

Budget 2014-2015

BUDGET SPEECH

February 2014

Delivered before the National Assembly
by Nicolas Marceau, Minister of Finance and the Economy,
on February 20, 2014.

*Finances
et Économie*

Québec 



Budget 2014-2015
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QUEBECERS**

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INTRODUCTION

Mr. President:

I have the honour of tabling the budget for fiscal year 2014-2015, our government's second budget.

I am asking for consent to table the following documents:

- the tables presenting the preliminary results of the consolidated budgetary transactions for 2013-2014, as well as the forecasts for the 2014-2015 financial framework.

I am also tabling the Budget Plan and the accompanying documents.

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Budget 2014-2015 is the budget of a government in action:

- a government that is resolutely taking action in favour of the prosperity, solidarity and identity of all Quebecers;
- a government that is taking action to control spending and ensure that all Quebecers benefit from well-managed public finances.

It is also the budget of a government that is taking action differently, by focusing on coherent initiatives that pave the way to the future.

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1. A GOVERNMENT THAT IS TAKING ACTION TO ENSURE PROSPERITY

With Budget 2014-2015, Mr. President, the government is taking action to ensure prosperity.

In November 2012, two months after it took power, the government tabled its first budget. In that first budget, the government presented its economic vision to Quebecers.

That vision was founded first and foremost on job creation, a true engine of our collective and individual prosperity. And to create jobs, investment had to be increased.

I am pleased to be able to say that never in all our history have more Quebecers been working.

- Last month, there were 4 058 000 jobs in Québec.
- The Québec economy created 47 800 jobs in 2013, the best performance in three years.
- The unemployment rate is at its lowest level since the 2008-2009 recession, at 7.6% in 2013.
- The unemployment rate should continue to fall, dropping to 7.4% in 2014.

I am also pleased to say that there has been an upturn in investment in Québec.

- Investment by Québec businesses rose by 12.0% in 2012 and by an additional 1.7 % in 2013, reaching a value of \$35.4 billion in 2013. The year 2012 was a good one, but 2013 was even better.
- The increase in business investment gave rise to an upswing in capital stock in the manufacturing sector, that is, the value of the machinery, equipment and buildings available to workers.

That is good news, but it does not mean that our work is over. Despite the increase in non-residential investment, capital stock in the manufacturing sector has not yet returned to pre-recession levels.

Our efforts are starting to pay off, and our economic growth is improving.

- In November 2013, we had forecast real GDP growth of 0.9% in 2013.
- I am pleased to announce that real GDP growth was instead 1.2%, due in part to the upswing in our exports.
- And, according to conservative forecasts, real GDP should grow by 1.9% in 2014 and 2015. This is also an increase over previous forecasts.

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CONTINUE PUBLIC INVESTMENT AND INCREASE PRIVATE INVESTMENT

As the government underscored in the previous budget, investment is the key to job creation and future prosperity.

* * *

☐ Public investment

Regarding public investment, the former government's management first had to be sorted out.

When we came to power in September 2012, we saw that the government had lost control of public investment. Cost overruns and delays in major projects were more frequent.

We adopted a rigorous management framework to do more with every dollar invested. In less than a year, we saved \$240 million on transportation infrastructure alone, due to a demanding integrity policy.

Public investment is now well planned and well managed, and we are operating at full throttle.

Investment will have already begun in 2014-2015 in the projects respecting the new CHUM, the reconstruction of the Turcot Interchange, the replacement of Montréal metro cars, the McGill University Health Centre and the Hôpital Sainte-Justine, as well as in the renovation of our schools.

The Québec Infrastructures Plan provides for investments of \$90.8 billion over the next ten years, which is considerable. These major investments support and will support a lot of jobs in all regions of Québec.

By comparison, within ten years, these investments will be eight times more than what Québec will receive under the federal government's new Building Canada Plan.

Investments under the Québec Infrastructures Plan will make it possible to continue making up ground toward renewal of the public infrastructure stock. The government's aim is that Québec rapidly return to the situation of 25 years ago, when infrastructure was new and of good quality.

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❑ Private investment

Regarding private investment, the government's efforts since taking power have had a significant impact.

- Between September 2012 and February 2014, the government has provided support for investment projects totalling nearly \$13.5 billion.
- As a result of these projects, a total of nearly 33 000 direct jobs will be created and consolidated in Québec.

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IMPLEMENT THE ECONOMIC POLICY – PUTTING JOBS FIRST

In October 2013, the government made public the Economic Policy – Putting Jobs First.

As the Premier said at the time, it is an ambitious policy backed by substantial resources, with job creation as its absolute priority.

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❑ Four key measures

The government immediately announced four key measures to create jobs in every region of Québec over the short and medium terms.

I have good news about the deployment of these four measures and the effects they are already having on the economy and jobs.

■ Use of surplus electricity

The first of these key measures consisted in using our electricity surpluses to attract investment and create jobs through advantageous rates.

The government decided to put the surpluses to good use by proposing the investment-job pricing offer.

The Spanish company FerroAtlántica availed itself of the offer and announced an investment of \$375 million in Québec to build a silicon metal plant.

Given the strong interest generated by the measure, the government is hoping more projects will take advantage of the investment-job pricing offer, in every region of Québec.

I am announcing that the minimum load threshold for taking advantage of the investment-job pricing offer is reduced from 15 MW to 2 MW, which corresponds to the needs of a manufacturing SME.

The investment-job pricing offer will target several sectors of activity, from the primary sector to the tertiary sector.

As a reminder, all of the measures contained in this budget are explained in detail in the Budget Plan, an integral part of this budget.

Moreover, Québec has one of the largest aluminum industries in the world, providing many quality jobs in a number of regions. The government will adequately address the difficulties currently experienced by this industry.

■ **Acceleration of public investment**

The second key measure consisted in accelerating public investment to renovate schools, modernize community sports and recreation facilities, and renovate and modernize Sépaq facilities.

■ **School renovations**

Regarding school renovations, several projects were announced by the Minister of Education, Recreation and Sports as early as October 24, 2013.

These projects represent investments totalling, at term, \$430.4 million. In all, it is expected that some 1 200 projects will be implemented in spring 2014.

