

THE REPORT

INTERDEPARTMENTAL COMMITTEE
CHARGED WITH ASSESSING THE
PROPOSED RELOCATION OF THE
CASINO DE MONTRÉAL

INTERDEPARTMENTAL COMMITTEE RESPONSIBLE FOR ASSESSING THE
PLAN TO RELOCATE THE CASINO DE MONTRÉAL
REPORT

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BACKGROUND

In autumn 2005 the Ministère des Finances du Québec formed an interdepartmental committee chaired by someone from outside the government with a mandate to study the various development options for the Casino de Montréal¹.

Among the options is moving the Casino into an integrated recreotourism complex in the Peel Basin in the City of Montreal's Southwest Borough.

Involving an estimated total investment of \$1.2 billion, the planned recreotourism complex is a major component of Loto-Québec's 2004-2007 development plan² submitted to the Government in May 2004, and it is important to see its relationship to the main goals set forth in this development plan.

Loto-Québec is focusing on three main orientations.

a) Reconfiguring the video lottery terminal (VLT) system)³. This reconfiguration involves the following factors:

- ◆ *Reducing the number of gaming areas with VLTs by at least 31% over three years and concentrating most of the retrieved terminals in a network of five gaming rooms controlled by Loto-Québec;*
- ◆ *Balancing VLT distribution among the province's regions based on urban zones and taking socioeconomic conditions into account;*
- ◆ *Reducing VLTs on the basis of strict criteria. Thus all VLTs will be removed from establishments with one to four terminals in two types of target zones: areas where average household income is less than \$50,000 and the VLT ratio exceeds two per 1,000 residents, as well as in the four most populated municipalities, i.e. Montreal, Quebec City, Longueuil and Laval;*
- ◆ *Eliminating from the system all VLTs installed on premises that will be closed by attrition over the next three years.*

Thus a total of 1,142 gaming areas with 2,500 VLTs will be closed in bar and brasserie type establishments. The lottery corporation proposes that, of these 2,500 VLTs retrieved from bars, brasseries and taverns, plus the 430 at racetracks, for a total of 2,930 VLTs, 2,200 be moved to the new system of gaming rooms; 1,900 of them might eventually be moved to racetracks. Following the moves, the stock of VLTs should be reduced by at least 730. Loto-Québec estimates that this would still provide a rather

¹ See the Appendix for the statement of its mandate, list of members, and a description of the procedure followed by the Interdepartmental Committee.

² A more detailed description can be found in Loto-Québec's 2004-2007 development plan (May 6, 2004) available on its website.

³ In November 2004 the Government approved the reconfiguration of video lottery terminals as proposed by Loto-Québec in its 2004-2007 development plan.

diverse supply both in urban areas and the regions to prevent the return of illegal terminals with their substantial social costs.

b) Creating an independent agency dedicated to preventing excessive gambling⁴

In Loto-Québec's view, the best way to ensure optimal effectiveness in the battle against addictive gambling is to create a non-profit agency completely independent from both the lottery corporation and the Government: the Conseil québécois pour le jeu responsable (Quebec Council for Responsible Gambling).

This Council would be responsible for all aspects of the problem of excessive gambling. More specifically, it would inherit the following mandates:

- ◆ *To ensure that Quebecers have the information required to reduce the risk of developing gambling problems; closer attention would have to be paid to those more vulnerable in this respect;*
- ◆ *To see that everyone with gambling-related problems receives the necessary treatment and knows where to turn for it;*
- ◆ *To develop and promote awareness programs for the general public and, more specifically, individuals with gambling-related problems;*
- ◆ *To finance research into addictive gambling, particularly the work of the two existing centres of excellence, which are world-renowned;*
- ◆ *To build a reputation as a credible source of information on responsible gambling;*
- ◆ *To undertake a systematic assessment of the strategies and programs launched to counter excessive gambling.*

c) Two options for the future of the Casino de Montréal

Option 1

A major expansion and improvement project on Île Notre-Dame.

Option 2

Creation of an integrated recreotourism complex in the Peel Basin area.

The second option is discussed in more detail below because, even though **the Interdepartmental Committee report essentially focuses on the matter of the future of the Casino de Montréal**, the content of both options proposed by Loto-Québec is essential for understanding the relocation proposal.

The plan to move the Casino de Montréal and create an entertainment centre at Peel Basin was publicly announced by Loto-Québec and Cirque du Soleil (CDS) in June 2005 and followed by numerous public presentations by both partners.

⁴ The Government has not stated its position on this particular point, yet it has decided to increase the annual amount allocated by Loto-Québec for the assistance program for gambling addicts from \$20 million to \$25 million.

In recent months the proposal has given rise to considerable discussion in the Montreal area. This democratic debate is split:

- a) On the one hand, the project is attracting enthusiastic support from groups who see it as the beginning of major urban restructuring in a rundown area of Montreal as well as the potential for substantial economic benefits;
- b) On the other hand, it raises questions leading to tremendous suspicion from some groups and fierce opposition from others. In essence, both groups fear to varying degrees the harmful consequences of gambling for a disadvantaged population ("at-risk" population and problem gambling) as well as the dangers of the social and economic gentrification of southwest Montreal (housing costs) for that same population.

All major socioeconomic projects create this type of polarization which, as time goes by and there are no specific forums for consultation and dialogue that everyone knows about, is likely to stand in the way of a reasonable outcome.

The controversy over moving the Casino de Montréal to Peel Basin has now taken on a life of its own with talks, conferences and statements.

OUTLINE OF THE REPORT

That is the background of this report, which is intended to be an objective synthesis designed to enlighten the Government and help it come to a decision.

The Committee's report is divided into two documents.

The first, which is the Committee's report, contains three sections. The first is a formal description of Loto-Québec's plan. This description will serve as a benchmark insofar as it demands analyzing the proposal's various dimensions. The second section focuses on the comments from the departments involved with key aspects of the project. Finally, the third sets out the Committee's general conclusions on this matter.

The second document holds the full texts of the material produced by the departments concerned as well as any other documentation the Committee considers important. One important note about all significant internal documents produced by and for Loto-Québec: they were made available to the Committee, but their eventual release is at the lottery corporation's discretion.

Section 1 – Plan for an Integrated Recreatourism Complex in the Peel Basin Area

In May 2004, Loto-Québec (“the Corporation”) released its 2004-2007 development plan. The plan has three dimensions, two of which stem from the Corporation’s ongoing concern to promote responsible gambling and its search for greater effectiveness in the battle against problem gambling.

The third facet of Loto-Québec’s development plan covers the imperative of ensuring a sustainable future for the Casino de Montréal. In this part, Loto-Québec emphasized that it considered various options for solving the serious problems facing the Casino – problems that are seriously compromising its future.

1.1 Loto-Québec’s description of an integrated recreatourism complex in the Peel Basin as submitted to the Committee

CASINO DE MONTRÉAL

OPERATIONAL CONSTRAINTS

Although the Casino de Montréal is an undeniable success, it has become a victim of its own success and the problems facing it threaten to undermine that success. These include:

- ◆ The small size of the premises results in substantial crowding in the gaming areas (the worst ratio in the industry) and long waiting times at the restaurants;
- ◆ Road access is complicated and results in long waits during peak periods;
- ◆ There is insufficient nearby parking and shuttle transportation is curbing the number of visitors;
- ◆ Lack of space prevents the presentation of world-class shows;
- ◆ The ability to attract an international clientele is limited due to the lack of complementary facilities (hotel, spa and large theatre);
- ◆ Two of the buildings housing the Casino were built for Expo 67 and have serious problems with obsolescence; the areas for storage and the flow of merchandise and people are well below industry standards.

COMPETITION

The situation is all the more worrisome because the Casino faces fierce competition from the proliferation of gaming venues in the Northeast United States. When the Casino de Montréal opened its doors in 1993, there were only 14 comparable facilities in the region. Today there are over 70, including sophisticated complexes such as the Borgata in Atlantic City and the “improved” Mohegan Sun in Connecticut, built at a cost of \$1 billion U.S. each.

There were no gaming facilities in Ontario when the Casino de Montréal opened. Today the Ontario government operates four commercial casinos, six charity casinos, and sixteen racinos. The second casino in Niagara Falls, which opened in 1994, involved an investment of over \$1 billion Cdn.

The new competition also stems from the fact that most of the recently opened establishments are no longer ordinary casinos as conceived in the 1990s. They are now integrated resorts, with the casino simply one of the complex's components.

The Borgata, which opened in July 2003, has 2,002 rooms, 12 restaurants, a spa and a convention centre. It alone enabled the State of New Jersey to increase its gaming income by 13.7% in the first quarter of 2004. This growth indicates the power this type of complex has in drawing visitors, including Quebecers.

OBSERVATIONS

The Casino de Montréal is already feeling the consequences of constraints and increased competition. Over the past three years attendance has steadily declined, from 6,755,000 in 2001/02 to 6,288,000 in 2004/05, a 6.9% decrease in that period. The trend is continuing in 2005/06: after nine months, attendance is 1% lower than in the same period a year earlier.

During the same time period the Casino's revenue peaked and, despite tight management, operating expenses continue rising due to the cost of labour, obsolescence of the premises, and operations on nine different levels – a situation unique in the world to the best of Loto-Québec's knowledge. As a result, Casino profits have shrunk by \$20 million or 8.5%.

This situation has led Loto-Québec to consider various options for solving the problem.

OPTION 1: THE STATUS QUO

Maintaining the status quo would require Loto-Québec to invest \$80 million over three years simply to preserve the asset and solve the most urgent operating problems. Yet even with that investment, profits are expected to decline by an additional \$20 million over the five years following completion of the work and after substantially rationalizing operating costs.

Since the current Casino de Montréal has reached its limits, the choice is clear. Either we end up with a local casino with all the social and economic consequences that that implies, or we create an establishment in Montreal capable of attracting an international tourist clientele and compete with the new integrated complexes throughout the Northeast.

OPTION 2: CASINO OVERHAUL

The second option considered involved a major overhaul of the Casino on Île Notre-Dame. After being studied, this option was dropped because it would fall short of the objectives. Despite an estimated expenditure of \$700 million, an overhaul would not make it possible to compete seriously with the new entertainment centres in Ontario and the American Northeast, nor substantially increase tourist traffic and generate sufficient new revenue to justify the investment. In addition, it would cause major inconveniences for users of Jean-Drapeau Park over a five-year period.

OPTION 3: THE TECHNOPARC

The third option looked at creating an entertainment centre in the Technoparc area.

Having served as a landfill site for industrial and household waste for over half a century, the site has serious environmental problems. The research and studies revealed that decontamination would cost over \$200 million. Moreover, the City has granted rights to build an open soccer stadium on the site.

