers, the percentage of university graduates in 2008 among those 25 and older was 19.9% in Quebec compared to 22.5% in Alberta, 23.3% in British Columbia, 24.7% in Ontario and 22% for Canada as a whole.

9. On this subject, see Marcel Boyer, *Manifesto for a Competitive Social Democracy*, April 2009, <http://www.cirano.qc.ca/pdf/publication/2009MO-02.pdf>.

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based on the distinction between organizing and financing public transit networks, on the one hand, and operating them, on the other hand. Thus, while public authorities remain largely responsible for determining routes, schedules, frequency of service, fares and indices of quality and customer satisfaction, the actual provision of transit services has been entrusted to operators who must compete to win contracts by seeking to provide the best quality/price ratio.

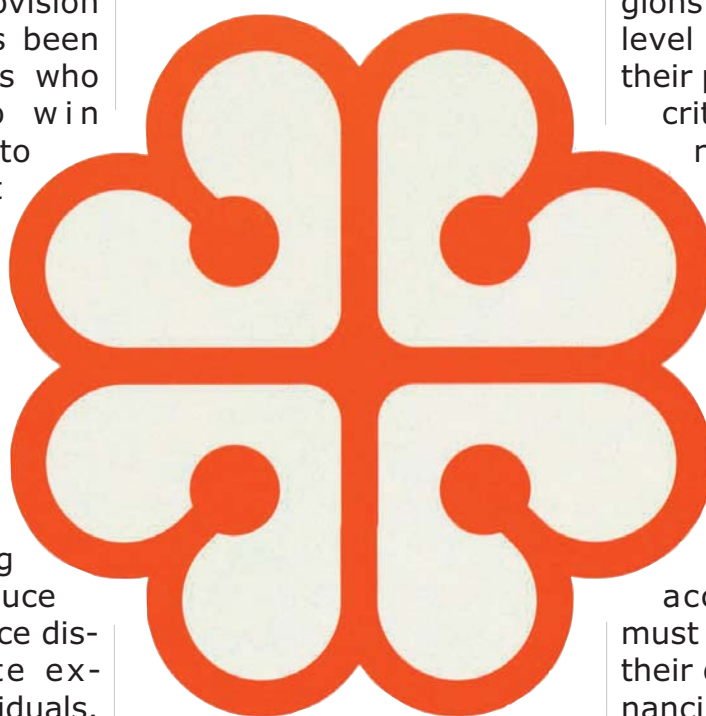
### Reforming urban infrastructure governance

Quality infrastructure is a basic factor in productivity gains and in enhanced well-being because it helps reduce transaction costs, reduce distances and facilitate exchanges between individuals.

Montreal could innovate in the area of municipal infrastructure by giving itself transparent governance and incentives based on dividing responsibilities: better ways of devising things under

government responsibility and implementation by the private sector following open, transparent and efficient tenders.<sup>10</sup>

This model should be the favoured mode of governance for developing and maintaining all municipal infrastructure: roads, public transit,



water treatment and distribution, public parks and gardens, leisure equipment, police and fire services, and so forth. The anticipated results are higher-quality infrastructure at lower cost and

the possibility of exporting original and superior know-how in the development and management of infrastructure.

### Promoting the development of human capital

The world's most dynamic regions have in common a high level of education among their people. We have already criticized the catastrophic nature of high school dropout rates, especially in Montreal. Decentralizing school management would be one of the most effective solutions for attacking this problem.<sup>11</sup>

At the same time, greater autonomy for universities and greater accountability by them must be ensured to promote their quality, improve their financing and raise rates of university attendance. It is urgently necessary to rethink tuition fees, which are being maintained at a threshold that is abnormally low and even disastrous for the quality of our universities. The Quebec government should

10. Recent experiences in the use of public-private partnerships for Highways 25 and 30 and the Montreal Symphony Orchestra hall are examples of the rigour this process imposes. In a certain way, it has forced the government to move ahead with projects that have been dragging on for decades. Dithering continues on many projects that suffer from the absence of this type of process, leading to delays and cost overruns. The list includes the Turcot interchange, the fast train between the airport and downtown, the Université de Montréal hospital centre and the upgrading of the public transit system.

11. On this subject, see Norman LaRocque and Marcel Boyer, *Decentralization of school management: ideas from abroad*, MEI, February 2007, and Marcel Boyer, *Vocational training: in search of lost time*, MEI, September 2008.

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announce subsidies for universities and then let them set tuition fees freely based on the area and level of education and on the competition they face in Quebec and abroad. It is important, in exchange, for the government and the universities to set up an effective system of financial assistance providing incentives for students, for example by means of an income-based loan repayment program.

### Looking to Montreal's cosmopolitan character

In the competition between large cities to attract and retain head offices, with their international administrators and researchers, Montreal has a significant asset, namely the cosmopolitan, multicultural, bilingual and even multilingual character of its

population. We should rejoice at the fact that Montrealers are, in relative terms, highly tolerant of their diversity. This is a characteristic that has not been promoted enough.

Montrealers, whether their mother tongue is French, English or other languages, have the great luck to be among people who speak two major international languages. For example, 52% of Montreal's population is bilingual in French and English, compared to 8% in Toronto and in Vancouver. Moreover, 18% of Montrealers (more than 650,000 persons) speak at least three languages, compared to 11% in Toronto and 9% in Vancouver, making Montreal by far the most trilingual large city in the country. Trilingualism is probably one of Montreal's most particular facets. In a context of

globalization and internationalization of cultures, this is an asset to be developed and exploited more.

### Conclusion

For the city of Montreal to make up for lost time and move ahead of its competitors, elected officials will have to show boldness and an entrepreneurial spirit. Inspiration must be drawn from the proven principles of efficient organizations. Conventional thinking must be pushed aside, with citizens given a true power to challenge the people currently in charge of municipal services. There is also a need for the higher levels of government to recognize the urgency of consolidating Montreal's role as a metropolis.

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