■ **Construction and renovation of sports and recreation facilities**

Regarding the construction and renovation of community sports and recreation facilities, \$80 million was set aside for that purpose. A total of 56 projects were approved and work is about to begin on them.

We are going further still in this direction.

I am announcing an envelope of \$50 million for the Sports and Physical Activity Development Fund, to support the future policy on sport, recreation and physical activity. Among other things, this sum will go toward supporting sports and recreation facilities and organizing international or pan-Canadian sporting events.

■ **Renovation and modernization of Sépaq facilities**

The Société des établissements de plein air du Québec has begun carrying out 38 projects in 11 regions of Québec, representing a total budget of \$16 million.

Other investments, for a total of \$15.7 million, are in a pre-project phase.

■ **Fiscal measures to stimulate investment**

The government defined a third key measure, by immediately adopting fiscal measures to stimulate investment by individuals and businesses.

These fiscal measures took effect as soon as they were announced, in October 2013.

One of these measures, the tax holiday for large investment projects, provided support to, among other things, the Ciment McInnis investment project, in Gaspésie.

This project is estimated at \$1 billion and will lead to the creation of 2 300 jobs during the construction phase, beginning in spring 2014, along with 400 jobs during the operation phase, scheduled for spring 2016.

The same measure also contributed to attracting investment by the firm Ericsson in June 2013.

■ **Investments in Northern Québec to pave the way for the future**

The fourth key measure concerns investments in Northern Québec to pave the way for the future.

Northern Québec offers considerable economic and social development potential. For the government, it is important to ensure the making of continuous and predictable investments required to develop Northern Québec.

The government is emphasizing an environmentally friendly approach that takes into account the Aboriginal and non-Aboriginal peoples living in this vast territory.

This fourth measure is being rolled out in good conditions.

The construction of a mining road in the Otish Mountains has been completed.

- The government renegotiated the agreement signed by the previous government, enabling Québec to save \$124 million.
- Those savings made it possible to help fund the construction of a new shared-access airfield.

Other investments totalling nearly \$20 million in infrastructure designed to train skilled workers are confirmed.

These investments will be allocated primarily to the construction of a multipurpose centre in Sept-Îles and the refitting of a vocational training centre in James Bay, as well as to the acquisition and fitting out of a plant-school in Chibougamau.

I am also confirming that the government is paving the way for the future and future investments:

- by investing in upgrades to Highway 389 stretching from Baie-Comeau to the Labrador border;

- by ensuring access to efficient railway links, in particular to transport ore from the Labrador Trough to the Côte-Nord region.

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❑ Four strategic initiatives

As part of the Economic Policy – Putting Jobs First, and at the same time as these key measures, the government presented an integrated approach that includes four strategic initiatives.

These strategic initiatives will lay the foundation for strong and lasting growth. They will improve the productivity of our businesses.

The Economic Policy – Putting Jobs First illustrates the new way of doing things advocated by the government.

The government is taking action, but it is doing so differently, by being respectful of public funds and concerned with judicious intervention.

- A series of policies and strategies clearly defines the objectives sought and the means adopted for attaining them.
- Afterward, consistency and perseverance must be shown, by deploying the strategies chosen and the means identified in an orderly and methodical fashion.

That is what we are doing, and the approach is already producing significant results on jobs and the economy.

* * *

BUILD A KNOWLEDGE-BASED SOCIETY THROUGH THE NATIONAL RESEARCH AND INNOVATION POLICY

The first of these initiatives aims to build a knowledge-based society through the National Research and Innovation Policy.

The policy was released in October 2013 by the Minister of Higher Education, Research, Science and Technology.

The policy is ambitious. We want research and development investment to exceed 3% of Québec's GDP, compared to 2.4% in 2010.

With this policy, the government is taking action.

- On January 6, 2014, the Minister of Higher Education, Research, Science and Technology launched a call for proposals with a view to recognizing three college centres for technology transfer.
- On January 9, the Minister launched another call for project proposals, concerning the valorization and transfer support program.
- Last week, the government announced investments of more than \$140 million by seven institutes and university research centres in the life sciences sector, in partnership with biopharmaceutical and medical equipment companies, and with government support. The Montreal Heart Institute alone will create 150 new highly skilled jobs.

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IMPROVE THE PERFORMANCE OF QUÉBEC BUSINESSES THROUGH QUÉBEC'S INDUSTRIAL POLICY

The second strategic initiative implemented through the Economic Policy – Putting Jobs First aims to improve the performance of Québec businesses.

The Minister for Industrial Policy and the Banque de développement économique du Québec released Québec's Industrial Policy in October 2013.

Since then, government intervention has supported private investment projects totalling \$3.9 billion. Of that amount, over \$1.8 billion will be invested in the resource regions.

With this policy, the government is providing support and tools to businesses in Québec to enable them to improve their performance and adopt a winning market strategy.

* * *

❑ **Support for high-performing and promising businesses**

I am announcing the inception of the program to identify 300 high-performing and promising businesses nicknamed “gazelles”.

These businesses will receive customized support to accelerate their growth, with a sales figure of at least \$200 million being targeted.

The first 100 businesses will be identified by the end of June, following a call for candidates to be made by the Minister for Industrial Policy and the Banque de développement économique du Québec in the coming days.

* * *

❑ **Financing for startups and venture capital**

In addition, as part of Québec’s Industrial Policy, the government is continuing its efforts to finance business startups and venture capital.

I am announcing the renewal, for five years, of the amounts made available to local development centres to facilitate access to capital for business startups or expansions.

Québec is a leader in venture capital financing, with investments of \$409 million in 2012, or 52% of the Canadian total.

Budget 2014-2015 continues on the same path, with three new initiatives.

First,

I am announcing that the government is increasing the capital of the Anges Québec Capital fund by \$25 million, in collaboration with Investissement Québec.

Second,

I am announcing that we will allow Capital régional et coopératif Desjardins to issue \$150 million in shares for 2014 so that it continues its financial activities in various Québec regions, particularly in places facing economic hardship.

