

2008-2009 BUDGET

Budget Speech

Delivered before the National Assembly
by Monique Jérôme-Forget,
Minister of Finance,
Minister of Government Services,
Minister responsible for Government Administration
and Chair of the Conseil du trésor,
on March 13, 2008.



This document is printed on completely recycled paper, made in Québec, containing 100% post-consumer fibre and produced without elemental chlorine.

2008-2009 Budget

Budget Speech

Legal deposit - Bibliothèque et Archives nationales du Québec
March 2008

ISBN 978-2-551-23645-9 (Print)

ISBN 978-2-550-52068-9 (PDF)

© Gouvernement du Québec, 2008

Prudence and discipline

INTRODUCTION	3
1. REWARDING INVESTMENT	9
Stimulating business investment	9
Investing in innovative activities	11
Developing the economic potential of our land	12
2. DEVELOPING THE KNOWLEDGE AND SKILLS OF QUEBECERS.....	15
Investing in higher education.....	16
Implementing the Employment Pact	17
3. SUPPORTING FAMILIES AND THE WELL-BEING OF QUEBECERS	21
Supporting families.....	22
Improving the quality of life of our seniors.....	23
4. STAYING THE COURSE TOWARDS SUSTAINABLE DEVELOPMENT	27
Supporting the development of clean technologies	27
Protecting and enhancing our natural heritage	28
5. MEETING THE PUBLIC FINANCE CHALLENGE	31
Reducing the debt burden	32
CONCLUSION	35

INTRODUCTION

Mr. President:

I am presenting today my second budget as Finance Minister.

My first budget was inspired by rigour and transparency. This one is marked by prudence and discipline.

This budget was prepared in a context that has changed considerably compared with last year.

Our economy is doing well despite the fact that we are facing a period of economic slowdown. When the sea is rough, we must keep a firm grip on the helm to stay the course toward our objectives.

The U.S. economy is experiencing difficulties. Some even speak of a recession. Québec is not insulated from the North American economic context. No less than 75% of our international exports head to the United States.

However, the actions taken by our government should enable Québec to avoid a recession. The one billion dollars in tax cuts that took effect on January 1, combined with massive investments in infrastructure and energy development, are sustaining our economic activity.

We forecast 1.5% economic growth in Québec in 2008. The economic growth forecast in the previous budget was 2.5% for the current year. In other words, our leeway is reduced.

Mr. President, our government has shown foresight. We have established a \$1.8-billion budgetary reserve. The reserve was generated from additional revenues freed up in recent fiscal years. We have chosen to set them aside rather than spend them.

This reserve will be used to balance the budgets of the next two fiscal years. We will therefore be able to absorb the shock of the economic slowdown without raising taxes and without scaling back public services. That is what I call governing responsibly. That is what I call acting “en bonne mère de famille”.

Mr. President, the time has come for prudence and discipline.

I am announcing:

- that this budget is accompanied by a five-year financial framework that shows that we are balancing the budget; and
- that, contrary to what some are hoping, this budget provides for no tax increases.

This budget is realistic despite the winds of adversity. Politics is about making choices. This is all the truer when there is limited leeway.

We are choosing to take strategic action that will contribute to propelling the Québec economy forward.

Mr. President, it was Winston Churchill who said: “The pessimist sees difficulty in every opportunity. The optimist sees opportunity in every difficulty”.

We see opportunities for Québec in the current economic context.

Mr. President, our standard of living is enviable in a global context. But it is still below that of our neighbours. Our per capita gross domestic product is 17% below Ontario’s and 25% below that of the United States.

This budget aims to enhance the standard of living and well-being of Quebecers.

This budget is in line with our government’s vision for the future: opening up a new economic space for Québec.

The slowdown in the U.S. economy highlights the importance of further diversifying Québec’s export markets.

For the past five years, the premier has promoted Québec’s openness to the world. As the premier said: “Each time Quebecers have opted for openness, Québec has benefited”.

How are we going to create this new economic space for Québec?

- By opening up new markets in Europe for our businesses through the launch of negotiations for a Canada–European Union transatlantic accord;
- By negotiating the creation of a true barrier-free market with Ontario;
- By negotiating a new space for mobility of Quebecers, for example through a Québec-France agreement to recognize skills and qualifications;
- By negotiating a Canadian labour mobility agreement no later than August 1, 2009, as agreed by the Council of the Federation.

Our government has already multiplied its efforts to open new markets.

- We ended the long-standing conflict with Ontario over labour mobility in the construction industry.
- We carried out several trade missions in China and India, two countries that are developing at an astounding pace.
- We carried out a joint trade mission to Mexico with France.
- The premier has also forged close ties with the New England states and, more recently, with the southern U.S. states.

Mr. President, the world has become a global village. Some see that as a threat. We, on the other hand, believe we must seize the extraordinary opportunities that arise for Quebecers.

We have demonstrated our ability to be world leaders in areas as competitive as energy, consulting engineering, the aerospace industry, pharmaceutical and biotechnological research, health sciences and digital technologies.

This budget will help give us the means to fulfil our ambitions. We are taking determined action.

Québec absolutely must improve its productivity in order to penetrate foreign markets.

In 2006, our GDP per hour worked was \$44, compared with \$49 in Ontario and \$57 in the United States.

Why become more productive?

- To provide better care.
- To provide better education.
- To better support the most disadvantaged among us.
- And to have higher wages and income.

With this budget, we are taking the means to do just that.

Mr. President, this budget is taking fundamental steps to enable us to seize the opportunities that arise.