OPTION 4: ENTERTAINMENT CENTRE AT PEEL BASIN

The fourth option involves moving the Casino to an integrated recreotourism complex at Peel Basin.

This world-class integrated entertainment complex would include, in addition to the Casino, a hotel, spa, theatre, area for artists (Quai des artistes), outdoor stage, gardens, and yacht harbour.

This project fits into the City of Montreal's strategy and its economic action plan, and is in line with the Société du Havre de Montréal's *Vision 2025* proposal.

BOUNDED SITE

The site spans 2.5 million square feet, 410,000 of which are already owned by Loto-Québec; 1,265,000 square feet would be leased from the Port of Montreal, and the remainder purchased from private owners based on already signed options.

Located in the harbour area, the site lies east of Bridge Street between Wellington and Mill Streets. It is bounded on the east by the Bonaventure Expressway and Lachine Canal, on the south by an industrial zone, and on the north and west by railway tracks, making it difficult to reach on foot. Unlike the current Casino, there is no nearby Metro station.

It is an industrial and commercial zone that for many years was used for port purposes. In addition to enabling clean-up of land heavily contaminated by years of industrial use, carrying out this project would create an important hub of development in the harbour area. The entertainment complex would form a natural link between downtown, the Old Port, and the Technoparc.

GENERAL CONCEPT

The project, developed with Cirque du Soleil (CDS), involves creating an integrated entertainment complex promising visitors an unparalleled experience. Montreal would be able to distinguish itself internationally by means of a complex that would be the only one of its kind in the world because of its diversity, integration with the urban frame, and venue it would create for creative and artistic talent.

The main components of the project are:

- ◆ A high-class hotel with an original design and 300-room capacity;
- ◆ A 2,000-m² spa built under a waterfall;
- ◆ A 2,500-seat theatre for original shows by Cirque du Soleil, world-class musical comedies, and other big hits;
- ◆ The Quai des artistes along the edge of a rehabilitated Wellington Basin to accommodate professional artists who would be invited to undertake projects while in residence for three to six months. This would make it a real permanent residence for artists similar to the Cité internationale des arts in Paris and Toronto's ARTSCAPE Centre;
- ◆ Construction of a high-tech outdoor stage for shows drawing audiences of 8,000 to 10,000 in the garden area, where CDS could also erect its big top;
- ◆ The Casino itself, which would be unique in having a vegetation roof and natural lighting through a large number of skylights;
- ◆ Creation of a marina for visiting yachts in Wellington Basin;
- ◆ Underground parking with 3,000 spaces in addition to 1,000 aboveground spaces near the complex;

- ◆ A monorail connecting the entertainment centre with other parking areas, the future Saputo Stadium and the exhibition centre if it is built. It would also run to an intermodal public transit station that could specifically include the tramway planned by the Société du Havre.

The hotel, spa, discotheque and monorail would be financed and operated by private partners. The theatre would largely be financed by a private partner who would also operate it.

THE KEY PARTNER: CIRQUE DU SOLEIL

The key partner for the project is CDS, which would serve as its artistic director. As such, CDS would:

- ◆ Develop the overall concept, architecture and interior themes, and put its signature on the complex;
- ◆ Program the site's indoor and outdoor entertainment;
- ◆ Produce shows for the theatre and move the launch of its tour shows from the Old Port to the complex;
- ◆ Line up a major partner for the theatre;
- ◆ Create original concepts for the spa, night club and boutiques for which it would bring in private partners as investors/operators;
- ◆ Develop a unique central bar concept for the Casino with original acrobatic and artistic performances;
- ◆ Help market the site through its fame and North American client base;
- ◆ Provide artistic supervision of the project for 20 years to maintain its original character and appeal.

FINANCING BY LOTO-QUÉBEC

All of Loto-Québec's annual net income goes to the Minister of Finance. Since the Corporation has access to capital markets, given the income stream generated by its operation, its investment in the project would be covered entirely by borrowing. Since Loto-Québec loans are not guaranteed by the Government, undertaking this venture would have no impact on either the Government's debt or credit rating.

CAPITAL BUDGET AND TIMETABLE

The following table summarizes the total capital expenditure.

CAPITAL EXPENDITURE (\$millions)	
LAND	\$65.1
Acquisition	\$12.9
Site decontamination	\$50.1
Demolition	\$2.1
CONSTRUCTION AND FACILITIES	\$1,039.8
Casino and public areas	\$390.1
Theatre	\$80.0
Hotel	\$109.9
Quai des artistes, boutiques and spa	\$59.7
Parking	\$171.6
Landscaping	\$123.8
Public transit	\$75.6
Off-site development	\$29.1
SET-UP COSTS	\$73.7
Project completion	\$12.6
Compensation for current occupants	\$43.1
Off-site road infrastructures	\$10.5
Pre-opening expenses	\$7.5
TOTAL	\$1,178.6
Investment by private partners	\$211.8
LOTO-QUÉBEC INVESTMENT	\$966.8

These figures include sufficient inflation and contingency factors to cover the completion schedule of five years following Government approval. The project could be carried out alongside the health sector projects with no significant impact on construction market costs.

Loto-Québec has completed real-estate projects worth over \$1 billion in today's dollars, within the budgets submitted to the Government or its Board of Directors and on time.

ADDITIONAL CLIENTELE

Opening of the entertainment complex is expected to increase visits from within Quebec by 28% a year from 5,549,400 to 7,103,000, and from outside Quebec by 94.7% from 738,300 to 1,437,400.

This estimate of the number of additional visits is based on an analysis of three surveys conducted at the Casino de Montréal, at the Old Port, and with Quebecers by telephone. They sought intentions to visit the new Peel Basin complex, yet without mentioning Cirque du Soleil. Finally, for the sake of prudence, Loto-Québec eliminated 66% of the intentions, considering them improbable. Loto-Québec therefore considers its clientele projections very realistic especially since, for past projects, more modest adjustments to survey results led to underestimating actual clientele.

OPERATING RESULTS

The Peel Basin results were determined relative to the status quo by estimating additional Peel Basin income and expenses compared to those of remaining on Île Notre-Dame. The additional expenses include depreciation of the real estate acquired for the project, amortization of the interest paid during the construction phase, and interest charges on financing the project.

Additional income in the first year of operation would total \$173 million: \$131 million from gaming, \$28 million from restaurants, \$23 million from parking, and \$9 million from shows.

The breakdown of income by client origin is as follows:

	Extant Casino 2011-12	Peel Basin project	Change (%)
- Quebec	\$473.0M	\$538.4M	+13.8%
- Outside Quebec	\$57.0M	\$123.0M	+115.8%

In its first 10 years in operation, the Peel Basin project would generate \$342 million more in net income than the status quo.

ECONOMIC AND TOURISM BENEFITS

Loto-Québec hired Professor Yves Rabeau of the Université du Québec à Montréal (UQAM) to estimate the economic benefits of the Peel Basin project.

	ECONOMIC BENEFITS	
	Construction phase (5 years)	In operation 2011-12
Total jobs	11,900	5,300
Direct jobs	7,600	3,200
GDP	\$810M	\$223M
Québec tax receipts	\$65M	\$25M

SOCIAL BENEFITS

This project will be carried out without reducing the availability of gaming at the Casino de Montréal. Moreover, it should have no impact on the gaming habits of Southwest residents. In fact, the Peel Basin is less than 3 km as the crow flies from the existing Casino and in an enclave. The Casino's client database indicates that, within a 30-km radius, there is no relationship between proximity to the Casino and either gamer visits or average spending.

The project is expected to be carried out in partnership with the Southwest community. In fact, Loto-Québec and CDS have already made commitments in this regard. A preferential hiring and job training program for the Casino de Montréal will be set up in the Southwest Borough as of this year.

Steps will also be taken to encourage purchasing goods and services locally, including from integration and social economy enterprises in order to contribute to the development of the Southwest community.

CDS members have come to realize the potential of circus arts as a tool for personal and social development. In the Southwest Borough circus arts will be used as a means of intervention through two separate programs: the world circus and the circus school.

CDS therefore plans to establish, in continuity with its support programs for cultural organizations, a special program for the Borough to back projects created by local artists that can be displayed at the Peel Basin entertainment complex and to provide local artists who submit projects an ongoing presence in the studios at Quai des artistes.

EXHIBITION CENTRE

Loto-Québec has proposed converting CN's old shops in Point St. Charles into a world-class exhibition centre. The experts consulted believe the entertainment complex would strengthen the exhibition centre's drawing power in the North American market. Moreover, Loto-Québec expects the exhibition centre to make the entertainment complex more profitable and increase its tourism benefits. Loto-Québec here assumes that the exhibition centre will be the focus of a separate study by the Government, and therefore benefits from the exhibition centre are not included in the data in this report.

Peel Basin project guidelines

- ◆ The Peel Basin project makes it possible to transform and expand the vocation of the existing complex on Île Notre-Dame from a facility centred on gambling to an integrated urban recreotourism complex featuring a variety of entertainment.
- ◆ This diversity, associated with the Cirque du Soleil, will give the project its international fame, branding, entertainment and show-business know-how, and creative strength, and enable Montreal to make its mark worldwide through a complex that is unique in terms of variety, integration with the urban framework, and the forum it provides for creative and artistic talent.
- ◆ The Peel Basin project fits into the development plan for the overall harbour area proposed by the Société du Havre de Montréal in *Vision 2025*. The Corporation believes the project could serve as a trigger for the entire recreotourism area of the harbour.
- ◆ Peel Basin's proximity to the Old Port, which has the largest concentration of tourists in Montreal, and to the hotel district reinforces the project's anticipated competitive potential as well as its drawing power in terms of both visitors and income.
- ◆ The project will be carried out without affecting the availability of gaming at the Casino de Montréal.
- ◆ According to internal studies provided to the Interdepartmental Committee by Loto-Québec, moving the Casino to the Peel Basin enclave, or 2.8 km from Île Notre-Dame as the crow flies, will have little or no harmful impact for adjacent Southwest residents in terms of health, housing, traffic, transportation or public safety.
- ◆ Loto-Québec plans to formalize the talks and intensify the dialogue already underway with the Southwest community. For this, Loto-Québec together with Cirque du Soleil hopes to create a coordinating body with organizations representing the community so that they can voice their views and influence development of the project.
- ◆ The Peel Basin project will produce benefits for neighbouring Southwest residents by cleaning up an abandoned site, generating economic and commercial activity for local businesses, including social economy enterprises, by organizing a preferential hiring program and participating in the creation of an employability assistance program. In addition, Cirque du Soleil intends to become more involved in the Southwest Borough by contributing to local organizations as well as by creating its own programs.
- ◆ Loto-Québec alone will bear the construction costs of the Casino and its related facilities. These costs are estimated at \$967 million, including \$50 million for decontamination. The cost of peripheral facilities, namely the hotel, theatre, spa, discotheque and monorail,

will be covered mainly by the private sector. Assuming a \$212-million contribution from private partners, the total investment amounts to an estimated \$1,179 million.