Third,

I am announcing that the government, in collaboration with partners in the private sector, will set in motion the creation of a new fund of venture capital funds in Québec. For its part, the Québec government will invest \$50 million in this endeavour.

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❑ Tax-advantaged funds

Tax-advantaged funds contribute to venture capital financing. They play a strategic role in the financing of SMEs, supporting, in particular, businesses with high growth potential. These funds are very important to the Québec economy.

In recent months, governance issues were raised in relation to the Fonds de solidarité FTQ. The heads of the funds suggested changes to the rules of governance.

I am announcing that the government will propose legislative amendments to tighten the rules of governance of tax-advantaged funds.

These rules will ensure transparent, principled and responsible governance. It is important that Quebecers continue to invest in tax-advantaged funds in total confidence, for the utmost benefit of Québec businesses.

* * *

❑ Regulatory and administrative streamlining

Another way to assist our businesses is to reduce the regulatory burden as much as possible.

Here also, our work is starting to pay off.

In its recent evaluation of the progress made in regulatory streamlining, the Canadian Federation of Independent Business ranked Québec second in Canada.

The new Government Policy on Regulatory and Administrative Streamlining, which I released in January, makes it possible to continue on that path. We want to further reduce regulatory costs, to make our businesses more competitive.

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EXPORT MORE THROUGH THE EXTERNAL TRADE DEVELOPMENT PLAN

The third strategic initiative implemented as part of the Economic Policy – Putting Jobs First is intended to strengthen businesses' export know-how, allowing Québec to increase its presence in outside markets.

As soon as we took power, we stepped up trade missions.

In October 2013, the Minister of International Relations, La Francophonie and External Trade released the External Trade Development Plan.

Results have been obtained.

- On July 12, 2013, Aéro Montréal and Skywin Wallonie signed an agreement to boost their collaboration. These two industrial clusters will combine their efforts to bolster collaboration and innovation in the aeronautics supply chain, in an effort to enhance supplier competitiveness. Through this agreement, Québec businesses will have easier access to the European market.
- In November 2013, \$5.1 million in funding was granted by Export Québec to open nine “incubator”-style business offices in promising markets by 2016. These incubators will facilitate the establishment of businesses in markets outside Québec.
- On January 17, 2014, the Premier announced a \$363-million investment project by the Aldo group. The project will enable the company to significantly increase its sales figure by boosting its international sales.

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TAKE ADVANTAGE OF OUR ELECTRICITY WEALTH, UNDER THE TRANSPORTATION ELECTRIFICATION STRATEGY

The fourth strategic initiative implemented as part of the Economic Policy – Putting Jobs First concerns transportation electrification.

In November 2013, the Premier made public the Transportation Electrification Strategy.

Québec has a considerable comparative advantage, with the availability of renewable electric power and internationally recognized expertise in electric power production, transmission and use.

These advantages will be fully exploited with the Transportation Electrification Strategy.

The strategy encompasses all committed efforts to speed development of electric vehicles, freight transport, and private and public transportation.

- On November 22, 2013, the Premier announced Volvo's Cité Mobilité project, to be carried out in Montréal. This avant-garde project will provide Québec's metropolis with all-electric buses, using a cutting-edge charging method. The buses will be built by Nova Bus, a North American subsidiary of Volvo.
- In December 2013, the Premier and the French Minister of the Economy and Finance announced the creation of a France-Québec working group on the electrification of transportation. The group will foster cooperative projects between Québec and French businesses.
- Lastly, on February 6, the Premier announced that the firm AddÉnergie will establish a plant for the assembly of electric-vehicle charging stations in Shawinigan, creating 100 jobs.

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BEING MASTERS AND PROSPEROUS IN OUR OWN HOUSE

The action taken by the government to create jobs, boost investment and thereby ensure prosperity is impressive.

It is an essential point for our government. The prosperity we envisage must benefit Quebecers, all Quebecers. It is in that sense that our economic policy is one that puts the interests of Québec first.

Its purpose is to mobilize the means necessary to be masters and prosperous in our own house, while remaining open to the world and to the development possibilities it has to offer.

The Food Sovereignty Policy is a good example of this. In advocating food sovereignty, the government aims to have Québec food products account for half of all food products consumed by Quebecers, while supporting a manufacturing industry that occupies a major place in our economy.

Being masters and prosperous in our own house applies in particular to the energy and natural resource sectors.

* * *

□ Take equity interests in oil exploration

Promoting energy independence is a government priority. The next energy policy will focus on this objective.

To foster energy independence, we must reduce our consumption of hydrocarbons, including oil, from outside Québec.

It is in this context that the government wants to confirm the presence of oil deposits in Québec's subsoil. It is time to find out what Québec's subsoil contains, and the only way to do so is through exploratory drilling.

Being masters and prosperous in our own house is ensuring that Quebecers are the first to benefit from the eventual discovery of resources. Thus, by adopting an approach styled on Norway's, the government is announcing the taking of major equity interests in the exploration programs that will enable the oil potential on Anticosti Island to be ascertained.

Two agreements have been entered into with the holders of exploration permits for Anticosti Island.

- The first agreement concerns a \$100-million exploration program to begin using the permits of Pétrolia and Corridor Resources.
- The second agreement provides for an exploration program of up to \$90 million to confirm the potential of the permits held by Junex.

With these equity interests, Québec is taking back control over our resources that had been abandoned by the previous government.

All Quebecers will derive at least 60% of any profits to come from production on Anticosti, which is excellent news. We estimate the potential profits at \$45 billion over 30 years.

By its direct participation in the projects, the government is ensuring that the work carried out meets the strictest environmental and social acceptability requirements.

* * *

❑ Ensuring all Quebecers benefit from mining wealth

In the mining sector, all Quebecers will benefit from the wealth in our subsoil.

The new royalties regime and the new *Mining Act* offer a fair, predictable environment, which will foster investment. We are ensuring that all Quebecers profit from the spinoffs of future investments.

I am announcing that the government will raise its financial participation in mining companies developing resources in Québec, by using, in particular, the \$1 billion in capital from the Capital Mines Hydrocarbures fund.

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❑ Forests, one of our great sources of wealth

Forests constitute one of our great sources of wealth, and they are a renewable source of wealth.