My budget has five parts, which are all related to improving our standard of living and quality of life.

First. Our enterprises must be modernized. We are stimulating investment.

I am announcing the immediate, complete elimination of the tax on capital for all Québec manufacturing companies.

I am also announcing a new investment tax credit for all regions.

Second. We have to develop our greatest source of wealth: the talent of Quebecers. We are investing in education and training.

I am announcing an additional investment of \$250 million over five years in Québec universities.

This investment is over and above the additional federal contribution of \$187 million a year for higher education.

I am also announcing an Employment Pact that will enable as many Quebecers as possible to integrate the labour market and participate in the advancement of Québec.

Third. Economic development has meaning only if it contributes to social progress. We are doing more to support families, children and seniors.

I am announcing the creation of 20 000 new daycare spaces over five years.

I am announcing a substantial improvement in the tax credit for child care expenses.

I am also announcing the creation of two funds—one to stimulate the development of children from underprivileged backgrounds, and the other to support informal caregivers.

Fourth. We must protect the environment while achieving sustainable development. We are developing clean technologies.

I am announcing a new Québec green technology strategy.

Fifth. Respecting intergenerational fairness is an important principle for our government. We are stepping up the fight against the debt.

I am announcing that Hydro-Québec will henceforth pay 75% of its net profit to the government in the form of dividends, which will reduce government borrowings.

Mr. President, this budget turns adversity into opportunity.

This budget builds on the foundations of my first budget, which also tackled fundamental issues.

- Our infrastructure had been neglected. We delivered a five-year, \$30 billion renewal plan.
- Quebecers, and middle-class families in particular, were paying too much income tax. We delivered one billion dollars in tax cuts. We no longer bear the heaviest tax burden in North America.
- Corporate taxation was a drag on investment. Today, we are rewarding investment.
- Our debt burden was becoming too heavy to bear. We accelerated deposits in the Generations Fund.

Mr. President, the budget I am tabling today is intended to be a rallying budget. I want to thank the opposition parties. I met with the representatives of both opposition parties several times. Although we disagreed on several subjects, I felt that the climate of discussion was consistently serene. Quebecers' decision to give us a parliament of cohabitation must bring out what is most noble in each of us.

☺ • ☺

1. REWARDING INVESTMENT

Mr. President, I have come to the first part of this budget: stimulating and rewarding business investment.

Québec businesses must adapt to economic changes marked by the new reality of parity between the Canadian and U.S. dollars and by increasingly stiff international competition.

To keep pace and seize opportunities, our businesses must invest. This will enable them to develop products and services that differ from the competition's and that will extend our know-how to new markets.

Thousands of businesses are successfully meeting these challenges and carrying Québec's accomplishments to the four corners of the earth.

- Les Produits Gilbert inc., a Saguenay-Lac-St-Jean company, is specialized in forestry equipment. It has taken its place on the North American market, but also in Sweden and Germany.
- Demtec, in the Centre-du-Québec region, and Maison Alouette, in Estrie, have carved out a place for themselves in the affordable housing niche, in the United Kingdom.
- Les équipements de forage VersaDrill inc., in Abitibi-Témiscamingue, exports on a global scale: Morocco, Peru, Chile, China, Bolivia, Venezuela and the United States.

These examples are inspiring. They show us that Quebecers shine in all sectors of economic activity. This budget supports the modernization of our businesses.

Stimulating business investment

In recent years, Québec firms have stepped up investment. But they must do more. From 1989 to 2006, the rate of investment in machinery and equipment as a percentage of GDP was on average:

- 6.5% in Québec;
- 7.0% in Ontario;
- 7.9% in the United States.

Québec is moving forward. But our neighbours are moving forward too, and more rapidly. We must pick up the pace.

One direct way to spur investment and productivity gains is to reduce the burden of the tax on capital. This tax is a drag on investment.

I am announcing the immediate, complete elimination of the tax on capital for all manufacturing companies. We are thereby encouraging another 14 300 Québec businesses to invest and modernize.

And let us not forget, Mr. President, that last year we announced a gradual reduction in the tax on capital, until its full elimination, for all other economic sectors, as of the end of 2010.

In addition, I am announcing a three-year extension of the accelerated capital cost allowance for manufacturing and processing equipment.

All the measures contained in this budget are explained in detail in *Additional Information on the Budgetary Measures*, an integral part of this budget.

* * *

We believe in this fight to improve productivity and, consequently, we are going still further. Not only are we removing the tax on investment, but we are also promoting and rewarding investment.

I am announcing a new investment tax credit of 5% for the purchase of manufacturing and processing equipment, for all businesses.

It is an investment premium.

This tax credit will be at least 5% for all companies, but will be raised on the basis of the remoteness of the regions.

Accordingly, for the resource regions, the investment tax credit will be:

- 20% for the Saguenay–Lac-Saint-Jean and Mauricie regions and for the three regional county municipalities already covered by the tax assistance for the resource regions;
- 30% for the Bas-Saint-Laurent region;
- 40% for the Gaspésie–Îles-de-la-Madeleine, Côte-Nord, Abitibi-Témiscamingue and Nord-du-Québec regions.

Moreover, I am confirming that the tax credit for the Vallée de l'aluminium and the tax credit for new jobs for the Gaspésie–Îles-de-la-Madeleine region will be maintained.

Mr. President, these changes will add nearly 50 million dollars a year to the tax assistance for the resource regions, which will total 166 million dollars in 2010-2011.

Furthermore, some regional county municipalities, be they located in the resource regions or not, require special assistance because of their economic situation.

