

# EXPENDITURE MANAGEMENT

STRATEGY

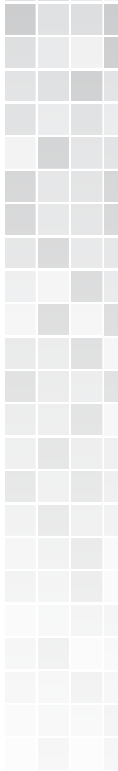


RIGOUR AND RESPONSIBILITY

# **EXPENDITURE MANAGEMENT**

**STRATEGY**





## **Expenditure Management Strategy**

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## **MESSAGE FROM THE CHAIR**

Only nine months after presenting Quebecers with a first budget, the Government has succeeded in reversing the trend and containing the growth of expenditures so as to significantly close the expenditure-revenue gap. Of course, returning to a balanced budget signals that we are on the right path. We can welcome these results, but many great challenges still lie ahead.

In addition to the demographic changes and global economy that will continue to challenge public finances, we are paying more than \$10 billion in interest each year on our overall debt of \$200 billion. Under these circumstances, the Government has committed itself to improve the state of public finances, notably by overhauling the State—an in-depth initiative that lays the foundations for a State that is modernizing, challenging itself and adapting to the new needs of Québec society. That said, beyond these results, the work must continue, if we wish to bequeath to future generations freedom of choice and a prosperous society, in addition to lightening the tax burden of citizens. The big province-wide effort is not over.

Implementing an ongoing program assessment mechanism, cleaning up structures and bodies, better managing staff and daring to make choices instead of always taxing Quebecers more—that is the overall approach that government action must be centred on. This means that many important and sometimes difficult decisions must be taken, but the only possible option is that of rigour and responsibility. In light of current and upcoming challenges, we can no longer have a short-term mindset.

We need to stay on course in order to reinstate lasting prosperity. It is this visionary and responsible approach that will allow Québec to protect the social programs it values, ensure true social justice and restore intergenerational equity.

The Minister responsible for Government Administration  
and Ongoing Program Review  
and Chair of the Conseil du trésor

Martin Coiteux



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# STATE OF PUBLIC FINANCES

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## REMINDER OF THE SITUATION AT THE END OF 2013-2014

The Rapport d'experts sur l'état des finances publiques du Québec released in April 2014 highlighted that Québec is facing a persistent deficit, due to its expenditures increasing faster than its revenues. The spending growth rate has long exceeded taxpayers' ability to pay.

If nothing had been done to reduce these expenditures, the deficit would have been more than \$5 billion in 2014-2015 and more than \$7 billion in 2015-2016. This deficit threatened to continue adding to Québec's debt, already the highest of all Canadian provinces—regardless of how it is measured—as a study recently published by the HEC Montréal Centre for Productivity and Prosperity shows.

As a result of this debt of more than \$200 billion, Québec will this year pay over \$10 billion in interest. This represents more than 11% of public spending, or more than the amount of all that is spent each year in financing the province's elementary and high schools.

This burden thereby limits the resources available to finance public services or improve Québec's tax competitiveness, such that the deficits are becoming ever harder to eliminate and greatly hindering the overall prosperity of our economy.

We must reverse this trend. To do so, a shift had to be made. Parametric compressions such as those of the past are no longer enough to break the cycle and eliminate the structural deficit. This is why the Government is proceeding with a major shift and taking transformative decisions for the future.

## EVOLUTION OF THE SITUATION IN 2014-2015

The Government's rigorous control of public expenditures over the past year allows it to today state that it will reach its \$2.7 billion expenditure reduction target for program spending.

As announced in the Update on Québec's Economic and Financial Situation (the Update) in December 2014, the Government is also able to confirm its objective of achieving a balanced budget for 2015-2016—to which it committed on June 4, 2014—thanks to the results of actions taken to date.

In his winter 2015 observations on the Update, the Auditor General of Québec recognizes that the Government's plan is clear and that it is taking action to implement it. Not only does he acknowledge that the Government has curbed program spending growth, but he also believes that forecasts in this regard are prudent and reasonable for 2014-2015 and 2015-2016. The Auditor General confirms that the Update provides an accurate idea of the Government's plan for reaching a balanced budget in 2015-2016. He confirms that the Government has identified measures and taken tangible actions to control its expenditures.

The Auditor General also highlights the fact that the Government has various tools that help it reduce the risks of not achieving certain identified measures. The strict application of capping has contributed to this effort, meaning that the departments have identified measures in advance to free up the funds required to finance those rare initiatives or increases with a financial impact not provided for in the budget.

## **ADMINISTRATIVE MEASURES IMPLEMENTED IN 2014-2015**

As soon as it was formed in April 2014 and in order to meet 2014-2015 budgetary targets, the Government requested administrative measures from the entire Government to achieve productivity gains equal to 2% of the payroll, as well as efforts equivalent to a 3% reduction in operating expenditures.