- ◆ Cirque du Soleil's involvement intensifies private partner interest in the related facilities. The presence of such investors is an essential condition for carrying out the project.
- ◆ The current Casino site on Île Notre-Dame will ultimately become Loto-Québec's head office, which is now downtown. The downtown building will be sold and the proceeds used to cover converting the Casino into office space. City approval for the move will be applied for simultaneously with that for the Peel Basin facilities. Because in 2011 the Casino's residual value will amount to \$78.3 million, its use as Loto-Québec headquarters is one of the conditions for carrying out the Peel Basin project.
- ◆ Loto-Québec's share of the financing will be covered entirely by borrowing, since the Corporation has access to capital markets due the income stream generated by its operations. Since Loto-Québec loans are not guaranteed by the Government, carrying out this project will have no impact on the Government's debt or credit rating.
- ◆ Based on internal Loto-Québec studies provided to the Interdepartmental Committee, the planned investment will result in:
 - ▼ An approximately \$173-million increase in Casino de Montréal's annual revenue as of the first year of operation, with \$131 million coming from gaming and \$42 from related facilities;
 - ▼ An incremental increase in revenue averaging 4.7% annually for the first ten years of operation due, among other factors, to the presence of facilities complementary to gaming such as restaurants and the theatre;
 - ▼ An increase in the share of visits to the Casino de Montréal from outside Quebec, which will rise from 11.7% to 16.8% as of the first year in operation (2011-12);
 - ▼ A larger share of gaming income from players coming from outside Québec: from the current 10.8%, this figure will grow by 116% to account for over 18.6% of total gaming income;
 - ▼ A smaller share of income from Quebecers: from the current 89.2% this figure will increase by 13.8 % yet only account for 81.4 % of total gaming income;
 - ▼ An additional \$342 million in net income in the first ten years of operation. The increase will apparently be more modest in the first five years due to the numerous up-front costs that have to be amortized, but in years 6 to 10 net income should grow by approximately \$68 million a year.
- ◆ Loto-Québec's financial projections include paying municipal property and school taxes for the facilities in full.
- ◆ The project's economic benefits are 11,887 jobs a year during the planning and construction phase, 2,890 direct and indirect jobs from complex operations through an annual injection of \$137 million into Québec's gross domestic product (GDP), and 2,376 additional direct and indirect jobs from the extra \$86 million a year in economic activity generated by the complex as a tourist attraction.
- ◆ The project will be subject to an official public consultation process under the auspices of the City of Montreal. If the Government gives its go-ahead in early May 2006, these consultations could get underway in January 2007. Final City approval should be obtained in September 2007. After that it would take about five years before the complex could open to visitors.
- ◆ The Montreal market's natural growth is such that in 2011-12 it could absorb a new 300-room hotel and new 2,500-seat theatre dedicated to major international productions,

especially Cirque du Soleil performances and shows already staged at the existing Casino.

- ◆ All of the expenses incurred in 2004 and 2005 to study options and develop the Peel Basin integrated entertainment complex project have already been posted as Loto-Québec expenditures. None have been capitalized. In those two fiscal years, these costs totalled \$5.7 million.
- ◆ If the Government approves the project on May 1, 2006, Loto-Québec will have to incur an additional expenditure of approximately \$35 million for municipal public consultations with a view to obtaining final approval from the City in fall 2007, as well as to complete and maintain the parcel of land necessary for the project. These costs include the professional fees for drawing up the plans and specifications, as well as for carrying out the numerous complementary technical studies requested by the Government or City of Montreal in the process of project approval. Setting up the project management team and design firm will also entail costs. The cost of acquiring and assembling the land are also included. Moreover, approximately \$7 million of that figure is a provision for GST and QST. If the City approves the project these costs, already included in the project's capital budget, will be capitalized. If the City ultimately denies approval, outlays other than for land acquisition will be posted as expenses in 2007/08.
- ◆ Loto-Québec has proposed converting CN's old shops in Point St. Charles into a world-class exhibition centre. The experts consulted believe the entertainment complex would strengthen the exhibition centre's drawing power in the North American market. Moreover, Loto-Québec expects the exhibition centre to make the entertainment complex more profitable and increase its tourism benefits. Loto-Québec here assumes that the exhibition centre will be the focus of a separate study by the Government, and therefore benefits from the exhibition centre are not included in the data in this report. Committee's preliminary comments

1.2 The Committee's preliminary comments

The Committee agrees with the results of Loto-Québec's study as regards the option of a major overhaul of the Casino on Île Notre-Dame as well as the option of building the new complex in the Technoparc. Rejection of those two options implies that they will no longer be discussed in this report.

The status-quo option raises a different problem. Since the Committee cannot assume what the Government will decide, it would be absurd to rule out this option a priori in the event of a negative decision on the entertainment complex. Therefore the status-quo option has been examined, particularly in terms of finance, by comparing it with the parameters for the new complex.

Construction of an exhibition centre within the context of a recreotourism complex is an important factor. A new exhibition centre in the Montreal area has been the subject of passionate debate for many years among numerous stakeholders, separate from the Loto-Québec project.

As indicated in section 2.1 below on Financial Aspects, the Loto-Québec project assumes financing capital expenditures and operating expenses that will have no impact on the Government's debt; yet that is not the case with the exhibition centre which, regardless of configuration, will require Government commitments either through borrowing for capital expenditures, or budgetary expenditures to absorb some or all of the inevitable operating losses.

In addition to this financial dimension, the Committee feels that the strategic orientations of the Government and City of Montreal regarding the creation of an exhibition centre are not yet firm in this case: the Olympic Stadium, convention centre, Place Bonaventure as well as the intentions of Ville de Laval and Ville de Longueuil with respect to this type of infrastructure.

Even though the Committee realizes that the presence of an exhibition centre would represent added value likely to guarantee more visitors for the recreotourism complex, it feels that the exhibition centre should be treated separately from the plan to relocate the Casino until such time as an adequate financial structure has been developed, and the future of "competing" plans has been decided.

Section 2 - Comments from Departments that are Members of the Committee

2.1 Financial aspects and economic benefits

Loto-Québec pays all of its net profits to the government. In 2004-2005, on sales of \$3,937 million, the Société paid \$1,511 million to the government. This amount includes profits made by the government-owned corporation on all activities it handles as a government agent (lotteries, casinos, video lottery terminals, bingo). In the same year, the Casino de Montréal generated net profits of \$204 million, representing 13% of the total net profits of Loto-Québec.

Increases or decreases in the net profits of the Casino de Montréal therefore have a limited effect on the total net profits of Loto-Québec and on the amount it pays the government. For example, in 2004-2005, a difference of 10% in the net profits of the Casino de Montréal (\$20.4 million) would have resulted in a 1.3% increase or decrease in the amount paid to the government.

2.1.1 Ministère des Finances

ADJUSTMENTS TO THE INCOME OF LOTO-QUÉBEC

ADJUSTMENT TO THE PROFITS OF LOTO-QUÉBEC (\$ MILLION)¹

Scenario	Actual 2004-2005	Cumulative before completion of the Peel project 2005-2006 to 2010-2011 (6 years)	Cumulative after completion of the Peel project 2011-2012 to 2020-2021 (10 years)	Forecast 2020-2021 (1 year)
Status quo (Ile Notre-Dame)	204	1,173	1,499	129
Relocation to the Peel Basin (without exhibition centre)	N/A	1,173	1,841	205
Variance	-	0	342	+ 76

Source: Financial forecasts from Loto-Québec based on financial data for 2004-2005.

⁽¹⁾ Data in current dollars (not updated).

Loto-Québec expects a progressive decrease in profits from activities at the Casino de Montréal over the next 16 years (from \$204 million in 2004-2005 to \$129 million in 2020-2021) if the status quo scenario is used.

Relocation of the Casino to the Peel Basin would generate profits slightly higher than keeping it on Ile Notre-Dame, assessed at \$342 million for the first ten years of operation at the Peel Basin site (2011-2012 to 2020-2021).

The level of net profits in 2004-2005 at the current site (\$204 million) will only be reached in 2020-2021 (\$205 million) with the Peel Basin relocation project.

Early indications are that additional profits resulting from relocating the Casino to the Peel Basin appear rather low.

It must be noted that the purpose of the project proposed by Loto-Québec is not to increase the Casino's profits, but to counter the progressive decrease in profits that would result from keeping the Casino on Ile Notre-Dame (status quo), while respecting the government's desire not to increase gaming facilities.

KEY ASSUMPTIONS

The table below contains the key assumptions on which Loto-Québec forecasts are based.

ASSUMPTIONS

Growth rate	Status quo (Ile Notre-Dame)	Peel Basin
- Facilities (number of slot machines and game tables)	No growth	No growth
- Income from games	1%	2%
- Other income	2%	2%
- Salaries	4%	4%
- Other expenses	2%	2%
Interest rate	5%	5%⁽¹⁾
Number of additional visits, opening year:		
-Quebec	—	1,554,000
-Outside of Quebec	—	699,000
Additional sales, new clientele, opening year (2011)	—	+ \$173 million⁽²⁾

SOURCE: Loto-Québec.

⁽¹⁾ An increase of 100 basis points would result in an increase of \$10 million in interest costs and would reduce Loto-Québec's net profits accordingly.

⁽²⁾ This is additional gross income, not net profits.

The main differences in the assumptions associated with the two scenarios used by Loto-Québec are:

- ◆ relocation of the Casino to the Peel Basin site would attract a new clientele in the first year of operation at the new site (2,253,000 additional visits)
- ◆ additional sales from this new clientele are estimated by Loto-Québec at \$173 million and included as of the first year of operation planned for 2011-2012 (more than half of this additional income would be from clientele outside of Quebec)

- ◆ the higher annual growth rate on income from games at the Peel Basin site (2% compared to 1% with the status quo scenario) is due to improved accommodation capacity, the attraction of the new site and the more complete services available (hotel, concert halls)

The facilities will not be expanded, in accordance with the expressed wishes of the government. The total number of slot machines and game tables will therefore remain unchanged. According to Loto-Québec the additional space planned for the casino would allow for improvements to the layout and atmosphere and make it easier to operate the establishment.