I am therefore announcing additional funding of 50 million dollars over five years to support regional county municipalities that are going through economic hard times.

The Minister of Municipal Affairs and Regions will, in the near future, provide information on the use of these sums.

These measures draw largely on the work of the Task Force on Tax Assistance for the Resource Regions and the New Economy. I want to thank the members of the task force: economists Robert Gagné, Luc Godbout and Guy Lacroix. They had a difficult mandate. Yet they managed to submit recommendations to stimulate economic growth throughout Québec by emphasizing investment.

Investing in innovative activities

The productivity challenge calls the information technology sector into play.

This sector is preponderant in the new economy. It is a rapidly expanding sector. But, more importantly, the use of information technologies in manufacturing and management processes is a powerful lever for increasing productivity.

According to the report of the Task Force on Business Investment, chaired by economist Pierre Fortin, the productivity gap between Canada and the United States is due largely to our delay in using the information technologies.

Governments around the world play a significant part in supporting companies in the information technology sector.

In Québec, assistance for this sector has been on a designated-site basis. In other words, to receive tax assistance, businesses have no choice but to set up in specific places, such as E-Commerce Place or the Cité du multimédia.

The work of the Gagné, Godbout and Lacroix committee revealed the following:

- First, Québec is losing ground to the rest of Canada. Between 1998 and 2006, employment in the information technology services industry rose 9% in Québec, compared with 60% in Ontario and over 100% in British Columbia.

— Second, the tax assistance primarily caused jobs to be moved to the designated sites. It was essentially a moving premium.

We are adopting a new approach.

I am announcing a refundable tax credit for new information technology companies corresponding to 30% of the salaries for jobs related to innovative activities, such as consulting services and e-commerce solutions design.

I am announcing that this tax assistance will henceforth be available throughout Québec.

In addition, I am announcing that high-speed Internet will be accessible in all regions of Québec under the new *Communautés rurales branchées* program.

To date, thanks to the measures we have implemented, 90% of households and businesses have access to high-speed Internet services. Today, we are entering a new phase. We are completing the development of this network.

With this approach, the door to the new economy is wide open for the regions. Wherever you are in Québec, you need access to the global village to be able to seize its opportunities.

All regions must participate in the new digital economy. This budget gives them the means.

Developing the economic potential of our land

Mr. President, this budget aims to stimulate investment in all sectors of the economy. We are adopting special measures for the mining, agrifood and cultural sectors.

The mining sector has been flourishing for the past few years. China, India and the other emerging economies need resources to fuel their growth.

We must capitalize on this opportunity for growth. It is an opportunity to create a new economic space within Québec. It is an opportunity to develop northern Québec.

Since 2003, our government has taken action that has borne fruit for the mining sector. In fact, Mr. President, our government is proud to note that the Fraser Institute's Annual Survey on Mining Companies published two weeks ago ranks Québec as the best place in the world to invest.

We are continuing on this path in order to keep our first-place ranking. We will better inventory our potential in this sector.

I am announcing the creation of the *Fonds du patrimoine minier*, into which we will pay a portion of mining duties to attract more businesses to Québec.

Growth in this sector creates jobs in regions where workers may be unemployed because of the forestry crisis.

During the budget consultations, FTQ president Michel Arsenault made a highly relevant proposal to me—that we invest to help available forestry workers become mining workers. I thank him for that and I will follow up on his recommendation.

I am announcing that we will invest 2 million dollars to create a national mining institute and implement other training measures.

This institute will give workers the skills they need to obtain a quality job in this high-growth sector.

Mr. President, the agrifood sector also contributes greatly to the standard of living and quality of life of Quebecers.

This sector is full of possibilities. Analyses show that agriculture and agrifood are among the sectors with the most promising growth potential in the world.

The Commission on the Future of Agriculture and Agrifood in Québec identified means for seizing opportunities in this sector. We are acting immediately on some of its recommendations in order to support the stakeholders in these sectors in making this strategic shift.

I am announcing that we are going to better support the new generation of farmers. We will also help the sector diversify its production. And we will support the modernization of businesses in the food processing sector.

My colleague the Minister of Agriculture, Fisheries and Food will unveil the details of this investment of 60 million dollars over five years, which will contribute to a new dynamic for the agricultural and agrifood sectors.

Mr. President, our economy relies on its resources, but it also relies on its creators.

No jurisdiction in North America supports the development and promotion of its culture as much as Québec does. Our culture is our soul. It proclaims who we are. It generates pride.

Economically speaking, the cultural sector is no different from other sectors. It creates wealth and jobs. Investing in culture also promotes creativity, the mother of innovation.

I am announcing an additional investment of 10 million dollars in Placements Culture. This brings the government's contribution to 25 million dollars since the program's inception in 2005.

Placements Culture's objective is to encourage the private sector to play a larger role in financing culture and communications. We want to stimulate cultural philanthropy.

Since it was launched, Placements Culture has enabled the creation of 97 endowment funds and has proven to be a genuine success. The action we are taking today will contribute to heightening the visibility of our culture throughout Québec, but also worldwide.

Mr. President, the overall effect of these measures is worth looking at.

A number of measures I am announcing in this budget were inspired by the directions proposed by the Task Force on Business Investment chaired by economist Pierre Fortin, accompanied by Andrée Corriveau and Jean Boivin. I salute the Task Force's work and the quality of the report I am making public today.

This budget creates a fiscal environment that has never been more favourable to investment and productivity improvement.

This vigorous action to improve the productivity of our businesses is extended to all our regions.