The forestry industry has coped with multiple crises.

Despite an often difficult context, the players in the forestry sector did not get discouraged. They rolled up their sleeves and, with the unfailing support of our government, they are in the process of reviving an industry that has always been a source of pride to us.

The government is currently rolling out its support for the forestry sector with the wood charter and the silviculture program, after the highly productive Rendez-vous national de la forêt québécoise, held in fall 2013.

The government is bringing in a new measure in favour of the Québec forestry industry.

I am announcing an investment of \$10 million through a new fund to speed up development of the residual biomass sector, with a view to energy production.

* * *

❑ Protecting our head offices

Being masters and prosperous in our own house also means protecting the head offices of Québec businesses.

The presence of head offices in Québec is both a major source of wealth and a strategic factor in economic development decisions. It is estimated that head offices employed roughly 50 000 people in 2011 and supported 20 000 jobs with their suppliers.

We mandated a task force chaired by Claude Séguin to examine ways of better protecting Québec businesses from unsolicited takeover bids.

The task force was also mandated to examine ways of keeping and establishing head offices in Québec.

I am tabling today the task force's report.

I am announcing the government's intention to rapidly act on the principal recommendations of the task force concerning the voluntary measures to be authorized under the *Business Corporations Act*, particularly:

- the recommendation enabling business corporations to adopt variable voting rights, depending on the holding period of the shares,
- the recommendation aimed at prohibiting certain operations by companies that receive a takeover bid not approved by their board of directors.

* * *

In the early 1960s, Jean Lesage and René Lévesque inspired the Quiet Revolution with their message “Maîtres chez nous” (masters in our own house).

It was by being bold and visionary that the Québec State created Hydro-Québec as we know it today and imagined the Caisse de dépôt et placement.

Today, we are picking up the torch. We are walking in the footsteps of these builders and taking over the reins of our economy. We will develop our oil and natural resources properly, we will stand firm in protecting our head offices and we will ensure the prosperity of our corporations around the world.

Starting today, not only will we be masters in our own house, but we will also be prosperous in our own house.

* * *

ENSURING THE PROSPERITY OF THE REGIONS, THE METROPOLIS AND THE NATIONAL CAPITAL

With Budget 2014-2015, the government is taking action to ensure the prosperity of the regions, the metropolis and the national capital.

* * *

❑ Québec's regions and municipalities

All regions in Québec benefit from the effort put into creating jobs and fostering investment.

In the regions of Québec where economic activity is more moderate, the government is working to get the public investment projects provided for in the Québec Infrastructures Plan under way as soon as possible.

The government and its municipal partners will soon resume talks to enter into a new Québec-municipalities agreement.

The 2007-2013 agreement on a fiscal and financial partnership ended on December 31, 2013. The government renewed the agreement for one year until a new partnership could be reached.

The government wants to ensure that municipalities have predictable financial levers to meet the challenges facing them, consistent with the taxpayers' ability to pay.

The government did not wait until a new agreement was concluded to support the development of cities and regions.

- As of October 2012, the government created the economic diversification fund for the Centre-du-Québec and Mauricie regions, giving it a \$200-million envelope.
- In November 2012, the government also launched the economic diversification fund for the Des Sources RCM, in the asbestos region.
- In May 2013, the Premier unveiled the government action strategy for the development of the Gaspésie-Îles-de-la-Madeleine region.
- In December 2013, the government launched the National Policy on Rurality.
- The Minister of Transport and Minister of Municipal Affairs, Regions and Land Occupancy recently released the Québec Sustainable Mobility Policy, giving public transit authorities solid financial assistance.

For its part, the federal government recently released the amounts it has set aside to fund infrastructure under the Building Canada Fund.

I am announcing that the government intends to rapidly submit its transportation priorities to the federal government, in particular a request for a \$1-billion contribution to the light rail transit system on the future Champlain Bridge.

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❑ **Montréal, Québec's metropolis**

The government invests substantially in Montréal. The administrative region alone will receive \$34.2 billion in investments by 2023, as stipulated in the Québec Infrastructures Plan, which is in keeping with its economic weight.

The government recognizes Montréal as a true metropolis, with everything that implies in terms of special responsibilities.

I am therefore confirming the reinstatement of the annual payment of \$25 million to Ville de Montréal to help it assume its responsibilities attendant on its status as Québec's metropolis.

In 2017, the metropolis will celebrate its 375th anniversary. It coincides with the 50th anniversary of the World's Fair. So that there is a tangible legacy of this event, the government will support forward-thinking projects contributing to the city's visibility.

I am confirming to this end approximately \$125 million in government funding for four major capital projects, as government legacies, on emblematic sites in the city, namely:

- the refurbishment of Place des Nations and the construction of a panoramic shoreline boardwalk at Parc Jean-Drapeau;
- enhancement of the activities offered on the Espace pour la vie site;
- a new pavilion to the Montreal Museum of Fine Arts;
- a new phase in the expansion of the Montréal Museum of Archaeology and History, in Pointe-à-Callières.

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❑ Québec, the national capital

The city of Québec must also assume special responsibilities attendant on its status as the national capital.

In addition, the city of Québec is a driver of tourism development in Québec.

I am confirming the government's financial support for the project to redevelop the Dalhousie site along the St. Lawrence River.

Several top-flight athletes come from Québec. One of whom left his mark in the annals of the Olympics. I am talking about Gaétan Boucher, the first Quebecer to win two gold medals at the Olympic Games. Gaétan Boucher inspired several Québec athletes who are currently making us so proud at the Sochi Olympic Games.

I am confirming government support for the construction of an indoor ice skating oval in the city of Québec, the Anneau de glace Gaétan-Boucher.

Québec is a heritage city of multiple treasures and a prominent place of culture. Decisions to bring the former Chapelle historique du Bon-Pasteur up to standard and reopen it for the dissemination of music have been too long in coming.

I am announcing the bringing up to standard and the conversion of the Chapelle historique du Bon-Pasteur, to make it available to the public as part of a project compatible with the building's historical and architectural features.