The assumption concerning attraction of a new clientele if the Casino moves to the Peel Basin is mainly based on:

- 1) the experience gained by Loto-Québec as manager and operator of casinos
- 2) surveys conducted during the summer of 2005 with tourists at the Casino de Montréal, the Old Port of Montreal and Quebeckers in telephone interviews, to determine whether they would make additional visits to the new site, as compared to keeping the Casino at the current site

To be conservative, Loto-Québec only took a third of the expressed intentions into consideration in evaluating the number of additional visits. In addition, the surveys did not refer to the association with Cirque du Soleil.

Given these factors, an increase in clientele is very likely, both local and from outside of Quebec, due to the improved and varied services that will be provided on the new site.

Although Loto-Québec used the data from the surveys conservatively, it is important to note the absence of market studies among Canadian and American clienteles. Such studies would provide a greater degree of accuracy than the method used by Loto-Québec to establish whether moving the Casino to the Peel Basin would result in an increase in customer traffic.

Despite the above, the Ministère des Finances has doubts that the level of customer traffic expected by Loto-Québec can be reached in the first year. We must therefore consider that additional sales will be lower than the \$173 million estimated by the Société. However, Loto-Québec could revise its operating expenses so as to reduce the decrease in profits.

COSTS AND FINANCING OF THE PROJECT

Costs associated with the status quo scenario

This scenario entails updating the current casino, which involves capital expenditures of \$80 million over a three-year period. The financing would not be a problem for Loto-Québec.

Costs associated with the project proposed by Loto-Québec

In accordance with the existing Act respecting the Société des loteries du Québec, only Loto-Québec can handle activities related directly to games. Consequently, costs and financing for infrastructure and equipment related to the specific activities of casino games are to be charged exclusively to Loto-Québec.

We must also take into account the cost of infrastructure related particularly to roads and access routes, to be completed and assumed by various levels of government and the municipality.

It is therefore important to identify the elements of the project that can be handled by a partnership with the private sector and those that must be handled exclusively by Loto-Québec, or by the various levels of government and the City of Montreal.

The table below reflects the breakdown of costs on this basis as proposed by Loto-Québec.

PEEL BASIN PROJECT (in millions of dollars)

Project Costs (million \$)				
Elements	Elements exclusive to L-Q	Elements to be handled by a partnership with the private sector	Elements handled by the governments (including the municipality)	Total
Land	65.1			65.1
▼ Acquisition	12.9			12.9
▼ Decontamination and demolition	52.2			52.2
Casino and related fixed assets (parking, landscaping)	714.7			714.7
Interest, construction	90.2			90.2
Other fixed assets and equipment		325.1		325.1
▼ Concert hall		80.0		80.0
▼ Hotel		109.9		109.9
▼ Quai des artistes, businesses and spa		59.6		59.6
▼ Mass transit system		75.6		75.6
Installation expenses		73.7		73.7
Sub-total	870.0	398.8		1,268.8
Infrastructure (roads, access routes)	—	—	N/A	N/A
Total, project cost	870.0	398.8	N/A	1,268.8

Source: Loto-Québec.

Project cost

The project, as presented by Loto-Québec on page 13 in section 1 of the report, shows a total cost of \$1,178.6 million.

However, it does not take into account the cost of interest accrued during the construction period, which would amount to \$90.2 million. This interest must be factored into the total cost of the project, which would actually be \$1,268.8 million.

Risk of cost overruns

Several major projects in recent years experienced significant cost overruns (e.g. : Gaspésia, Métro extension into Laval), attracting severe criticism and undermining public trust in the public administration's ability to properly manage major projects.

It is therefore essential to ensure the quality of the cost estimate prepared by Loto-Québec. The estimate must also be flexible enough to offset any unexpected problems, so that the project is not subject to significant cost overruns.

The risk of cost overruns associated with this project can result from:

- a) errors in estimating the costs
- b) changes to the concept of the project
- c) project management problems
- d) cost overruns related to infrastructure

Cost estimate

Both the cost estimate for the project and the construction work schedule were prepared by CASILOC, Loto-Québec's subsidiary responsible for managing all real estate activities.

The Committee sought an opinion from the Société immobilière du Québec (SIQ) on the reliability of the budget and construction schedule submitted by Loto-Québec. The analyses carried out by the SIQ⁵ focused primarily on:

- ◆ the cost estimate method used
- ◆ the detail of the costs
- ◆ the relevance of the contingency level used
- ◆ the risk factors for cost overruns

The main conclusions of the report submitted by the SIQ are as follows.

- ◆ An examination of the information provided by Loto-Québec shows that the Société used a serious and methodical approach in defining the concept and establishing the budget.
- ◆ The approach used is supported by relevant studies developed by teams of experienced professionals and contributed to by representatives of the construction industry. Project components were analyzed in depth, which means that the project can be modeled realistically, taking the implementation factors and site characteristics into account.
- ◆ The overall net effect of minor variations from the budget are for all useful purposes immaterial. On the strength of the documents prepared by Loto-Québec, the project for a tourist complex at the Peel Basin appears entirely feasible within the cost envelope proposed and according to the schedule submitted, even though the latter is relatively incompressible and rather inflexible.
- ◆ A change to the date for the start of work could have financial repercussions. The cost of work may be subject to inflation estimated at 4% per year (\$40 million) for any work delayed past the start of summer 2007.

⁵ The reference document contains the SIQ's opinion in its entirety.

Concept of the project

The partnership agreement between Loto-Québec and Cirque du Soleil stipulates that:

- ◆ CDS is responsible for developing the thematic concept for the architecture, exterior layout and interior design of the project components ("overall concept")
- ◆ Loto-Québec is responsible for completing the project according to the "overall concept" defined by CDS

Under the agreement CDS does not assume any responsibility for construction of the project or its financing:

- ◆ in fact, CDS does not help to finance the project
- ◆ also, CDS cannot be held responsible for any potential cost overruns

Discussions are underway between Loto-Québec and private sector partners about components other than the casino, but no firm agreements have been signed to date. The "overall concept", as currently defined, might have to be changed in accordance with potential agreements, which could affect costs.

Project management

CASILOC, Loto-Québec's subsidiary responsible for managing all real-estate activities, will be responsible for project management.

This Loto-Québec subsidiary has supervised many projects in the past, including construction of the three existing government-owned casinos and landscaping of the Manoir Richelieu golf club.

CASILOC substantially respected the final budgets presented to the government before work started. Overall, there was a variance of less than 3% in actual costs (\$848 million) compared to the forecasts submitted at the project approval stage (\$824 million).

Although the scale of projects CASILOC has handled in the past is smaller, its results demonstrate that it has acquired the expertise necessary to manage this type of project.

The risk of managing the project therefore appears limited.

Road infrastructure

The capital budget presented by Loto-Québec on page 24 includes among its main components an amount of \$10 million for infrastructure on the site itself.

According to traffic studies prepared for Loto-Québec, the project primarily affects the local road network, and corrective measures are planned to facilitate access to the site.

As for other infrastructure costs outside the perimeter of the recreotourist complex site, the Ministère des Transports du Québec (MTQ) informed the Committee that it has not been asked to contribute financially to the project and that for now, it is not aware of any costs that should be assumed by the Quebec government. Should the project go ahead, the public consultation process will ascertain whether this information is correct.

FINANCING

The table below reflects the financial structure proposed by Loto-Québec.

Distribution of financing (in millions of dollars)				
Elements	Elements exclusive to L-Q	Elements to be handled by a partnership with the private sector	Elements handled by the governments (including the municipality)	Total
Loto-Québec	870.0	187.0		1,057.0
Private sector partners		211.8		211.8
▼ City of Montreal			N/A	
▼ Government of Quebec			N/A	
▼ Federal government			N/A	
Total, financing	870.0	398.8	N/A	1,268.8

Source: Loto-Québec.

Government debt and government income

Loto-Québec plans to finance its entire stake in the project (\$1,057 million) through borrowing. The financial forecasts submitted by Loto-Québec take into account the cost of interest on the proposed loan.

It must be emphasized that only the net profits and net assets of Loto-Québec are entered on the government's books, and that Loto-Québec's debts are not guaranteed by the government and are therefore not considered part of the government's debt.

Loans contracted by Loto-Québec to complete the project would thus have no impact on the government's debt or its interest expense.

Participation of the private sector

Loto-Québec expects that financing from private sector partners will reach \$211.8 million of \$398.8 million (for components to be handled by a partnership).

Discussions are underway with potential private sector partners, but no firm agreements have yet been signed.

If Loto-Québec achieves its objective, the private sector would contribute 53% of the cost of components to be handled by such partnerships.

ECONOMIC AND TAX BENEFITS

Economic and tax benefits for the status quo scenario

The status quo provides no additional economic benefits, since it only involves minor work to update the casino on Ile Notre-Dame and the amount of investment required is not very high.

Economic and tax benefits, Peel Basin project

The Ministère des Finances assessed the economic and tax benefits of the project to relocate the Casino to the Peel Basin, based on the MFQ model for evaluating the impact of economic development projects on tax revenues.

The calculation took into account the variance between activities that would flow after completion of the project and those generated by the existing casino. The forecast is based on the known value of fixed assets (\$1.2 billion) and the number of jobs estimated by Loto-Québec using the trans-sectoral model from the Institut de la statistique du Québec.

Construction of the road infrastructure required for the project was not factored into the calculation. Although costs have not yet been determined for all stakeholders, according to the Ministère des Transports, the government of Quebec should not be asked to contribute financially. These further capital expenditures will add economic and tax impacts to the project.

Relocation of the Casino to the Peel Basin as proposed by Loto-Québec would have positive economic and tax benefits as summarized in the table below.

	CONSTRUCTION (5 YEARS)	RECURRING ACTIVITIES (ANNUAL)
Jobs ⁽¹⁾	11,887	5,266
Tax revenues according to L-Q ⁽¹⁾	\$65 million	\$25 million
Tax revenues according to the MFQ ⁽²⁾	\$39 million	\$14 million

⁽¹⁾ Source: Evaluation by L-Q using the trans-sectoral input/output model on the Quebec economy from the Institut de la statistique du Québec.

⁽²⁾ Source: According to the evaluation method used by the Ministère des Finances to calculate the tax impact of any economic development project.

The difference between Loto-Québec's estimate of tax revenues and the MFQ estimate is due to the fact that the MFQ's method takes federal transfer adjustments into consideration, and also that the incidental taxation amount used consists only of employers' contributions to the Health Services Fund (HSF).

In addition to these benefits, completion of the project may act as an engine for future economic development in the Montreal area.

2.2 Cultural and tourist aspects

As specified in the preceding section, additional income expected from relocating the Casino to the Peel Basin is mainly based on a significant increase in the number of visitors from outside Quebec. Loto-Québec's proposal is based on a reconfiguration of the games facility, with additional income from games due to new players from outside Quebec, and sums generated by activities other than games.