☺ • ☺

2. DEVELOPING THE KNOWLEDGE AND SKILLS OF QUEBECERS

Mr. President, this brings me to the second part of this budget: investing in the knowledge and skills of Quebecers.

By 2011, Québec will have 700 000 jobs to fill. “We’re hiring” signs can be seen in every region. There is a shortage of engineers and nurses, but also of welders, electricians and technicians.

In fact, we are already experiencing a labour shortage. Columnist Alain Dubuc regularly points out that what is lacking in Québec is workers, not work. It is one of the greatest threats to our future prosperity. It is one of the consequences of demographic change.

Yet, even as these labour shortages emerge, roughly 500 000 people in Québec are unemployed or social assistance recipients able to work.

Québec needs all of its talent.

We must act with determination right away. And we must do so on every front.

We are taking a four-pronged approach:

- improving knowledge and skills, which means investing in higher education;
- increasing the number of people in the labour market, which means investing in training;
- enabling those who wish to work beyond the standard retirement age and take advantage of that, which means introducing phased retirement; and
- expanding our labour force, which means investing in the integration of newcomers.

Investing in higher education

Education has been the main key to our success.

Education is what led to the modernization of Québec.

Education is the first step toward reducing poverty.

Our universities, our CEGEPs and our technical schools play a strategic role in all of our regions and in our society. These institutions must have the means to conduct leading-edge research and attract and retain the best teachers.

Mr. President, our leeway is limited and we must make choices. We are choosing education.

I am therefore announcing an additional investment of 250 million dollars over five years in our universities, as we had pledged to do.

This investment is over and above the 187 million dollars a year in additional transfers from the federal government, that is, 112 million for universities and 75 million for CEGEPs.

These investments will enable our institutions of higher learning to maintain their level of excellence in an environment of fierce competition for talent and resources.

Our CEGEPs and our vocational training institutions have a mission to develop technical knowledge, which is crucial to improving productivity.

Moreover, we must strengthen ties between our educational institutions and our businesses so that our training programs are in line with labour market requirements.

I am announcing additional investments of 150 million dollars over five years to develop vocational and technical training, and build new bridges between businesses and training centres.

In the coming days, my colleague the Minister of Education, Recreation and Sports will release our bold plan for the education of our youth.

Implementing the Employment Pact

Mr. President, I have mentioned the growing labour shortage problem. Through this budget, we are launching an unprecedented training initiative.

I am announcing the implementation of the Employment Pact, in which we are investing, with this budget, 196 million dollars over five years.

These investments will:

- offer training to workers who want to enhance their competencies;
- support unemployed people in acquiring new skills;
- support social assistance recipients who wish to go back to work;
- remove the obstacles to hiring newcomers.

The Employment Pact has specific targets: reduce the number of social assistance recipients by 50 000 and offer training to 250 000 more workers. Accordingly, over 4 800 businesses will be able to receive more assistance for training their workers.

My colleague the Minister of Employment and Social Solidarity will soon make public all of the measures in the Employment Pact.

❑ **Phased retirement**

Many would like to continue working after the standard retirement age. Now that workers are becoming scarcer, we must encourage those who can continue working.

Mr. President, you and I are living proof that experience, and perhaps wisdom, are valuable assets for modern organizations.

The contribution of older workers must be valued by facilitating phased retirement. It enables those who wish to extend their career to do so at a pace suitable to them, while receiving their pension income.

My colleague the Minister of Employment and Social Solidarity will soon table amendments to the *Supplemental Pension Plans Act*. The new provisions will enable workers to increase their income enough during phased retirement to encourage them to work longer. I wish to emphasize the productive talks that have taken place with the federal government in this regard.

I am announcing that the government will initiate discussions with unions and management associations to extend phased retirement to the public and parapublic sectors.

□ *Enable newcomers to participate fully in Québec's growth*

Mr. President, immigration contributes greatly to the growth of our collective wealth.

Immigration enriches our lives, our culture. It broadens our horizons.

In a context of labour shortages, we need skilled immigrants. And the competition will be stiff between host countries seeking to attract skilled labour.

Immigration is a responsibility that must be shared by the host society and the newcomer. It is the host society's duty to facilitate integration. It is the newcomer's duty to make the effort to become integrated.

I am announcing that immigration funding will be raised by 20%.
Labour market integration and French instruction programs will be significantly bolstered.

It is not just a matter of welcoming newcomers by seeing that their essential needs are met. It is also necessary to assist them in their efforts to integrate into Québec society.

My colleague the Minister of Immigration and Cultural Communities will give details of the use of this additional funding of 20 million dollars over two years.

□ *Promoting the use of French in the workplace*

Mr. President, as the premier said: "The French language is the heart of our identity and the primary instrument of our freedom".

The government intends to ensure the protection and promotion of the French language in Québec, strengthen its use in public, value mastery of the language and improve its quality.

French is the language of school, business and work. It is the language of Québec.

To value French as the language of the workplace and facilitate the integration of immigrants into companies, I am announcing a new refundable tax credit for francization. All businesses, including those with 50 employees or less, will be eligible.

This measure will be part of the action plan to promote the French language, a matter that is championed by my colleague the Minister of Culture, Communications and the Status of Women. Tied to the action plan is additional funding of almost 10 million dollars over two years.

Mr. President, by investing in knowledge, by steering everyone, where possible, toward work, by fostering the integration of newcomers and by the strengthening the use of French in the workplace, we are affirming our ambition that every Quebecer participate in our success and that our success itself become the prime lever for affirming our identity.



