

Austerity measures brings about new reality...

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EQUITY EDITOR

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Changes affecting businesses both new and established was the theme of the Pontiac Chamber of Commerce's general meeting.

After time to network, a panel discussion followed, featuring Remi Bertrand, executive director of the MRC Pontiac; Louise Grenier, business service counselor for Emploi Quebec; Rhonda Perry, director general at SADC Pontiac and Mishka Kucharik, youth entrepreneur agent for Carrefour Jeunesse-emploi du Pontiac.

As first speaker, Bertrand explained the major impacts of austerity decisions on business funding in the Pontiac, many of which had been made by the Quebec government last fall so the impacts are being felt now.

"Law 28 should be adopted before June and so right now we need to be proactive," said Bertrand. "We are already closing down operations (at the CLD) and already a good portion of the staff are no longer with us, unfortunately. The last permanent staff will finish June 30. We received a 55 per cent cut to our operating fund; it wasn't sufficient to operate it."

In response to losing the CLD and also Rural Pact funding, the MRC intends to put together a new fund.

"We don't know what it will look like, the criteria or how it will be (accessed)," added Bertrand. "The 18 mayors want to continue giving services as much as we can. Instead of doubling up the services, we decide to stream line as much as possible, to make it as simple as possible for the business community to get access to investment funds. Everything will be done through SADC. Unfortunately I am not in a position to tell you how it will work right now. We

will be able to (officially) announce the details when it is finalized."

Rhonda Perry explained how the SADC will help maintain financial support for Pontiac businesses.

"We are probably the only MRC out there that has (such) an excellent relationship between the MRC and SADC," she commented. "We are ahead of many other SADCs, we are being very proactive and we've always followed this philosophy of clients first."

The Pontiac SADC hasn't received any extra funding since 1999, with money repaid by lenders being directly reinvested in other local businesses.

The SADC is working on creating a partnership with the Bank of Canada to create a kind of "one stop shop" for credit.

"It's our job to make you fit in the right boxes and not let you get bogged down," said Perry.

Louise Grenier spoke to the Chamber members about federal government apprenticeships and training programs. An independent service unit, Emploi-Quebec has 17 regional offices and 158 local employment centres (CLEs) which provide specialized or administrative centres which supply services like videoconferencing service points. The regional offices coordinate the public employment services delivered by the CLEs and support labour market partners.

Grenier explained the Workplace Apprenticeship Program, where journeypersons, as experienced workers, pass on skills to apprentices.

Employers using the program can enhance their credibility and reputation in their line of business and help train a new generation of workers, as well as

... continued on page 2

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5 Minutes for Business

Interest Rates: How Low for How Long?

How many times have Canadians been warned that interest rates will increase eventually? What a surprise when the Bank of Canada lowered the rate to 0.75%, a move that no economist had predicted. The big question is what does it mean for Canadian business?

The first and most immediate effect was to weaken the dollar, which fell 1.5 cents following the Bank's announcement to \$0.81. Going forward, we'll see even more pressure on the loonie. The market expects the U.S. Federal Reserve to start raising interest rates sometime in the second quarter of 2015. That's not going to happen in Canada, and in fact, there is a slim chance that our rates could go even lower. As a result, investors will move out of Canadian securities towards the U.S., weakening the loonie even further.

In terms of the actual cost of business loans, we are unlikely to see much change. In normal times, the Bank of Canada's official overnight rate provides a basis for the private sector banks' prime rate. But when official rates get really low, this relationship breaks down. Banks have to cover their cost of funds—the amount they pay to borrow plus their administrative costs—which is higher than 0.75%. This means that banks probably won't lower their prime rate; most will keep it at 3%. In the U.S., the prime rate is 3.25% even though the Fed's official rate is near zero.

What about longer-term bonds? Those yields edged downwards, but these have been headed lower for a very long time. In fact, they've been trending downward for the past 15 years right across the developed world. According

to the IMF, this is because emerging markets like China have accumulated huge amounts of reserves and as they keep buying rich country bonds, rates are held down. At the same time, market crises have pushed investors away from riskier assets into sovereign bonds, while uncertainty has depressed global business investment so there is little demand from borrowers competing for funds. The IMF believes that long-term interest rates will eventually return to the 3-4% range but not much higher.

Finally, last week's rate cut speaks volumes about the Canadian economy. There has been a lot of speculation in the media that maybe lower oil prices could help keep Canada on balance if the negative impact on oil producers is offset by stronger manufacturing in Ontario and Quebec. The Bank clearly disagrees: Governor Poloz called low oil prices "unambiguously bad" for Canada. In fact, a lower loonie is good for some manufacturers, but the beneficial effects could take time to materialize, and consumers may not rush out and spend the money they save on gas.

Nevertheless, we believe oil prices will get back to the \$60-\$70 range by year-end. An accelerating U.S. economy combined with an 80-cent dollar will eventually boost our exports. Stronger economic growth is ahead, even if 2015 is a rough ride. And eventually, interest rates will rise. When we joke that interest rate warnings are like "the boy who cried wolf," remember the moral of the story. The wolf eventually does show up (though not until the second quarter of 2016).

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Austerity measure...

(continued from page 1)

potentially obtaining significant tax credits.

Apprentices are able to raise their level of knowledge and competence. They may also potentially be eligible for federal government grants through the Apprenticeship Incentive Grant and Apprenticeship Completion Grant.

Mishka Kucharik updated members of the current situation at CJEP, an organisation that works very closely with the Emploi-Quebec office in Campbell's Bay.

"We have 15 months to meet the criteria in front of us," stated Kucharik, referring to the massive changes imposed on CJEP following the implementation of Bill 10. "We've done a lot of damage control. We are continuing to facilitate job searches and youth services. For the next 15 months, we are trying ... to be innovative and to have the greatest impact in the Pontiac with our free services."

Kucharik also explained the organisations' close relationship with the Table Jeunesse Pontiac (TJP), specifically in encouraging youth entrepreneurs.

"We have a focus on encouraging and opening doors to youth, letting them know that entrepreneurship, being a business owner, having that innovative kind of spin, is open to them," she said. "We are in schools and communities and organisations across the Pontiac, trying to help youth develop values, initiative and creativity necessary for entrepreneurship."

CEJP and TJP have partnered with a three-day youth entrepreneurship camp, now in its seventh year, a workshop tool called The Incubator, and also a Jeune Enterprise program that will run at Pontiac High School this year.

... continued on page 3

Austerity measure...

(continued from page 2)

“From the beginning of school to the end, they start a project or a business and go through the process of running and owning it and organising themselves, placing themselves and then closing it,” said Kucharik. “It’s a wonderful project, we hope we’ll be able to continue with it.”

Note: for the unedited version of *The Equity* article, please see the March 11, 2015 issue. The Chamber would like to thank the staff at *The Equity* for allowing us to reprint a portion of the article.

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