2. A GOVERNMENT THAT IS TAKING ACTION TO STRENGTHEN SOLIDARITY

Mr. President, solidarity is a fundamental value of Quebecers. Solidarity is one of the pillars of government action, which the Premier pointedly underscored in the October 2012 inaugural address. With Budget 2014-2015, the government is taking action to strengthen solidarity.

In October 2013, the Premier and the Minister of Employment and Social Solidarity, Minister of Labour and Minister responsible for the Status of Women released the document *Solidarity: A Precious Asset for Québec*, in which the government presented its version for sustainable solidarity and the new stages in the actions undertaken.

In the document, the government took stock of the initiatives already under way and the new initiatives for taking action in favour of people, for supporting those who help and for paving the way for the future. As part of Budget 2014-2015, the government is taking several major steps to bolster the solidarity policies and ensure their continuity.

* * *

☐ Homelessness policy

Homelessness is a social phenomenon that more than ever touches a chord. In a society as rich as ours, the presence of homeless people affects us all collectively.

Historically associated with the male population, homelessness now affects women, young people, older persons and certain families. Homelessness is primarily present in the urban areas of large and medium-sized cities. Cities far from the major centres are also grappling with it. Moreover, homelessness raises specific issues with respect to the First Nations and the Inuit.

The Minister for Social Services and Youth Protection will soon unveil the first national policy to fight homelessness, along with the action plan setting out the implementation of the policy.

I am announcing that, in 2014-2015, the government will invest an additional \$6 million in outreach services for homeless people, in particular to provide health and social services support and community support.

I am announcing that the government will finance the construction of 500 social housing units for homeless people.

The government will allocate to homeless people twice the number of housing units currently set aside for them.

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❑ Report on patient-based funding in the health sector

I am also tabling today the report by the Expert Panel for Patient-Based Funding, entitled *Pour que l'argent suive le patient*.

The report is the culmination of the in-depth work carried out since March 2012 by the expert panel, chaired by Wendy Thomson.

The expert panel has proposed to the government a comprehensive strategy to support patient-based funding so that the challenges currently facing Québec's health system, such as access to care and the quality and appropriateness of care, can be met.

The expert panel recommends taking action as of 2014-2015 in three areas considered to be priorities, namely:

- access to surgery, through a broader, integrated program;
- emphasis of care quality, through funding based on recognized best practices in the health sector;
- taking charge of patients with chronic illnesses, through funding that facilitates service integration.

The expert panel also recommends investing in clinical and financial information for a better idea of existing needs and the way in which they are addressed by the health system.

I am announcing that the government welcomed all the recommendations of the Expert Panel for Patient-Based Funding, and that it intends to act on them rapidly.

I am also announcing that the government is immediately setting aside \$15 million in 2014-2015 and \$40 million annually for subsequent years, to improve clinical and financial information concerning, in particular, the care provided and the results obtained.

The government will explain shortly, in greater detail, how it will be following through on the recommendations in the report.

As pointed out by the expert panel, implementing patient-based funding in Québec's health system and broadening its use are completely consistent with the government's autonomy insurance project.

I am confirming that the government will continue implementing autonomy insurance.

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❑ **Actions in three strategic areas**

Also to strengthen solidarity, the government is taking action in three more strategic areas.

■ **Affordable housing**

The first area is affordable housing.

I am announcing that the government will fund the construction of 3 250 affordable housing units, including the 500 social housing units set aside for homeless people.

Construction of these new affordable housing units represents an investment of \$270 million for the government.

■ **The social economy**

The government is taking action in a second strategic area, namely, the social economy.

In Québec, thousands of social economy businesses produce goods and services for the purpose of meeting the needs of communities. These social economy businesses are the living illustration of the solidarity within our society. Moreover, they generate substantial socioeconomic benefits.

Our government is very proud to have passed the framework act on the social economy, one of the first of its kind in the world. This framework act recognizes the value of the work of the approximately 150 000 Quebecers carrying on their activities in this sector.

In accordance with our pledge, the action plan flowing from the framework act will be prepared with representatives of social economy businesses. The plan will provide for facilitating access to the government programs for these businesses.

I am announcing that the interest holiday for the Chantier de l'économie sociale Trust is extended for a period of five years, thereby enabling the Trust to fund new social economy projects.

■ **Pension plans**

The third area is that of pension plans.

The government is continuing the work undertaken to meet the challenges posed by pension plans.

The Minister of Labour and Minister of Employment and Social Solidarity is implementing the action plan designed to rectify the financial situation of pension plans. The action plan has been well received and the work is under way.

As a reminder, I would like to point out that, as of July 1, 2014, two million Quebecers who do not have a pension plan will be able to take advantage of the new voluntary retirement savings plans.

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❑ **Lac-Mégantic and L'Isle-Verte**

It is impossible to talk about solidarity without having a thought for the victims of the tragic events in Lac-Mégantic and L'Isle-Verte.

These catastrophes tested the communities' resilience and the continuity of public services. During these events, Quebecers showed exemplary solidarity and compassion.

Municipalities are on the frontlines in responding to such catastrophes. Apart from the nine large urban agglomerations, municipalities almost always have at their disposal only volunteer or part-time firefighters, whose courage and dedication must be emphasized.

The government is concerned about ensuring municipalities have the ability to intervene.

I am announcing the introduction of a financial assistance program that will cover the majority of the training costs for volunteer or part-time firefighters, an investment of \$4 million a year.

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3. A GOVERNMENT THAT IS TAKING ACTION TO PROMOTE OUR IDENTITY

Mr. President, this budget is the budget of a government taking action to promote our identity.

* * *

SUPPORT FOR CULTURE

Québec's identity is reflected in large part in our culture. Culture is what distinguishes us, it enables us to express ourselves and shine on the world stage. Culture—and this is sometimes forgotten—is also a powerful economic engine in all regions of Québec.

❑ The digital cultural strategy

For cultural organizations, the digital revolution is a crucial challenge. It is imperative that they adapt to the new means of information and communication. In fact, entire areas of Québec culture depend on it.

Cultural organizations have scant means with which to rise to this challenge.