3. SUPPORTING FAMILIES AND THE WELL-BEING OF QUEBECERS

Mr. President, I have reached the third part of my budget: support for families.

As I said at the outset: economic development has meaning only if it is accompanied by social progress. This budget seeks to improve the well-being of all families.

Since 2003, families have always been at the heart of our government's concerns. Our track record speaks for itself:

- We repatriated from the federal government and implemented the Québec Parental Insurance Plan, the most generous program in Canada.
- We have attained our target of 200 000 reduced-contribution daycare spaces.
- We introduced the Child Assistance payment up to the age of 18. For example, under this family allowance, a family with two children and a family income of 50 000 dollars receives an annual, non-taxable amount of 3 000 dollars.
- We reduced the income tax of all families.
- We improved support for seniors and developed home care services.

In all, our government invests more than 5 billion dollars a year in support for families. Not surprisingly, Québec is considered a “paradise for families”.

Family support is also an economic productivity measure, as it enables parents to better balance work and family.

Our actions have borne fruit. Today, the number of births in Québec is significantly higher. And we are the North American society with the strongest labour force participation rate for women.

Without this strong participation of women in the labour market, the labour shortage issue would be much more problematic.

Mr. President, this budget does much more yet to support families.

Supporting families

Our government pledged to continue developing daycare spaces.

I am announcing the creation of another 20 000 daycare spaces over five years. This will raise the number of spaces in the subsidized daycare network to 220 000.

Mr. President, many observers have pointed out the unfairness between families who use \$7-dollar-a-day daycare services and those who use unsubsidized private daycare services.

After examining this issue, I concluded that more had to be done for families who use unsubsidized daycare services.

I am announcing a substantial improvement to the tax credit for child care expenses. Thus, the cost of child care services will be the same, regardless of whether a subsidized daycare centre or an unsubsidized private daycare centre is used, up to a family income of 80 000 dollars.

❑ *Fostering the development of children*

Our government has taken a number of steps since 2005 to improve academic success.

For example, we allocated more than 140 million dollars to hire over 2 600 professionals to assist children with learning difficulties during their schooling.

Today, we are going further. We want to foster the development of children under 5 who are living in poverty. It is as of this tender age that action must be taken to enable children to better integrate into school and thereby foster their academic success.

A recent study conducted by the Montréal public health department, entitled *En route pour l'école!*, concludes that action must be taken as of a very young age to maximize the chances of success for children. It is essential if we wish to prevent students from dropping out. Consequently:

I am announcing a new partnership with the Chagnon family to establish a \$400-million fund over 10 years to foster the development of children age 5 and under in a situation of vulnerability.

This fund will finance initiatives that foster the complete development of children, at the physical level as well as the psychological, cognitive and motor levels, to better prepare them for school.

I want to pay tribute to and salute the major contribution to Québec society and the social involvement of Lucie and André Chagnon and their children. The Chagnon family is one of the best examples of generosity and philanthropy in the history of Québec. Their love of Québec society will be transmitted to thousands of children, teenagers and parents.

I also want to salute Dr. Gilles Julien, a partner of the Lucie and André Chagnon Foundation. Dr. Julien is associated with the *Réseau de formation en pédiatrie sociale*. He is involved in the defence and development of children. He will help make this new fund a success.

Improving the quality of life of our seniors

Mr. President, anyone who has spent their life serving family and homeland may one day need the help of others.

Many of our seniors have specific needs. My colleague the Minister responsible for Seniors toured Québec and met with thousands of people, in every region.

The three parties in this room were involved in this undertaking and share the desire to better meet the needs of seniors losing their autonomy.

We are going to do more for our seniors.

The first measure targets the tax credit for home support for elderly persons. This tax credit helps cover expenses incurred for various types of assistance, be it nursing care, housekeeping, snow removal or bathing and meals.

I am announcing an increase in the rate of the tax credit for home support from 25% to 30%. That is 35 million dollars a year more for seniors. The tax credit will also be simplified.

Mr. President, we are also continuing to develop home support services.

I am announcing additional annual funding of 80 million dollars in the health and social services sector to step up the development of home support services.

These additional amounts will permit the development of home nursing services, rehabilitation services and the other services needed so that people losing their autonomy can remain at home.

Since 2003, we have more than doubled the tax assistance and budgetary appropriations for home support. Thus, we are fulfilling the wish of seniors to remain at home as long as possible. This is a more humane approach.

Furthermore, informal caregivers play an important role in our society. We have all taken care of a parent at one time or another. We do it out of love, but we know how physically and emotionally draining it can become.

The acts performed daily by informal caregivers demonstrate solidarity and compassion. We must recognize their dedication and essential role. We must also support them.

I am announcing a new refundable tax credit of 30% to provide respite for informal caregivers. This tax credit will enable informal caregivers to cover part of the expenses incurred to obtain replacement help.

Mr. President, this tax credit will help informal caregivers greatly. But more must be done. Support services for informal caregivers must be improved and made more accessible.

In the consultation held on the living conditions of seniors, the idea of setting up a fund to support informal caregivers was raised. My colleague the Minister responsible for Seniors took up the idea. She has taken steps to ensure such a fund is created.

I am pleased to see it through, on behalf of my colleague, in partnership again with the Chagnon family.

I am announcing the creation of a \$200-million fund over 10 years to improve and develop services for informal caregivers.

This special fund will support informal caregivers in several ways. Among other things, it will:

- increase the supply of respite services;
- break the cycle of isolation and solitude;
- develop emergency services;
- offer training tailored to the needs of loved ones.