In 1992, together with its mandate to operate casinos in Quebec, Loto-Québec received a mandate to contribute to the development of tourism in Montreal. The scope of Loto-Québec's project must be analyzed in the context of this mandate. The proposal aims to attract more tourists by combining the casino with a tourist centre of international scale including: the presence of Cirque du Soleil, a 2,500-seat concert hall for various artistic and

cultural events, an outside hall for large events and a “Quai des artistes” to showcase Quebec artists.

This section covers the sector-based impact of the project by assessing the reliability of Loto-Québec's forecasts on the effect of visitors from outside of Quebec.

The Committee asked the Ministère du Tourisme and the Ministère de la Culture et des Communications to examine this specific aspect of the Loto-Québec proposal. This section provides a summary of their opinions.

2.2.1 Tourism

The Ministère du Tourisme sent the Committee some comments about setting up an exhibition centre in Montreal and how it would affect tourist traffic.

The Committee then mandated the Chair holder in Tourism at the Université du Québec à Montréal to obtain an opinion of Loto-Québec's forecasts on tourist traffic associated with the Peel Basin project, since that person had already carried out similar work.

MINISTÈRE DU TOURISME

The Ministère du Tourisme based its comments on a sector-based opinion of two studies prepared by Tourisme Montréal about the need for an international exhibition centre and commercial exhibitions in Montreal.

The Ministère's 2003 *Étude sur l'état de la situation des centres de foires dans la région métropolitaine de Montréal* (study on the status of exhibition centres in the Montreal metropolitan area) was conducted under its supervision by Tourisme Montréal at the request of the then Ministère de la Métropole. In January 2005 the Brookings Institution published *Space Available: The Realities of Convention Centre as Economic Development Strategy*, a critical study of the strategy of public administration investment in the infrastructures of trade fairs and business exhibitions, arguing that an increase of display spaces corresponded to a decline in demand. Since the results of this study were contested by other specialists in the sector, particularly for sampling very large events not representative of all activities, Tourisme Montréal decided in 2005 to update its 2003 study.

The results of the 2003 study are based mainly on data from other studies, together with some fifteen meetings with space managers, promoters, influential members from the sector and the authors of earlier studies. The 2005 update is mainly based on a new survey of 72 promoters of active exhibitions in Montreal.

Both studies have general comments on the market for trade fair centres and business exhibitions. The 2005 study has a sharper focus on the satisfaction of promoters with the available supply, their current and anticipated needs, and their interest in the Loto-Québec project.

Overall, the department found the methodical approach of the two studies strict.

Analysis of the North American market shows an increase in the number and surface area of shows, except for a decrease in 2001 and 2002 caused by the events of September 11, 2001. In addition, the Montreal area should benefit from its steady economic growth and brand recognition in the business tourism market. Unfortunately the shortage of available space at certain dates, lack of adequately adapted premises and parking spaces, along with weak marketing efforts, place the metropolis at a disadvantage.

Approximately 65 million square feet days of fair activities were held, 10 million square feet days less than in 2003. In fact, nine organizations have gone out of business or left the city. The 2005 update mentions a market potential of 59 million square feet days, which represents a growth potential of \$78 million in Montreal economic activity. Like Tourisme Montréal, the department believes there is still an unmet need for an international-level exhibition centre in Montreal; it should be at the centre of the island, at the crossroads of transportation links and centripetal forces. For this reason the department submitted a memo to the Cabinet in November, recommending that the exhibition centre aspect of the Olympic Stadium be strengthened so as to reinforce Montreal's position in this market.

According to the department's information, the two studies conducted by Tourisme Montréal are the only analyses currently available on the status of exhibition centres in greater Montreal and competing cities. The data used for the analyses is relevant and the observations are credible. However, as noted by the authors of the studies, they cannot be considered feasibility studies for a project or location.

UQAM CHAIR HOLDER IN TOURISM

After some comments on the approach used by Loto-Québec, the Chair holder came to the following conclusions:

- ◆ The technique used by Loto-Québec to build scenarios of economic impacts flowing from improvement or relocation of the Casino de Montréal is credible. The data seems rather conservative.
- ◆ Some scenarios are based on a low number of respondents, making them unreliable. Results from small samplings (less than 200 respondents, for example) can contain significant variances after extrapolation.
- ◆ In addition, the surveys were conducted prior to the announcement of an agreement with Cirque du Soleil and possibly with the Société du Havre de Montréal. The surveys would have been more accurate had they included these additions.
- ◆ There are limitations on telephone surveys without visual support when it comes to measuring understanding of a concept and the intent to visit. The results must be interpreted carefully, particularly since respondents have a tendency to "show agreement" with a concept like the one presented.
- ◆ It should be noted that people who are not clients of the Casino were only reached through the survey conducted in the Old Port. We do not know the power of attraction of the new complex for potential Ontario, Canadian or American customers who have not visited Montreal recently.

The Chair holder also made certain recommendations and suggestions to better define the potential effects of visitor spending.

- ◆ Apart from surveys conducted regularly by Statistics Canada on foreign visitors, we have partial, incomplete and dated information on visitors who come to Quebec for conferences or business shows (number, length of stay, person nights, level and details of spending). The study by the Chair holder in Tourism (2006) identifies these weaknesses and suggests how they can be overcome.
- ◆ Loto-Québec regularly conducts surveys with visitors to its casinos to determine the general profile of its clientele. The sampling used seems appropriate for determining the characteristics of Quebec customers. The size of the sampling for visitors from outside of Quebec seems more limited in some cases and should be expanded to draw a clearer portrait of the clientele. From a recreotourist perspective, without unduly weighing down the surveys, some additional questions could help complete the characteristics of tourists

(reason for the stay in Montreal, duration, person nights, accompanying people, family income).

- ◆ If possible and realistic, a study should be made of entertainment complexes in cities similar in size to Montreal, in order to compare the practices and strategies used and the results (standardization).
- ◆ It would be interesting to conduct a Web-based survey with a targeted clientele (people interested in gaming, in Montreal, in entertainment). This type of survey would be very useful, making it possible:
 - ▼ to test visually (models of an improved site or of a new site, for example)
 - ▼ to reach a large number of respondents at a reasonable cost and in a short time period
 - ▼ to obtain specific results, due to visual access and the high number of respondents likely to complete the questionnaire. This would improve marketing strategy for the complex, and activities could be tailored to the expectations of customers.

The quality of this type of survey would depend largely, however, on the list of e-mail address to which the firm conducting the survey would have access.

- ◆ It would also be advisable to interview organizers of international exhibitions outside Quebec, wholesalers and tour operators who organize excursions to Montreal or the Casino de Montréal, or who are likely to do so. Given their expertise, and their power as decision makers (to transport many people at the same time or to organize exhibitions), it would be helpful to know their view of the Casino, the future complex, improvements to the existing or future site. Without being a scientific survey, these opinions would be most helpful.

2.2.2 *Ministère de la Culture et des Communications*

Several issues need to be considered in terms of the cultural aspect, such as the archeological potential of the site, the concert hall, outdoor stage and artists' studios. Since many elements of the project are still only in the process of development, the opinion of the department can be provided later, once the studies currently conducted by Loto-Québec are completed.

Protection of archeological heritage

More than half of the land targeted by Loto-Québec's project, approximately 60%, is private property or paragonovernmental (government of Quebec). Such land is therefore subject to the *Cultural Property Act* (L.R.Q., chapter B-4). This law prevents the destruction of certain sites, and articles 41 and 42 of the Act provide the Ministère de la Culture et des Communications with the power to stop work in the event that architectural vestiges are found. The remaining land is federal property (Environment Canada and Port de Montréal).

None of the land is owned by native Indians. There are in fact no sites established by a native Indian population in this sector, in either the prehistoric or historic period. The cultural ownership of sites used is from the industrial period (19th century). There are archeological and patrimonial sites in the sector, the most important of which are: Wellington Basin, Tate basin or dry dock, the walls of the canal, spillway n° 2, canal workways, remnants of warehouses, industrial complexes or other built structures, and the Maple Leaf Mills Ltd. building, currently called Canada Cereal Foods.

The promoters must therefore respect certain principles in completing the project. These include:

- ◆ conducting research and documenting the sector to be developed
- ◆ physically preserving certain documented vestiges
- ◆ physically preserving vestiges as part of the landscaping project
- ◆ informing the public about the historic value of the vestiges

Concert hall

The concert hall planned for the project will have 2,500 seats. It will be managed by a private promoter. The programming has not been determined yet, but should consist of the following three elements: extended shows over longer periods that are not currently seen in Montreal; shows from the hall in the existing casino; and Cirque du Soleil productions. By presenting extended shows over longer periods the planned hall would meet a real need in Montreal, which does not have premises to host this type of production over very long periods.

The Casino hall would not compete with the planned hall for the Montreal Symphony Orchestra (MSO). The latter is an acoustic room that meets very specific needs, which differ radically from facilities planned by Loto-Québec.

However, given that the Casino has a 500-seat concert hall and that the size of the new hall would be 2,500 seats, there are other concerns about the competitive effect on existing halls that present variety shows (Saint-Denis, Bell Centre, Wilfrid-Pelletier, Maisonneuve) of adding so many new seats. Loto-Québec officials will have to address these issues, and studies are already underway, such as impact assessments on private and subsidized distributors. A meeting is planned in the next few weeks to discuss this.

Outdoor stage

A detailed program of shows on the outdoor stage has not been prepared yet. Five or six summer productions and a new Cirque du Soleil show every two years are to be expected. It should be noted that the department and City of Montreal have subsidized the installation of significant infrastructures at Cité des arts du cirque in the Saint-Michel neighbourhood of Montreal (MCC: \$28 million. City: \$5 million), not including recurring operating budgets. The Complexe environnemental et culturel hosts Tohu, an 874-seat hall, outdoor layouts and the École nationale de cirque.

It would also be relevant to evaluate the impact of programming for the outdoor stage on existing facilities. This dimension could be added to the current studies.

Artists' studios

The project calls for a dozen studios that will be made available to artists for periods of approximately two to three months. This portion of the project, named the "Quai des artistes," will be developed in collaboration with Cirque du Soleil. The concept remains to be specified. It presents great potential for artists. As soon as more detailed information is available, the department will be in a position to prepare a more accurate document and will consult with the Conseil des arts et des lettres du Québec (CALQ) or the Société de développement des entreprises culturelles (SODEC) as the case may be.

Conclusion

Based on the preliminary information available, the project has interesting development potential for the cultural milieu. The department may revise its opinion when the current studies are completed. It will remain available to work with Loto-Québec in the upcoming stages of the project.

2.3 Social and socioeconomic aspect

Although the project as a whole has significant potential for generating additional public funds and promoting the development of tourism and culture, it gives rise to a number of social concerns.