The Minister of Culture and Communications will soon unveil the digital cultural strategy. With this strategy, the government will enable cultural organizations to make the technological shift, in particular by replacing existing equipment with digital equipment. I am announcing funding for the digital cultural strategy. The estimated total cost of the strategy, at term, is \$150 million.

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❑ Mécénat Placements Culture program

In October 2013, the Minister of Culture and Communications announced the enhancement of the Mécénat Placements Culture program. This initiative was in response to one of the recommendations of the Task Force on Cultural Philanthropy, chaired by Pierre Bourgie, whose report was tabled the previous June.

Most of the recommendations in the report were implemented in summer 2013.

The enhancement of the Mécénat Placements Culture program meets many of the funding needs of cultural organizations, while stimulating philanthropy.

I am announcing that \$5 million a year in revenue from the specific tax on tobacco will henceforward be allocated to this program to ensure its continuity.

❑ **Orchestre symphonique de Montréal**

Moreover, I am announcing that we will renew the agreement between the Ministère de la Culture et des Communications and Loto-Québec, for the funding of the Orchestre symphonique de Montréal.

The details of these measures will be announced shortly by the Minister of Culture and Communications.

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❑ **Funding of cultural infrastructure**

In the past weeks, several actions were announced to fund cultural infrastructure.

- The Premier kicked off the project to expand the Musée d'art contemporain de Montréal. The project will receive a government contribution of \$18.9 million.
- The government made a contribution of \$30 million to Robert Lepage's Théâtre Le Diamant project in Québec City.
- As I just announced, the government will invest in bringing the Chapelle historique du Bon-Pasteur in Québec City up to standard so that it can be reopened to the public.

I am announcing a government contribution of \$20 million for the construction of the cultural complex in Longueuil, spearheaded by Longueuil's Théâtre de la Ville.

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❑ **The price of books**

An important aspect of supporting culture is to support reading, books and booksellers.

The government has stated its position respecting the debate on the selling price of books. The government will table a bill governing the price of new print and digital books.

This measure will protect Québec's identity and culture. It will also support the biggest sector in the cultural industry, with its roughly 12 000 jobs and annual benefits of nearly \$800 million.

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DEFENDING QUÉBEC'S INTERESTS

Taking action to promote Québec's identity also means defending Québec's interests.

Last week, the Canadian government tabled a budget that attacks Québec's interests head on and flouts the very idea of federalism.

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❑ The return of fiscal imbalance

The federal budget marks the return of fiscal imbalance.

While the federal government will soon start racking up substantial budget surpluses again, Québec and the other Canadian jurisdictions struggle to fund their crucial responsibilities in the health and education sectors.

— In 2011, the federal government unilaterally decided to reduce the growth of the Canada Health Transfer, which will deprive Québec of \$200 million as of 2014-2015, and nearly \$10 billion in ten years' time.

Until Québec takes charge of its future definitively, it is essential that the federal government give back to Québec and the provinces the resources it took away from them through unilateral changes.

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❑ The single securities commission

The Canadian government compounded these cuts to resources by pointless bickering, intrusions and an inexcusable waste of public funds.

Despite judgments by the Court of Appeal of Québec and the Supreme Court of Canada, the Canadian government persists in its plan to create a single securities commission.

The existing system works very well. Through its obstinate determination to intrude in a field of jurisdiction that is not its own, the Canadian government is wasting the time and money of all citizens.

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4. A GOVERNMENT THAT IS TAKING ACTION TO CONTROL SPENDING AND ENSURE QUEBECERS BENEFIT FROM WELL-MANAGED PUBLIC FINANCES

Mr. President, to secure long-term prosperity, it is imperative that we make sure Quebecers benefit from well-managed public finances.

We have been doing this since we came to power.

Budget 2014-2015 confirms our responsible approach to balancing the books in 2015-2016.

I am confirming anticipated deficits of \$2.5 billion in 2013-2014 and \$1.75 billion in 2014-2015.

I am also confirming that the impact of the additional deficits on the debt will be fully offset by supplementary deposits in the Generations Fund as of 2016-2017.

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❑ Successful control of spending

Thanks to the effort shared by all my colleagues, I am proud to say today that, for the first time in ten years, the government has attained its spending targets.

The Public Accounts 2012-2013 show that the government stayed within its spending targets, by introducing rigorous control while protecting public services.

We are doing better than planned and a good deal better than the previous government.

— In 2012-2013, program spending growth was held to 1.2%, the best performance in the last 10 years.

I commend the Chair of the Conseil du trésor for this remarkable performance.

— For 2013-2014, we are maintaining the program spending objective at \$63.8 billion, the same level set in March 2013.

— For 2014-2015 and the following two years, program spending growth is set at an average of 2.0% a year. Consolidated spending will grow at a similar rate.

— By comparison, the increase in program spending under the former government was more than twice as high, at an average of 4.4% a year.

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❑ A demanding objective

The spending objective we have set for ourselves is a demanding one.

It reflects a conviction. We are convinced that job creation and the prosperity it enables are sustainable only if underpinned by a sound financial situation. The challenge is to close as quickly as possible the gap that has emerged between expenditure and revenue since the 2008-2009 recession.

We are taking the means to support investment, stimulate businesses and speed up economic growth. However, it cannot be ignored that the North American and global situations are still fragile.

Consequently, we must move forward with the difficult task of making up lost ground to restore budget balance, despite still-moderate revenue growth.

We have made the choice not to further increase Quebecers' taxes.

- To finish the job of making up lost ground, the government is implementing an action plan for responsible management of public spending.
- We will continue the fight against tax evasion, unreported work and crime.
- Simultaneously, we will maintain the debt reduction objectives.

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RESPONSIBLE MANAGEMENT OF PUBLIC SPENDING

An action plan is necessary to improve the efficiency of public services and optimize the benefits of every dollar spent by the government. Quebecers' ability to pay cannot be stretched any further, and we will respect that.

Our action plan is three-pronged:

- establishing responsible remuneration;
- improving the quality and efficiency of public services;
- improving funding for public services.

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❑ **Responsible remuneration**

First, the government intends to take action on remuneration.

■ **Remuneration of government employees**

The government's aim is to establish responsible remuneration with government employees.