These are concrete means for improving the quality of life of our seniors and of those who take care of them.

Furthermore, we want retirees to receive a larger share of their retirement income. Last year, we introduced retirement income splitting between retired spouses and increased the amount of the tax credit for retirement income from 1 000 dollars to 1 500 dollars. We are continuing on this path.

I am announcing that the maximum amount of the tax credit for retirement income is being raised from 1 500 dollars to 2 000 dollars over two years.

Nearly 400 000 taxpayers will have a higher disposable income.

Mr. President, it is also necessary to provide an incentive to save.

I am announcing harmonization with the new Tax-Free Savings Account (TFSA) introduced recently by my federal counterpart.

Thus, Quebecers' will be able to let their savings grow sheltered from tax. The maximum annual contribution is 5 000 dollars. This ceiling is cumulative and may be carried forward indefinitely.

Mr. President, this budget demonstrates once again the importance of families for our government. By developing our daycare services, giving special attention to the development of our children under 5 years of age and improving the quality of life of seniors, this budget meets the needs of all families.

80 • 63

4. STAYING THE COURSE TOWARDS SUSTAINABLE DEVELOPMENT

Mr. President, I have reached the fourth part of this budget: environmental protection and sustainable development.

Sustainable development, because it fosters innovation, also fosters wealth creation.

Our government and our premier are recognized for their efforts in promoting sustainable development.

- We introduced a new fundamental right: the right to live in a healthy environment.
- We adopted an action plan on climate change often said to be one of the best in North America.
- We became one of the first governments in the world to impose a royalty on hydrocarbons.
- And we are making sustainable development an engine of wealth creation, by making Québec a world leader in renewable energy.

On his most recent visit to Montréal, former U.S. vice-president and Nobel Prize recipient Al Gore said that Québec was “Canada’s environmental conscience”. In an assessment of Canadian programs, the David Suzuki Foundation gave Québec the top mark for its climate change action plan.

Mr. President, we want Québec to remain a North American leader in environmental protection and sustainable development. This budget continues our efforts on three fronts:

- supporting the development of clean technologies;
- increasing the protection and enhancement of our natural heritage;
- making the Québec government an environmentally responsible manager and consumer.

Supporting the development of clean technologies

Environmental protection necessarily involves the development of new, clean technologies. These technologies make it possible to increase business productivity while reducing the environmental impact. From this standpoint, investment in clean technology is not an additional expense for businesses, but an investment in productivity, efficiency and growth.

I am announcing additional funding of 12 million dollars over four years to support innovation in the cleantech sector. These amounts will go toward innovative technologies relating to water and soil.

This initiative is in addition to the 225 million dollars already available for the development of new technologies, in particular in the areas of energy efficiency and greenhouse gas reduction.

Moreover, to promote investment in clean energy production technologies:

I am announcing that the accelerated capital cost allowance rates will henceforward cover ground-source heat pump systems and systems for converting waste into energy.

The terms of the Strategy to Develop Québec's Environment and Greentech Sector will be made public shortly by the Minister of Economic Development, Innovation and Export Trade and the Minister of Sustainable Development, Environment and Parks.

Protecting and enhancing our natural heritage

Québec is fortunate from a natural resources standpoint. We have a vast territory with bountiful resources. We have a responsibility to protect and enhance it for our children.

I am announcing an additional investment of 106 million dollars over five years to further protect and enhance our collective natural heritage.

- 55 million dollars will be invested by the Société des établissements de plein air du Québec to develop national parks, preserve wilderness areas and upgrade the Société's infrastructure.
- 26 million dollars will be allocated to create new national parks in northern territories.
- 25 million dollars will be set aside to reinforce the network of protected areas on private land.

All Québec regions will receive substantial economic benefits.

Water management will without question be one of the key issues of the 21st century. We have 3% of the world's freshwater reserves. Yet we still have limited knowledge of how to preserve this resource and regulate its use.

For the sake of sustainable use, restoration and conservation on behalf of future generations:

I am announcing a budget of nearly 15 million dollars over five years to set up the Bureau québécois de connaissances de l'eau, which will be mandated to increase our expertise regarding this resource.

Furthermore, recent incidents of blue-green algae proliferation showed just how relevant watershed organizations are. An envelope of 15 million dollars over five years is being allocated to support the work of these organizations, grounded in citizen empowerment.

❑ ***An environmentally responsible government***

Mr. President, in the area of environmental protection, our public administration must set the example.

Our government has innovated in this regard and we are going to innovate further.

I am announcing, as part of the Government Sustainable Development Strategy, a new environmentally responsible government policy. Every government department and agency will be required to, among other things, incorporate sustainable development principles into their procurement policies.

This project is being championed by the Minister of Sustainable Development, Environment and Parks, who will make the details public in the near future.

Sustainable development is now a way to live, grow and succeed.

The societies that come out on top this century will be those that balance economic progress, social progress and environmental protection with a view to improving their quality of life while acting in the interests of future generations.

You know this line from Saint-Exupéry, Mr. President: "We don't inherit the earth from our parents; we borrow it from our children".

This is what must guide us.

∞ • ∞

5. MEETING THE PUBLIC FINANCE CHALLENGE

I have now come to the last part of my budget, but not the least: public finances.

Mr. President, we have done much to restore order to Québec's public finances since 2003. The credit rating upgrades received from rating agencies bear witness to the work accomplished.