The main apprehensions are possible impacts on public health, local socioeconomic effects and increased criminal activity. Generally speaking these are the same concerns as those originally raised when the Casino opened in Montreal.

However, two additional elements must be taken into consideration. First, the move to a community in dire need of revitalization, and second, the relative proximity of a community that is socially and economically fragile.

The Ministère de la Sécurité publique, the Ministère de l'Emploi et de la Solidarité sociale and the Ministère de la Santé et des Services sociaux all conducted analyses with these concerns in mind.

MINISTÈRE DE L'EMPLOI ET DE LA SOLIDARITÉ SOCIALE

The Peel Basin is located on the territory covered by the Pointe Saint-Charles CLE (local employment centre). The 65,000 residents in the CLE territory, as we have seen, are less educated than are residents on the Island of Montreal overall, and unemployment rates in the area are much higher.

The impact of the Peel Basin project on employment, while not negligible, does not appear significant enough either in terms of numbers or types of jobs to constitute the sole reason for abandoning or adopting the project. Other factors, social or political, should also factor into the decision.

If the decision is made in favour of creating an entertainment centre and casino in the Peel Basin area, the Ministère de l'Emploi et de la Solidarité sociale, given its social and economic development mission, could become an agent of change by encouraging project partners and the community to work together. Emploi-Québec offers services for enabling socioeconomic stakeholders to work together to improve how the labour market works. *Concertation pour l'emploi* (joint action for employment) is an opportunity for setting up ad hoc round tables with the aim of identifying local labour market problems and proposing solutions.

An excellent example of how synergy can be created between a newly-arrived company, local partners and Emploi-Québec is the case where Reebok moved some of the production activities of its Hockey division to Montreal's Saint-Laurent district. The division was able to recruit a new labour force with the help of local partners and the CLE, and conclude agreements with partners on the use of local sports facilities for testing new equipment. There are numerous other examples in Quebec of how collaboration between partners and the community can contribute to a project's success (example: development of wind energy

in the Gaspé region, or development of a diamond-cutting business in the Lower-Saint-Lawrence).

A study of projects involving communities and all partners could help define and delineate Emploi-Québec's commitment to the project for moving the Casino de Montréal. The best way of ensuring the success of such a major project is to make the effort needed to develop a strong synergy between all the stakeholders involved.

2.3.1 The Ministère de la Santé et des Services sociaux and the Direction de la santé publique de Montréal

Given the potentially significant elements related to public health issues, the following texts are based on the opinions of the department and agency involved.

Ministère de la Santé et des Services sociaux departmental report

Gambling is a form of entertainment that has consequences for a population's health and well-being. This activity cannot, therefore, be considered in the same way as other goods and services. It involves public health issues and raises serious concerns within communities.

The vulnerability of certain communities to the proposed message requires the organizations involved to proceed with caution. If the Casino de Montréal moves to the Peel Basin area problem gambling will likely increase in the neighbourhood nearby, and there will be a rise in related social and health problems.

Should a decision be made to go ahead with the project, the Ministère de la Santé et des Services sociaux (MSSS) recommends that preventive measures be implemented within the local community in order to mitigate the risks associated with Casino de Montréal's move to the Peel Basin.

Increased efforts will require improving the MSSS' Programme d'aide aux joueurs pathologiques (assistance for problem gamblers) as well as the support offered community groups affected by problem gambling (support and assistance for problem gamblers and their families, suicide prevention, prevention of domestic violence, financial assistance from the Association coopérative d'économie familiale (ACEF), relapse prevention).

Preventive measures targeting the population of Pointe Saint-Charles

Given this population's precarious socioeconomic condition, the department wishes to specify a few of the measures that will have to be introduced:

- ◆ The population of Pointe Saint-Charles will need to be better informed and made more aware of the dangers of problem gambling through regular, ongoing campaigns. The information will need to address the following:
 - ▼ the nature of gambling;
 - ▼ the probabilities of winning and losing;
 - ▼ the risks and consequences associated with gambling;
 - ▼ the signs that gambling has become a problem.
- ◆ Specific measures must be aimed at social gambling networks and groups known to be most vulnerable (such as young people and the elderly). Prevention tools and measures must be developed and made available to such groups.

- ◆ Measures must be introduced to reduce the availability of gambling in the Pointe Saint-Charles territory, especially video lottery terminals.
- ◆ A scientifically sound program must be introduced for monitoring any increase in problem gambling within the community as well as the consequences thereof.

In general, many different strategies will have to be combined in order to limit health problems related to problem gambling. These involve information, awareness, skills development and social change.

This project must contribute to the social and economic development of the community of southwest Montreal and follow the strategies to prevent the spread of problem gambling. To this end the local community must be closely involved in the process.

Preventive measures at the Casino de Montréal

The Casino de Montréal itself must introduce preventive measures, and the MSSS recommends the adoption and dissemination of a strategy for the prevention of problem gambling. Acknowledged experts and Loto-Québec's institutional partners (MSSS, Direction de la santé publique de Montréal, Ministère de la Sécurité publique) should draw it up. It should also attract the community of southwest Montreal. Recommendations will follow practices acknowledged as effective or promising in scientific literature and already used in several countries, including the Netherlands and Australia.

Below is a recap of some of these measures:

- ◆ Casino visitors must at all times be informed and made aware of the risks of problem gambling. Information should focus on:
 - ▼ the nature of gambling;
 - ▼ the probabilities of winning and losing;
 - ▼ the risks and consequences associated with gambling;
 - ▼ the signs that gambling has become a problem.
- ◆ Casino staff need regular and mandatory training about problem gambling, ways to spot players at risk, and the assistance services available on site.
- ◆ Measures for limiting the hazardous impact of table games and slot machines must be implemented.
- ◆ Concrete measures for spotting players at risk must be introduced. In the Netherlands, for example, after a hundred visits players are routinely interviewed by casino staff with respect to their gambling behaviour. For young people between the ages of 18 and 23, this interview is held after 50 visits.
- ◆ Means of obtaining funds on site (ATMs) must be limited.
- ◆ The self-exclusion program that already exists at the Île Notre-Dame Casino must be further developed.
- ◆ Support and assistance services at the Casino for players having problems or undergoing a crisis must also be expanded. For example, telephones with a direct line to the Gambling Help and Referral Hot Line (help, references, SOS Jeux) should be installed.
- ◆ Measures for increasing customer loyalty must be strictly analyzed and their impact on problem gambling assessed. If necessary, limitations must be imposed.
- ◆ Existing measures for the protection of minors must be maintained and further developed. Staff must check the age of visitors at Casino entrances and within the facility at all times.

- ◆ The effectiveness of measures set up at the Casino will need to be evaluated on an ongoing basis by a scientifically sound process. The Casino de Montréal's policy on the prevention of problem gambling must leave room for adjustments and innovative preventive measures.

A code of ethics for regulating the Casino de Montréal's promotional activities

Given the risks associated with the spread of gambling, particularly among young people, Loto-Québec should also plan to implement a code of ethics for regulating all promotional activities of the Casino de Montréal.

RESEARCH REPORT FROM THE DIRECTION DE LA SANTÉ PUBLIQUE DE MONTRÉAL

The Direction de la santé publique de Montréal has conducted research leading it to conclude that gambling, including casinos, results in problems for players, people close to them, and entire communities. This research also found that visitors to the Casino de Montréal come mostly from a limited area surrounding Greater Montreal, and particularly from Montreal itself. The Direction concluded that Loto-Québec's proposed increase in gambling facilities will result in more visitors to the Casino de Montréal, most of them from areas already served, i.e., Montreal and Montérégie. This increased traffic will obviously increase the number of problem gamblers. As with the Casino's current clientele, these people are not randomly drawn from the general population but from groups that are particularly vulnerable: men, young adults, members of cultural communities and the socially and economically disadvantaged. These groups are overrepresented in the communities surrounding the new Casino, as compared to the overall Montreal territory. Gambling facilities in these areas is already higher than in the region overall, and gambling problems are already more prevalent. It must also be noted that the impact of gambling problems in areas that are already vulnerable is more striking than elsewhere, and that the communities' ability to tolerate and counter these negative effects are limited.

Gambling problems are not the only issue involved. We must also consider the repercussions of building the infrastructures involved in what are essentially residential communities. We do not yet know many of the parameters for building a Casino and the necessary related development in the Peel Basin. This lack of information with regard to urban planning, transportation and housing could result in potential health risks remaining unknown until they become impossible to ignore.

The Direction de la santé publique de Montréal estimates that at present, the counter measures to be introduced are insufficient protection against potential health and social problems in Montreal and in the communities located near the Peel Basin.

The Direction therefore concludes that given the actual information on the project's development, guarantees of potential improvements in the state of health of Montrealers are insufficient. More to the point, there are not even indications that the present state of health would be maintained.

Recommendation 1

For these reasons, the Direction de la santé publique de Montréal cannot recommend the Casino project until the factors necessary for the improvement of health and of conditions leading to good health are reviewed in depth and integrated into the current process.

The financial viability of the Casino and recreotourism complex has not been adequately illustrated. More important, as regards the maintenance and improvement of the well-being of the people involved, income forecasts are based on an increase in tourist visitors, namely

“major players.” The goal of 25% tourists was set when the Casino first opened in 1993, but Loto-Québec did not even reach half this figure, at a time when there was practically no competition on the East coast of North America. However, income exceeded the most optimistic forecasts, so much so that gaming spots at the Casino were doubled and hours of operation extended by 60%. This growth in income was mostly generated by local clientele, primarily from the Montréal and Montérégie regions. In today’s context characterized by more and more casino competitors and the overly optimistic projections regarding tourists and “major players”, will local people be expected to provide the needed income? With a planned gambling space of around twice that of the Casino at Île Notre-Dame, the Peel Basin facility could contain a significantly greater number of gambling spots.

Recommendation 2

A symposium or conference, international in scope, should be organized in Québec as soon as possible to establish the parameters for studying the economic and health consequences of the creation of casinos in the context of growing international competition.

A major project such as the one Loto-Québec proposes must necessarily improve the health of local and regional populations, and support the conditions for generating such improvements. An investment of this magnitude obviously calls for planning and integrating mechanisms regarding positive and sustainable benefits to well-being. Issues that have a determining impact on well-being and health must be addressed as a priority: employability and jobs, education and school success, availability of food, quality of life, and development of the territory, to name but a few. The goal must be community development, with local populations or organizations participating in or contributing to the decision-making process.

[] management of an environment in transition through the integration of new urban activities and new clienteles [must take place] with due consideration for the territory’s residential and industrial heritage, in harmony with and for the benefit of the local population.

(Montreal Development Plan, 2005, p. 1)

The project development process should be entirely revised.

