Henry Aubin: How do we avoid losing head offices?

By Henry Aubin, The Gazette January 24, 2013

Henry Aubin

MONTREAL — SNC-Lavalin Inc. — founded by francophone Montrealers, headquartered in Montreal and active in engineering and construction projects in more than 100 countries — has long been the proud symbol of Québec Inc. Now, however, it risks becoming a symbol of something else — the decline of Montreal's place on the world stage.

The company announced last week that it is creating its largest corporate unit (one focused on hydrocarbons, chemicals, metallurgy, mining, the environment and water) and locating it not in Quebec but in London; heading it will be a Brit, Neil Bruce. As well, the company also said it was creating a global operations unit that would be based in the British capital.

To be sure, SNC-Lavalin denies speculation by a La Presse business columnist that the company might be slowly moving its head office from Montreal. The two moves to London must be seen as reflecting "our healthy expansion globally," says a spokesperson. "The corporate headquarters and all its functions still remain in Montreal."

Nonetheless, this unmistakable shift of authority abroad takes place within a broader context of fewer local people atop the SNC-Lavalin pyramid. In 2007, six of the top 11 executives were francophone Quebecers; last year, three.

Note, too, that only two of 13 members of its board of directors are francophone Quebecers. When the company last fall replaced discredited Pierre Duhaime of Montreal as president, CEO, and board member, it picked an American, Robert Card.

What's happening to the company based on René-Lévesque Blvd. is the latest sign of the erosion of Montreal's status as a major business centre. Of Canada's 500 largest companies, 96 had their head offices in this city in 1990; in 2010, says Montréal International, only 81 remained, a 16-per-cent decline. It's true that Toronto, too, has seen a decrease (with some of its companies heading to booming Calgary), but it's only of six per cent. As well, because Hogtown has more than twice as many head offices as Montreal, the trend there has far less impact.

Anyone with a stake in Montreal's prosperity should care about what's happening here. Head offices and major corporate offices, such as the SNC-Lavalin's units, bring more money collectively into the city than do big events — the Grand Prix and the aquatics championship — whose threatened departures cause political storms. Such offices employ high-spending, high-taxpaying local residents and attract visiting business people year-round — people who represent income for cabbies, hoteliers, restaurateurs, computer experts, lawyers and accountants.

Indeed, this week's controversy over the absence of direct air links from Trudeau International Airport to China and South America is pertinent to this trend. It's not only federal air policy over the decades that's responsible for this isolation. It's also that Montrealers have less money, and one reason for that is, as Trudeau boss James Cherry notes, "there are far fewer head offices in Montreal."

Keep losing them and we'll be a real backwater.

But how do we avoid losing these offices? We don't need more studies. Tons of studies — good ones — already exist.

The No. 1 factor for a company when choosing a head office location is corporate taxes, according to a Calgary Economic Development study. Quebec's are the highest in Canada and the U.S.

Thirty-four per cent of the executives at 103 local companies say that Montreal's business climate had "deteriorated " in the previous five years, Montreal's Chambre de commerce found a year ago. The main reason: infrastructure (not only roads but also the health system).

A study called "Knowledge City" that Montreal city hall commissioned in 2004 is still relevant. Its survey of 100 mobile, well-educated people (some of whom had already left Montreal) found that their top three biggest complaints with the city were, in descending order, high personal taxes, decaying infrastructure and political uncertainty from sovereignty.

All studies agree that the quality of Montreal's universities helps attract companies. Weakened universities would lower this power.

The Parti Québécois government's minister for Montreal, Jean-François Lisée, declared before Christmas that he was "Montréalo-optimiste." He did not, however, spell out concrete steps for addressing the above-listed problems.

Too bad that his government on Jan. 1 imposed higher personal taxes for people with high incomes — which hits business people.

Too bad it has reduced spending on infrastructure by 14 per cent.

Too bad that it has not only reduced funds to universities by $124 million over the next three months but that it says it might cut their funding in other years as well — in effect weakening them.

And, finally, too bad that Premier Pauline Marois said this week her party would soon launch a campaign to promote sovereignty and that her government would step up its strategy of wresting powers from Ottawa. In the next few days, she'll further promote Quebec independence with a meeting in Edinburgh with Scotland's sovereignist leader.

Staunch the hemorrhage of corporate offices from Montreal under this government? The very idea is Montréalo-irréaliste.

haubin@montrealgazette.com

Twitter: @henry_aubin

More on This Story