Our public finances were redressed thanks to our rigorous and vigilant control of spending. Since 2003, the average annual growth in budgetary expenditure has been 4.5% in Québec compared with a rate of 6.8% for the Canadian provinces.

Mr. President, no other province has been as rigorous as Québec in managing spending. In a recent C.D. Howe Institute analysis, Québec scored high on the achievement of its budgetary objectives. We are very proud of that.

Thanks to our disciplined management, the tax burden has been reduced. Since 2003, the gap in the tax burden with the other provinces has been reduced by almost 70%. We no longer pay the highest taxes in North America!

Mr. President, we are maintaining the same discipline. Spending growth will be limited to 4.2% in 2008-2009 and 3% in 2009-2010. I am counting on the customary collaboration of my colleagues to achieve these objectives.

Health, education and families continue to be the government's main priorities, as evidenced by the amounts allocated to these areas. The health budget is raised 5.5%, and the education budget 4.6%. Funding for families and seniors is raised 5.5%.

If we are to stay the course of disciplined spending management, we must take steps in the coming years to, notably, find a solution to the long-term health funding challenge. The report of the Task Force on the Funding of the Health System, chaired by Claude Castonguay, provides us with possible solutions.

We closed the door on a QST increase, which we felt would be counter-productive in the current context. We will examine the other proposals for controlling rising costs. Examples that come to mind include care-episode funding of institutions, further decentralizing decision-making and modernizing health network governance. My colleague the Minister of Health and Social Services has already identified three pilot regions for introducing new practices.

Mr. President, last fall we adopted a major accounting reform, in collaboration with the Auditor General. I am especially proud of that.

You know how much I advocate transparency in the management of public affairs. But allow me to quote the Auditor General when the accounting reform was unveiled.

I quote: “The government’s consolidated financial statements comply with Canada’s generally accepted accounting principles ... This major reform heralds the transition of government accounting toward greater transparency and discipline in reporting on its financial position”. End of quote.

My objective in initiating this accounting reform was that no one be able to question the quality of Québec government financial information. That objective has been attained.

For the sake of transparency, this budget has a five-year financial framework. This framework shows that our public finances are on solid ground.

Reducing the debt burden

The public finance issue also involves the sound management of our debt.

The creation of the Generations Fund was a major step in the government’s drive to reduce the debt burden. The rating agencies recognized our efforts by upgrading Québec’s credit rating or its outlook.

We must continue our efforts. We are immediately taking an important step that will have significant consequences.

Hydro-Québec is a flagship company. Every year, the government includes all of Hydro-Québec’s profits in its revenue. The government takes half of these profits in the form of dividends. The other half is a government investment in Hydro-Québec. This amount is used to fund the government corporation’s projects.

From the standpoint of reducing our debt burden, we had to examine this dividend policy. We concluded that it was to everyone’s advantage to increase the share of Hydro-Québec profits paid to the government as dividends from 50% to 75%.

In this way, we will avoid adding 11 billion dollars to the government’s debt by 2025.

The soundness of Hydro-Québec’s finances enables this revision of the dividend payment policy without jeopardizing the corporation’s development capacity.

Hydroelectricity is our “blue gold”. We must make the most of this important asset, whose economic value largely exceeds the book value in the public accounts.

Accordingly, our government relaunched large-scale energy projects, both to satisfy our domestic demand and industrial development, and take advantage of energy’s growing value on export markets.

Because it is clean, renewable energy, the export value of our electricity will increase. Our electricity is therefore a central element of our strategy to create wealth and of our plan to reduce the public debt.

Mr. President, we are acting responsibly by ensuring that future generations will not have to carry our debt load.

We will achieve the objectives set when we created the Generations Fund.



CONCLUSION

Mr. President, that is my second budget.

It is a balanced budget, guided by prudence and discipline.

It is the first budget we have tabled since our agreement with the Auditor General to modernize public accounting.

For the sake of transparency, it is a budget with a five-year financial framework.

It is a budget with a vision for the future of Québec: creation of a new economic space. This budget calls on government, business, unions and Quebecers to rally around the common objective of rising to the productivity challenge.

It is a budget that carries our ambition for a more prosperous society in which all citizens, regardless of their origin and age, can fully contribute to our shared success.

It is a budget for social progress that supports our families, our children and our seniors.

I prepared this budget, Mr. President, with the same image in mind as the last time—the image of the smiles of my grandchildren, Zoé, Louis and William.

When they are grown up, I will tell them that I was part of this team:

- that made Québec a paradise for families;
- that put Québec on the path to sustainable development;
- that renewed infrastructure;
- that made Québec fiscally competitive;
- that reduced our debt burden.

And I know that they will be proud of their grandmother, as I am proud to be a part of this team guided by a premier of remarkable and inspiring leadership.

Thank you, Mr. President.