Recommendation 3

The project development process must be based on a consensus-building approach among the various stakeholders involved, with regard to the issues identified. These stakeholders are Loto-Québec, the City of Montreal, the boroughs located near the site in question, and representatives of local communities.

Loto-Québec’s initial approach to “sell” its project generated negative reactions from the communities surrounding the planned site. The positions of certain opponents become even stauncher. As the Direction de la santé publique de Montréal sees it, Loto-Québec favoured “marketing” solutions to breaking this resistance, rather than a true consensus-based approach. A more open, disciplined method would have been preferred. The Direction is of the opinion that a social mediation process⁶ is unavoidable, given the current relationship between project promoters and the local population.

⁶ This mechanism, if deemed acceptable by the parties, should lead to sharing concerns, determining the nature and scope of negative effects and developing solutions to limit negative impacts, as part of a process for producing a development plan that takes into account social, health, ecological and environmental factors.

Recommendation 4

If the project is to go forward, the Direction de la santé publique de Montréal recommends a social mediation process between the promoter and the local population.

2.3.2 Ministère de la Sécurité publique

According to the Ministère de la Sécurité publique, there can be three potential connections between gambling and crime:

- 1) profit-based crime by problem gamblers to finance their gambling activities;
- 2) illegal gambling facilities, to meet needs that are not satisfied by what the state provides;
- 3) crime occurring on the fringes of the gambling industry.

The MSP estimates that the project for moving the Casino de Montréal could have crime-related repercussions, particularly as regards crimes committed by problem gamblers and certain types of criminal activity occurring on the fringes of the gambling industry.

Although there is a popular assumption that the presence of a casino causes an increase in the crime rate of neighbouring communities, research in this field is not as conclusive. In fact, the results of studies for assessing the crime-related impact of casinos are rather inconsistent, if not contradictory. Current scientific knowledge does not provide any conclusions as to the relationship between the presence of a casino and an increase in the crime rate.

Past experience in the management of casinos could, however, be an indicator for the future. Data obtained from police forces and the Casino de Montréal's own security department indicates that given their respective traffic, gambling establishments do not appear to provoke an unusually high number of criminal incidents compared to other major urban tourist attractions.

The crime observed appears unplanned, and is not unusually frequent nor unusually serious. Casinos by their nature provide an incentive to financial crime. The traffic, promiscuity and interaction between players can also be a source of conflict, as is the case in many other areas of human activity.

Although Québec's casinos do not seem overly susceptible to problems related to corruption or organized crime, certain information indicates the existence of loan sharking. This must be taken seriously, and steps must be taken to ensure that organized crime does not gain a foothold in the industry. and that the population's confidence in the state's responsible management of gambling activities is not eroded.

The assumption that criminal networks will set themselves up in the Pointe-Saint-Charles neighbourhood and carry out their activities from "storefront operations" initially seems to have little in the way of an empirical basis. Be they prostitution, money laundering or loan sharking, these activities do not require a close presence or "storefront operations", but can be managed from afar, regardless of a casino's location.

As regards problem gambling, while many people believe that problems in disadvantaged communities stem from video lottery terminals in bars, the planned Casino move may likely increase instances of problem gambling in Pointe-Saint-Charles. Given the relationship between criminality and problem gambling, a significant rise in problem gambling could

generate a proportional increase in criminal offences, based on the concentration of gamblers.

The MSP concludes that moving the Casino to the Peel Basin, an enclave, would open up the zone and reduce the isolation, with only a limited effect on crime and public safety, provided that:

- ◆ this new proximity does not cause a significant increase in problem gambling among the residents of neighbouring communities;
- ◆ measures are taken from the outset to limit criminal opportunities and establish an environment that is not conducive to criminal behaviour.

2.4 Land Use Analysis and Urban Development

The establishment of a recreotourism complex such as the one proposed by Loto-Québec on a destructured site could be an opportunity for development and revitalization of this sector of the city, which is worth studying in greater depth.

It is therefore important to examine the Casino relocation project and the various components of the recreotourism centre (hotel, spa, facilities for artistic presentations) in relation to the government's land use planning policies and the policies of the various bodies in the Montreal region regarding land use planning and urban development.

2.4.1 The Ministère des Affaires municipales et des Régions

According to the MAMR, when considered from a land use planning perspective the Casino relocation project to a new entertainment complex in the Peel Basin, in response to government, regional or local (municipal) concerns, makes it possible to:

- ◆ consolidate an urban zone;
- ◆ revitalize an underused urban space;
- ◆ support Montreal's international development;
- ◆ enhance water bodies;
- ◆ complete the tourist attraction of Old Montreal and the Old Port, and strengthen the Lachine Canal's attraction.

On the other hand, special attention must be paid to:

- ◆ planning of mass transit, since two transportation systems are foreseen in the same sector, a monorail and a tramway;
- ◆ the scope of the work for repair of the infrastructure and the road network under municipal responsibility;
- ◆ redevelopment of the Bonaventure Expressway, headed by Société du Havre;
- ◆ repercussions for rehabilitation of the surrounding neighbourhoods;
- ◆ social repercussions of the project on the local community;
- ◆ more detailed evaluation of the financial repercussions for the government of the work as a whole (direct expenditures, government assistance, feasibility study costs).

The entertainment centre project in the Peel Basin represents a fine opportunity to reclaim a devitalized space in the heart of the metropolis. The scope of the project, the diversity of the activities planned and the targeted site make this a structuring project for the Montréal

agglomeration. It is also intended to trigger the biggest project ever developed by Société du Havre de Montréal, whose planning territory extends over 10 km². Several projects involving different public and private stakeholders are under consideration for this territory, including redevelopment of the postal sorting centre, relocation of the Bonaventure Expressway and construction of a soccer stadium. It is therefore important to coordinate all interventions from the viewpoint of sustainable and integrated urban development.

A more detailed analysis will also have to be made of the work relating to the infrastructure, distribution of costs and responsibilities, methods of financing and the timeline of projects that depend on public initiative. There must be a comprehensive planning, development and land use approach. Much reflection is required, not only regarding the entertainment centre project but also regarding the role of all partners in the development of this strategic zone, in order to fully realize the exceptional potential of the Peel Basin and the Montreal harbour sector.

2.4.2 The Ministère des Transports

The project

According to the data furnished by Loto-Québec, the Casino's daily visitors would increase from the current 19,166 per day to 26,640 in 2010. The ratio of access to the entertainment complex would remain the same:

- ◆ 75% by automobile;
- ◆ 25% by public transit (Société de transport de Montréal (STM) network, chartered buses and taxis).

The proposed entertainment complex would join a more comprehensive project proposed by Société du Havre de Montréal (SHM) which hopes to reclaim this sector, in particular by converting the Bonaventure Expressway to an urban boulevard.

Impact on the road network

According to preliminary results of a traffic study prepared for Loto-Québec, over 85% of the traffic generated by the entertainment complex would occur in the evening, between 7 p.m. and 11 p.m., which is a less critical period than the evening and morning rush hours, particularly on road network of the Ministère des Transports du Québec (MTQ). However, the project would still cause an increase in local traffic and require the local network to be reorganized. Private developers and the City of Montreal are expected to provide part of the funding. During the evening rush hour this increase in traffic might affect the use of the Victoria Bridge and its access routes. In fact Bridge Street, the main access to the Victoria Bridge, is adjacent to the site of the future casino.

The MTQ considers that the project's impact on the Victoria Bridge going to the South Shore during evening rush hour will have to be determined, and the effects of redistribution of traffic on the neighbouring bridges will have to be verified.

However, the study prepared for Loto-Québec does not take into account the SHM project to redevelop the Bonaventure Expressway. It should be noted that Loto-Québec's project is part of an integrated vision aimed at rehabilitating the entire harbour sector.

Impacts on mass transit

To serve the entertainment complex, Loto-Québec favours an Automated People Mover (APM) mass transit project, similar to a monorail, which would connect to the SHM tramway project near Peel Street. This is why Loto-Québec's representatives call it a mixed

project. The cost of the APM is estimated at about \$51 million and that of the tramway at \$33 million. The MTQ is not being asked to fund the APM, which would be covered by private developers.

If the SHM Old Port tramway project is not carried out, the entertainment complex might use STM shuttle buses. Discussions on these matters are underway.

The MTQ believes that these two mass transit projects must dovetail in order to avoid gaps caused by transfer between the two systems. It is preferable that only one technology be chosen for service to the entertainment complex and the Old Port.

In addition, the route chosen for the light rail system (LRS) in the Champlain Bridge axis passes through the future site of the entertainment complex. At this stage of the planning, developers of the entertainment complex have not studied the possibility of tapping into this transportation system.

The MTQ believes that Loto-Québec should look into all potential means of providing mass transportation, particularly the LRS project.

The Société du Havre de Montréal project

As the MTQ pointed out above, the entertainment complex project is part of a comprehensive vision proposed by the SHM for reclamation of the sector. This vision provides, in particular, for relocation of the Bonaventure Expressway and its conversion to an urban boulevard. The SHM released the results of a prefeasibility study on October 6 2005. Even though the MTQ is not being solicited to fund this project, it collaborated on the study to estimate trips and traffic. The Bonaventure Expressway is not under the jurisdiction of the Ministère des Transports; it is operated partly by the City of Montreal and partly by the federal government.

By its nature, its scope and the road redevelopment it requires, the SHM project is likely to affect the use of local and regional road networks. The MTQ is concerned about this project in that converting the Bonaventure Expressway into an urban boulevard will have major impacts on traffic flow, especially during rush hours. Indeed, the reduction of capacity will lead to a redeployment of traffic throughout the sector. There will be lineups and greater time required for trips in the axis of the bridges across the St. Lawrence River, Autoroute 15, the Turcot Interchange and the Ville-Marie Expressway. Scenarios for the various new transportation devices should include measures aimed at countering a reduction of capacity in this corridor, particularly measures pertaining to mass transit.

The Bonaventure Expressway and the Champlain Bridge together form one of the most important mass transit corridors in North America. Buses have access to the South Shore and downtown Montreal directly by a reserved lane. The MTQ is concerned about how the SHM project will affect the performance of this mass transit corridor. In view of the suspected effects, the real impact of this project must be studied in greater depth.

The MTQ believes that there should be further evaluation of the regional repercussions of Loto-Québec's entertainment complex within the more general context of the sector's transportation projects, including that of Société du Havre. These analyses should be performed on an integrated basis, taking all the different needs into account.

Conclusion

The MTQ has no objection to the project for relocation of the casino within a new entertainment complex in the Peel Basin, as long as mass transit systems are harmonized. The MTQ is not being solicited to fund this project. According to the traffic studies produced for Loto-Québec, the project has repercussions mainly on the local network. Corrective

measures are being planned with the City of Montreal's representatives to facilitate access to the site.