Rigorous spending management necessarily means managing the government's global payroll cost. In 2013-2014, the government's remuneration expenditures stood at \$37.3 billion. They represented 59% of program spending.

For the government, establishing responsible remuneration means both taking into account taxpayers' ability to pay and ensuring competitive pay capable of attracting and retaining public sector personnel. Those are the parameters within which the government plans to arrive at its next pay agreements.

The current pay agreement with the 430 000 government employees ends on March 31, 2015.

In the coming year, the government would like to begin responsible negotiations with its employees, taking into account the government's ability to pay. The government wants a negotiated agreement that is just and fair for all parties.

Economic growth is gradually picking up. Consequently, as in the case of government employees' existing collective agreement, pay increases may be adjustable based on the economy's performance and, consequently, government revenue.

■ **Remuneration of physicians**

The action in respect of responsible remuneration also applies to the remuneration of physicians.

The dedication and top-notch skills of Québec physicians are recognized by all.

In 2007 and 2011, the government entered into an agreement with each federation of physicians. These agreements are in force until March 31, 2015. The pay raises provided for in the agreements were granted primarily to make up for the pay gap between Québec physicians and physicians practising elsewhere in Canada.

In particular, under the agreements, physicians' remuneration has risen by nearly 70% in the past six years, which explains in large part the increase in the health budget. By comparison, during the same period, the remuneration of employees in the public sector has grown a little less than 25%.

For the coming years, the government wants to reach a new agreement with physicians that takes into account, in particular, maintenance of the significant remuneration gains and changes in remuneration compared with the rest of Canada.

Moreover, as part of these discussions, the government would like to spread the planned increases for the next two years over a longer period in the long-term agreement.

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❑ **Quality and efficiency of public services**

Second, the quality and efficiency of public services must be improved.

Population aging and the anticipated shrinking of the labour pool in the coming years will put pressure on both the demand for public services and the government's ability to fund them.

In addition, the federal government unilaterally decided to reduce the growth of the Canada Health Transfer, which will deprive Québec of several billion dollars in revenue.

In response to these challenges, the government is taking action by implementing short-term initiatives aimed at improving the quality and efficiency of public services.

■ **Initiatives for the quality and efficiency of public services**

As part of Budget 2014-2015, the government is announcing a number of initiatives related to the quality and efficiency of public services.

- To enhance funding efficiency and achieve economies of scale, the government will move quickly to examine the possibility of restructuring certain school boards. The government will also move forward on a better framework for their taxing power.
- The government wants public bodies and special funds to exercise very rigorous control over their spending, like all government departments. This tighter control will represent an effort of \$150 million for 2014-2015.
- Implementation of patient-based funding in the health sector will make it possible to stay within budget more efficiently and therefore get more for every dollar invested in health, while improving service access and quality.

■ **Assessment of the value of public services delivered by government departments and public bodies**

The government wants to assess the efficiency of the organization and delivery of public services. Within five years, the government will gradually and systematically examine the value of all services delivered by departments and bodies.

The assessment will bear in particular on the efficiency with which objectives are pursued, the ability to attain set objectives at the least cost and the alignment between programs and the public's priorities.

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□ **Improved funding for public services**

Third, the government intends to improve the funding of public services.

■ **Contribution of non-resident students**

Following the Sommet sur l'enseignement supérieur, we reviewed certain aspects of university funding, particularly the fair contribution of non-residents of Québec.

It is important to emphasize the significant total cost of training them.

While recognizing the undeniable contribution by foreign students to Québec society, the government plans to review all of the exemption and tuition measures respecting them, while ensuring that they continue to pay among the lowest tuition fees in North America.

■ **Parental contribution for childcare services**

The reduced-contribution childcare program was created by the Premier.

This program is one of the Québec government's biggest accomplishments. It is central to Québec's family policy and one of the factors that contributed to the increase in the birth rate.

Since its inception, the program has enabled tens of thousands of women to re-enter the labour market and our children to receive quality care.

As it pledged to do, the government has maintained the childcare rate at \$7 a day until the completion of the network.

Since the previous budget, the Minister of Families has been very active. Thousands of new spaces are currently in development. The network will soon be completed and young families will finally have a place for their child.

I am announcing that, as of September 1, 2014, the rate for childcare services will be raised to \$8 a day, then to \$9 the following year, and will be indexed in subsequent years.

We are making this adjustment gradually so that families can take it into account in their budget.

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CONTINUE THE FIGHT AGAINST TAX EVASION, UNREPORTED WORK AND CRIME

The fight against tax evasion, unreported work and crime is a priority for the government. The fight must be stepped up.

The government has taken concrete action to that end, in particular by giving more means to the Unité permanente anticorruption. The government has also intensified the joint activities of the mixed regional squads and Revenu Québec, to recover crime revenue.

In 2012-2013, Revenu Québec's tax audit and recovery efforts brought in \$3.5 billion.

In the restaurant sector, tax losses were evaluated at \$420 million in 2008. Thanks to the installation of sales recording modules, a total of nearly \$300 million will be recovered annually.

Given the success of that project, I am announcing that sales recording modules will also be installed in bars and resto-bars, starting in fall 2014.

In the construction sector, annual tax losses are estimated at \$1.5 billion, and we must step up our efforts.

I am therefore announcing the implementation of a series of measures to fight tax evasion and unreported work in the construction sector.

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MAINTENANCE OF DEBT REDUCTION OBJECTIVES

Mr. President, sound public finances presuppose debt burden reduction.

The government is maintaining its reduction objectives with respect to the gross debt and the debt representing accumulated deficits by 2025-2026, in order to ensure economic growth and deliver quality services to Quebecers.

It is during periods of economic growth that debt reduction must continue, especially now that rapid population aging has started.

To fully offset the anticipated deficits in 2013-2014 and 2014-2015, the government is maintaining, as planned, the additional deposits of \$425 million a year in the Generations Fund, as of 2016-2017. With its new sources of dedicated revenue, the Generations Fund will reach \$17.2 billion in 2018-2019.

For the government, it is crucial to reduce the debt growth rate and the debt-to-GDP ratio.

Thus, the government has never been more determined to meet its debt reduction objectives.