Gouvernement du Québec
Summary of consolidated budgetary transactions
2007-2008 fiscal year
(millions of dollars)

	May 2007 Budget	Preliminary results
BUDGETARY REVENUE		
Own-source revenue	47 953	49 295
Federal transfers	13 174	13 625
Total	61 127	62 920
BUDGETARY EXPENDITURE		
Program spending	– 53 913	– 54 635
Debt service	– 7 244	– 7 003
Total	– 61 157	– 61 638
NET RESULTS OF CONSOLIDATED ENTITIES	483	– 162
SURPLUS FOR THE PURPOSES OF THE PUBLIC ACCOUNTS	453	1 120
Deposit of dedicated revenues in the Generations Fund	– 453	– 403
BUDGETARY BALANCE BEFORE USE OF BUDGETARY RESERVE	0	717
Deposit in the Generations Fund from the budgetary reserve	– 200	– 200
Budgetary reserve	200	– 517
BUDGETARY BALANCE FOR THE PURPOSES OF THE BALANCED BUDGET ACT	0	0

Gouvernement du Québec
Summary of consolidated budgetary transactions
2008-2009 forecast
(millions of dollars)

BUDGETARY REVENUE

Own-source revenue	48 917
Federal transfers	14 063

Total	62 980
--------------	---------------

BUDGETARY EXPENDITURE

Program spending	– 56 948
Debt service	– 6 907

Total	– 63 855
--------------	-----------------

NET RESULTS OF CONSOLIDATED ENTITIES	447
---	------------

Contingency provision	– 200
-----------------------	-------

SURPLUS (DEFICIT) FOR THE PURPOSES OF THE PUBLIC ACCOUNTS	– 628
--	--------------

Deposit of dedicated revenues in the Generations Fund	– 742
---	-------

BUDGETARY BALANCE BEFORE USE OF BUDGETARY RESERVE	– 1 370
--	----------------

Budgetary reserve	1 370
-------------------	-------

BUDGETARY BALANCE FOR THE PURPOSES OF THE <i>BALANCED BUDGET ACT</i>	0
---	----------

Gouvernement du Québec
Budgetary revenue of the Consolidated Revenue Fund
2008-2009 forecast
(millions of dollars)

OWN-SOURCE REVENUE	
Income and property taxes	
Personal income tax	18 200
Health Services Fund	5 594
Corporate taxes ¹	4 591
	28 385
Consumption taxes	
Retail sales	10 769
Fuel	1 704
Tobacco	623
Alcoholic beverages	448
	13 544
Duties and permits	
Motor vehicles	767
Natural resources	– 37
Other	188
	918
Miscellaneous	
Sales of goods and services	395
Interest	578
Fines, forfeitures and recoveries	472
	1 445
Revenue from government enterprises	
Hydro-Québec	2 500
Loto-Québec	1 295
Société des alcools du Québec	785
Other	45
	4 625
Total	48 917
FEDERAL TRANSFERS	
Equalization	8 028
Health transfers	3 833
Transfers for post-secondary education and other social programs	1 320
Other programs	882
Total	14 063
TOTAL BUDGETARY REVENUE	62 980

1 Includes tax on corporate profits, tax on capital and tax on premiums in lieu of the tax on capital for insurance companies, as well as the tax on public services.

Gouvernement du Québec
Budgetary expenditure of the Consolidated Revenue Fund
2008-2009 forecast
(millions of dollars)

PROGRAM SPENDING	
Affaires municipales et Régions	1 784.4
Agriculture, Pêcheries et Alimentation	703.0
Assemblée nationale	114.1
Conseil du trésor et Administration gouvernementale	635.1
Conseil exécutif	335.2
Culture, Communications et Condition féminine	649.7
Développement durable, Environnement et Parcs	200.9
Développement économique, Innovation et Exportation	790.4
Éducation, Loisir et Sport	13 984.0
Emploi et Solidarité sociale	4 145.3
Famille et Aînés	1 941.6
Finances (excluding debt service)	163.2
Immigration et Communautés culturelles	270.3
Justice	666.2
Personnes désignées par l'Assemblée nationale	66.6
Relations internationales	125.3
Ressources naturelles et Faune	554.1
Revenu	936.9
Santé et Services sociaux	25 468.9
Sécurité publique	1 032.9
Services gouvernementaux	100.0
Tourisme	140.7
Transports	2 345.2
Travail	32.7
Subtotal	57 186.7
Anticipated lapsed appropriations	– 150.0
Deferred appropriations in 2009-2010	– 88.8
Total	56 947.9
DEBT SERVICE	
Direct debt service	4 736.0
Interest ascribed to the retirement plans	2 171.0
Total	6 907.0
TOTAL BUDGETARY EXPENDITURE	63 854.9

Gouvernement du Québec
Consolidated non-budgetary transactions
2008-2009 forecast
(millions of dollars)

INVESTMENTS, LOANS AND ADVANCES	
Consolidated Revenue Fund	– 18
Consolidated entities	– 382
Total	– 400
CAPITAL EXPENDITURES	
Consolidated Revenue Fund	
Net investments	– 382
Depreciation	242
Subtotal	– 140
Consolidated entities	– 1 814
Total	– 1 954
NET INVESTMENTS IN THE NETWORKS	– 1 030
RETIREMENT PLANS AND EMPLOYEE FUTURE BENEFITS	2 398
OTHER ACCOUNTS	
Consolidated Revenue Fund	– 935
Consolidated entities	427
Total	– 508
TOTAL CONSOLIDATED NON-BUDGETARY TRANSACTIONS	– 1 494

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

Gouvernement du Québec
Consolidated financing transactions
2008-2009 forecast
(millions dollars)

CHANGE IN CASH POSITION	
Consolidated Revenue Fund	1 987
Consolidated entities	—
Total	1 987
NET BORROWINGS	
Consolidated Revenue Fund	
New borrowings	6 612
Repayment of borrowings	– 4 316
Subtotal	2 296
Consolidated entities	
New borrowings	5 339
Repayment of borrowings	– 2 245
Subtotal	3 094
Total	5 390
RETIREMENT PLANS SINKING FUND AND EMPLOYEE FUTURE BENEFITS FUNDS	– 5 883
GENERATIONS FUND	– 742
TOTAL CONSOLIDATED FINANCING TRANSACTIONS	752

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.