However, the MTQ is concerned about the potential effect on access to the Victoria Bridge, particularly during evening rush hour, and recommends that the mass transit systems developed for the entertainment complex by Loto-Québec and for Old Montréal by the SHM be harmonized.

Section 3 – General Conclusions

The foregoing analyses point up a basic paradox in the recreotourism complex development plan.

On the one hand, as it stands now, the plan is precise enough for all the stakeholders to understand what is involved (location, financing of the components, profitability). On the other, it does not provide specific answers to many outstanding questions because it is in fact a preliminary proposal. Hence some of the elements cannot really be identified and assessed until they are clarified and the components of the plan are defined.

Therefore it is necessary to review and clarify the essential elements that can move the debate forward.

3.1 Economic dimension

In terms of the target objectives, the plan meets the profit criteria both as a new integrated project and also compared to the *status quo* (see section 2.1). While removing the exhibition centre would have only a relative impact on the profitability of the project, some elements are essential and eliminating them (even partially) could jeopardize the whole project: these elements are the partnership with the Cirque du Soleil and the private sector for the theatre and hotel.

The financial forecasts set a rate of return of 8% after ten years, which is different from the norm in private enterprise. However, this rate is logically compatible with Loto-Québec's assumption of not increasing the availability of gaming but changing its structure (100% increase in tourist business with higher forecast expenses in a wider range of activities). Also, compared to the *status quo*, the proposal should increase sales by \$173 million as of the first year.

3.2 Urban development dimension

From a development perspective, this proposal is one of a series of projects to develop central Montreal. The cumulative effects of these projects could fundamentally change Montreal's urban structure and development potential; some are already a reality in this area: the Lachine Canal, the Old Port and the Quartier international. There are other projects to come: mail sorting centre, numerous housing projects as well as the projects presented by the Société du Havre. Loto-Québec's proposal is seen as a trigger for even more new projects.

Many stakeholders stressed the importance of having a development and financing agreement between the Government of Quebec, the City of Montreal and the federal government to provide a framework for carrying out these projects over the next 10 to 15 years.

3.3 Timeframe

Some of the questions raised by various stakeholders can be answered provided Loto-Québec devotes the necessary time and resources to addressing them. For example:

- ◆ the type of contracts and costs related to Cirque du Soleil's participation;
- ◆ the type of relationships with private partners for the hotel and theatre projects;
- ◆ the outcome of the technical studies, the actual cost of site clean-up;
- ◆ the refinement of some general studies, such as those on tourist flow.

In 2004 and 2005 Loto-Québec spent \$5.7 million, including \$1.7 million paid to the Cirque du Soleil, to find solutions to the Casino de Montréal's problems.

More work must be done to answer the various questions raised by Committee members and to carry out the studies required for the public consultation process.

It has been estimated that this work could cost up to \$35 million in the coming months (approximately 18 months).

These costs include professional fees to architectural and engineering firms to draw up the plans and specifications, and to the Cirque du Soleil as the primary contractor for the project's artistic design. They will also include setting up a project management and coordination office and assembling the land.

The organizational structure of the municipal process consists of the following steps:

- ◆ The City of Montreal and Loto-Québec draft a development agreement that must be approved by the Executive Committee;
- ◆ Consultation by the Office de consultation publique de Montréal will be based on the provisions of this agreement;
- ◆ A permit will not be issued until the entire process has been completed, and then only if the proposal is considered acceptable.

This type of timeframe should allow Loto-Québec to finalize its agreements with the private partners and continue refining its studies, so as to be in a position to provide more complete answers to the concerns raised during this process.

3.4 Social concerns

Three basic problems remain, which can definitely jeopardize the project if coherent and reasonable solutions are not found. These problems are:

- ◆ the impact of this project on high-risk gamblers and problem gambling;
- ◆ the impact of this project on the gentrification of the southwest section of downtown;
- ◆ the mechanisms for proper consultation and participation in defining the problems and solutions.

3.4.1 Public health

The various positions expressed by Committee members illustrate the complexity of the problem.

The "public health" dimension of the proposal has been discussed at some length throughout this document, which includes an analysis of the problems and some very critical observations. The various bodies do not specifically recommend abandoning the project. Both the Ministère de la Santé et des Services sociaux and the Direction de la santé publique de Montréal propose numerous solutions that would help reduce negative social impacts of the plan from the perspective of the main principles governing public health.

The Sud-Ouest Borough Council and some community groups which the Committee met also made concrete suggestions for actions to be taken.

It is therefore essential that the people who will be directly affected be given the opportunity to discuss the issues and take an active role in debates on problem aspects and possible solutions.

3.4.2 Potential impact on real estate values

Community groups and some stakeholders rightfully raise the problem of the structuring of the area: Isn't the project likely to lead to accelerated gentrification of the Sud-Ouest? Such gentrification could cause the cost of land and housing to rise too far and too fast, which would drive out the local population.

This problem is real, but community groups and Loto-Québec were able to envisage solutions. However, unlike purely technical problems, solutions that are acceptable (and accepted by the community) are more difficult to develop, requiring time and inevitable compromises on all sides.

3.4.3 Participation of the community

Solving the various problems raised will depend on getting the local community actively involved, through its local politicians, MNAs and MPs and the Borough Council, as well as the community groups that have many years of experience in this neighbourhood.

These stakeholders have already presented concrete proposals for setting up participation mechanisms (some examples are given in the supporting documents), that differ from but complement official and legal mechanisms such as the Office de consultation publique de Montréal.

3.5 Peel Basin development outlook

In short, the plan to develop an integrated recreotourism complex in the Peel Basin area must be viewed as a preliminary development proposal. There are three possible solutions:

- a) retain the *status quo*;
- b) give definitive approval to the proposal;
- c) authorize Loto-Québec to approach the appropriate authorities in order to submit its proposal to official public consultation processes. The exhibition centre should not be included, however.

In view of the foregoing, the Committee:

- ◆ believes that the plan to relocate the Casino de Montréal to the Peel Basin deserves consideration, because of its positive impact on the City of Montreal's economic and urban development plans;
- ◆ believes also, however, that it would be premature for the Government to make a final decision on this plan because of the questions it raises and the fact that it is a preliminary proposal requiring additional information.

Therefore, the Committee recommends that the Government:

- authorize Loto-Québec to approach the appropriate authorities in order to submit its preliminary proposal to the municipal government's official public consultation process, excluding the exhibition centre;
- ask Loto-Québec to pay \$300,000 so that the Sud-Ouest Borough Council can create a consultation body with a facilitator to discuss local social problems and possible solutions;
- ask the Loto-Québec board of directors to present a final and complete proposal to the Government so that it can make a decision regarding its execution; the proposal must include answers and solutions to the main questions raised in this report, after the municipal government's public consultation process has been completed (approximately 18 months).

MANDATES AND TASKS OF THE INTERDEPARTMENTAL COMMITTEE RESPONSIBLE FOR ASSESSING THE PLAN TO RELOCATE THE CASINO DE MONTRÉAL

In June 2005, Loto-Québec publicly announced that it was planning to move the Casino de Montréal from its current location on Île Notre-Dame to the Peel Basin.

To identify all the issues and impacts, the Government asked the Ministre des Finances to form an Interdepartmental Committee to assess the feasibility and consequences of Loto-Québec's proposal.

Committee's mandate

The Committee was asked to:

- ◆ examine, analyze and compare all the possible scenarios;
- ◆ do a financial analysis of the proposed scenarios;
- ◆ examine possible ways to increase private sector participation in financing the project;
- ◆ assess the social and public safety aspects of the scenarios examined;
- ◆ assess the relevance of building a new 2,500-seat theatre in Montréal;
- ◆ assess the relevance and location of a new exhibition centre in the Montréal area.

It was also agreed that the Interdepartmental Committee would consult the sector departments that may be involved in a particular aspect of the project.

Composition of the Committee

- ◆ Conseil exécutif, represented by Jocelin Dumas, Associate Secretary General.
- ◆ Ministère des Affaires municipales et des Régions, represented by Jean Séguin, Assistant Deputy Minister for the metropolitan area.
- ◆ Ministère de la Culture et des Communications, represented by Christiane Barbe, Deputy Minister.
- ◆ Ministère de l'Emploi et de la Solidarité sociale, represented by François Turenne, Deputy Minister.
- ◆ Ministère des Finances, represented by Jean Houde, Deputy Minister.
- ◆ Ministère des Finances, represented by Yves Lafrance, Assistant Deputy Minister for government corporations and economic projects.
- ◆ Ministère de la Santé et des Services sociaux, represented by Marie-Josée Guérette, Assistant Deputy Minister, Social Services Branch.
- ◆ Ministère de la Sécurité publique, represented by Louis Dionne, Deputy Minister.
- ◆ Ministère du Tourisme, represented by Louise Pagé, Deputy Minister.

Committee Chair

The Committee was chaired by a person from outside the Government, Guy Coulombe.

Committee's work

Each member department was asked to present an opinion regarding the foreseeable or apprehended impact on the department's clients or area of activity. All of the Committee members had the opportunity to meet with Loto-Québec representatives and visit the Peel Basin site where Loto-Québec wishes to build an entertainment complex.

To identify the many and varied aspects and issues in this case and in accordance with his mandate, the Committee Chair personally met with representatives from various sectors.

Government

- ◆ Ministère des Transports (MTQ)
- ◆ Société immobilière du Québec (SIQ)
- ◆ Canada Economic Development
- ◆ Secrétariat général des Affaires autochtones
- ◆ Loto-Québec
- ◆ Société de développement des entreprises culturelles du Québec (SODEC)
- ◆ Nicole Loiselle, MNA for Montréal Sud-Ouest (Saint-Henri—Sainte-Anne riding)

Economic and tourism development

- ◆ Tourisme Montréal
- ◆ Cirque du Soleil
- ◆ Montréal International
- ◆ Board of Trade of Metropolitan Montreal

Urban and municipal development

- ◆ Ville de Montréal
- ◆ Société du Havre de Montréal
- ◆ Quartier international de Montréal
- ◆ Old Port of Montréal Inc.
- ◆ Société d'habitation et de développement de Montréal

Community groups

- ◆ Sud-Ouest Borough Council
- ◆ Regroupement économique et social du Sud-Ouest
- ◆ Action gardien

Public health and research

- ◆ Agence de développement de réseaux locaux de santé et de services sociaux de Montréal
- ◆ Direction de santé publique de Montréal
- ◆ Centre québécois d'excellence pour la prévention et le traitement du jeu, Université Laval

It is also important to note that the Committee's work took place over a relatively short period of time, given the scope of the mandate and the size of the project.