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CONCLUSION

Mr. President, Budget 2014-2015 is the budget of a government taking action to create jobs and ensure Quebecers benefit from sound, well-managed public finances.

At the end of the recession, the previous government chose to take the too easy road in restoring budget balance by raising taxes. It was a drag on our progress.

Today, some suggest taking a false shortcut and slashing spending.

For our government, that is simply not an option.

Such an approach would only slow growth, cut jobs and reduce public services.

Our government prefers prosperity to austerity.

And that prosperity depends first and foremost on us.

I am going to take this opportunity to quote René Lévesque, who, in 1977, in this very room, proposed the economic liberation of our people:

“The government’s economic development philosophy is very clear: we plan to emphasize first and foremost all factors specific to Québec. These factors are sufficiently numerous and rich in potential to make us truly prosperous, provided we create that prosperity ourselves. Undoubtedly, we can and must expect promising contributions from outside Québec, but we must never expect overall progress to be presented to us gift-wrapped. Like all peoples, Quebecers must rely first on themselves and on their own resources.”

Today, 37 years later, we are convinced more than ever that the Québec people must have at their disposal all the levers to ensure their future.

Our land is rich in resources and our people are richer still in creativity, ingenuity and intelligence.

All that is necessary now is to be masters and prosperous in our own house.

Mr. President, I am proposing that the National Assembly approve the government’s budgetary policy.

Thank you.



Québec government
Summary of budgetary transactions
Forecasts for 2013-2014
(millions of dollars)

	2013-2014
BUDGETARY REVENUE⁽¹⁾	
Own-source revenue	53 148
Federal transfers	16 669
Total	69 817
BUDGETARY EXPENDITURE⁽¹⁾	
Program spending	-63 825
Debt service	-8 510
Total	-72 335
CONSOLIDATED ENTITIES	1 215
Contingency reserve	-125
SURPLUS (DEFICIT)	-1 428
Deposits of dedicated revenues in the Generations Fund	-1 072
BUDGETARY BALANCE⁽²⁾	-2 500

(1) Corresponds to the revenue and expenditure of the general fund.

(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

Québec government
Summary of budgetary transactions
Forecasts for 2014-2015
(millions of dollars)

	2014-2015
BUDGETARY REVENUE⁽¹⁾	
Own-source revenue	55 085
Federal transfers	16 498
Total	71 583
BUDGETARY EXPENDITURE⁽¹⁾	
Program spending	-65 132
Debt service	-8 601
Total	-73 733
CONSOLIDATED ENTITIES	1 696
SURPLUS (DEFICIT)	-454
Deposits of dedicated revenues in the Generations Fund	-1 296
BUDGETARY BALANCE⁽²⁾	-1 750

(1) Corresponds to the revenue and expenditure of the general fund.

(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

Québec government
Budgetary revenue of the general fund
Forecasts for 2014-2015
(millions of dollars)

	2014-2015
OWN-SOURCE REVENUE	
Income and property taxes	
Personal income tax	20 541
Health Services Fund	6 901
Corporate taxes	3 908
	31 350
Consumption taxes	
Sales	15 336
Tobacco	887
Alcoholic beverages	462
Other	18
	16 703
Duties and permits	
Natural resources	146
Other	280
	426
Miscellaneous revenue	
Sales of goods and services	376
Interest	513
Fines, forfeitures and recoveries	664
	1 553
Revenue from government enterprises	
Hydro-Québec	2 829
Loto-Québec	1 181
Société des alcools du Québec	1 010
Other	33
	5 053
Total	55 085
FEDERAL TRANSFERS	
Equalization	9 286
Health transfers	5 238
Transfers for post-secondary education and other social programs	1 571
Other programs	833
Allocation to FINESSE of a portion of health transfers	-430
Total	16 498
TOTAL BUDGETARY REVENUE	71 583

Québec government
Budgetary expenditure of the general fund
Forecasts for 2014-2015
(millions of dollars)

	2014-2015
PROGRAM SPENDING	
Santé et services sociaux	32 196
Éducation ⁽¹⁾	17 089
Other departments	15 847
Total	65 132
DEBT SERVICE	
Direct debt service	5 552
Interest on the retirement plans liability	3 065
Interest on the employee future benefits liability	-16
Total	8 601
TOTAL BUDGETARY EXPENDITURE	73 733

(1) Includes spending allocated to the Ministère de l'Éducation, du Loisir et du Sport and the Ministère de l'Enseignement supérieur, de la Recherche, de la Science et de la Technologie.

Québec government
Summary of consolidated transactions
Forecasts for 2014-2015
(millions of dollars)

	2014-2015
CONSOLIDATED REVENUE	
Personal income tax	27 646
Contributions for health services	6 434
Corporate taxes	6 231
School property tax	1 832
Consumption taxes	17 369
Duties and permits	2 323
Miscellaneous revenue	9 787
Government enterprises	5 053
Revenue of the Generations Fund	1 296
Own-source revenue	77 971
Federal transfers	18 282
Total consolidated revenue	96 253
CONSOLIDATED EXPENDITURE	
Expenditure	-85 742
Debt service	-10 965
Total consolidated expenditure	-96 707
SURPLUS (DEFICIT)	-454
BALANCED BUDGET ACT	
Deposits of dedicated revenues in the Generations Fund	-1 296
BUDGETARY BALANCE⁽¹⁾	-1 750

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

Québec government
Non-budgetary transactions
Forecasts for 2014-2015
(millions of dollars)

	2014-2015
INVESTMENTS, LOANS AND ADVANCES	
General fund	-874
Consolidated entities	-553
Total	-1 427
CAPITAL EXPENDITURES	
General fund	
Investments	-208
Amortization	159
Subtotal	-49
Consolidated entities	
Investments	-8 904
Amortization	3 678
Less: PPP investments	1 037
Subtotal	-4 189
Total	-4 238
RETIREMENT PLANS AND EMPLOYEE FUTURE BENEFITS	3 133
OTHER ACCOUNTS	
General fund	-213
Consolidated entities	300
Total	87
TOTAL FINANCING TRANSACTIONS	-2 445

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