A freeze on recruitment was introduced until March 31, 2015 for employees appointed under the Public Service Act, as well as for employees from bodies other than budget funded bodies that are not subject to this Act.

Within government departments and budget funded bodies, as well as within bodies other than budget funded bodies and special funds, measures were implemented to limit to only what is essential: overtime, contract award, advertising, training and travel expenditures, meetings held outside workplaces, purchases as well as the reimbursement of operating expenditures of management and senior management personnel. In addition, contracts for ornamental plants were reduced or abolished within government departments and budget funded bodies.

The Government also requested that government corporations reduce their sponsorship and advertising budget by the end of 2014-2015 in order to limit expenditures in connection with this budget item to funding deemed essential.

Lastly, Ministers were asked to limit their travel outside Québec to cases deemed essential and, where applicable, to receive prior travel authorization from the Office of the Premier. Within the same context, remaining balances in Ministers' discretionary budgets were reduced by 85% for 2014-2015. Only the Minister of Health and Social Services kept 50% of his remaining balance for cases deemed exceptional and in support of his mission.

## FUTURE CHALLENGES

Only nine months after its first budget was tabled, the Government is well on its way to closing the significant gap with regard to expenditures and introducing a dynamic in which revenues increase more rapidly than expenditures.

However, major challenges still lie ahead. Demographic changes in Québec society and the transformation of the world economy will continue to exert strong pressure on public finances over the next decade. Demographic changes will have a major impact on Québec's ability to create wealth. By 2031, the proportion of persons aged 20 to 64 in the province will be less than 54%. This rapid ageing of the population will weigh heavily on economic growth. At the same time, the ageing of the current government asset inventory and the necessity to promote promising projects for Québec's economic development require significant investments in infrastructures.

The rate of growth in program spending and the choice of investments must adapt to these realities in order to balance the budget without increasing Quebecers' tax burden.

Rigorous and responsible efforts must therefore continue well beyond 2015-2016. In the face of current and future challenges, short-term management is no longer possible.

It is essential to continue this major province-wide effort to ensure the Government will soon be in a position to reduce the tax burden of Quebecers, the most highly taxed citizens in Canada, and to reduce the tax burden of businesses, which will thus innovate more and be more productive, because productivity is synonymous with wealth and prosperity.

In so doing, we will return to a sustainable cycle of prosperity. This responsible approach will ensure that we protect the sustainability of our programs, ensure true social justice and restore intergenerational equity.



# GOVERNMENTAL OVERHAUL

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The Government is convinced that budgetary targets in the medium and long term can only be attained through governmental overhaul.

Indeed, one of the reasons of the structural deficit is the current government size. In order to find sustainable solutions, it is imperative to act using a global approach that aims to not only reduce government size but also to review its methods. This government overhaul is based on three strategies:

1. Reviewing programs;
2. Reviewing structures and bodies;
3. Payroll control:
  - Controlling and reducing staff;
  - Negotiating collective agreements;
  - Reducing the use of external expertise and reinforcing internal expertise in certain sectors.

The main actions the Government has undertaken with regard to these different areas are presented in the following sections.

## 2015-2016 BUDGET APPROACH

The 2015-2016 Expenditure Budget was developed based on this global approach. Rather than developing budgets on a historical basis, a sound questioning of existing programs was carried out. As such, the departments were asked to present a detailed list of potential recurring savings measures representing between 5% and 10% of their budget, by targeting activities that are less of a priority.

In addition, in order to reinforce decision-making that is more focused on the medium term than the current budget year only, government expenditures for each portfolio were also planned on a three-year horizon. The departments therefore received, in addition to their final budget for 2015-2016, their preliminary budgets for 2016-2017 and 2017-2018.

## **INCREASE IN EXPENDITURES AND EFFORTS REQUIRED FOR 2015-2016**

At the time of publication of the Update in December 2014, the gap to close in order to respect the program spending target was \$2,998 million, given the evaluation of program renewal costs for 2015-2016 and the impact of the savings measures implemented in 2014-2015.

For 2015-2016, the program spending target is set at \$66,460 million. This amount is up \$319 million compared to the target planned in the Update of December 2014.

This increase allows for the efforts to achieve the program spending level to be reduced to \$108 million. In effect, the \$211-million balance is mainly due to reallocations between revenues and expenditures and thus has no impact on the required efforts.

When factoring in the impact of the savings measures announced in the Update (\$1,861 million), the net impact of the spending target increase (\$108 million) as well as the use of the budgetary margin (\$300 million), the balance of efforts to be carried out by departments and bodies is \$729 million in 2015-2016.

Since last December's Update, the departments and bodies have identified savings equivalent to the balance to be achieved, so that all of the required efforts to respect the program spending growth target set for 2015-2016 have now been identified. The Government is thus on the right path to achieve its commitment to return to a balanced budget this fiscal year.

**Table I**  
**Gap to eliminate in program spending**  
(millions of dollars)

	<b>2015-2016</b>	<b>2016-2017</b>
Gap to eliminate	2,998 <sup>1</sup>	4,795
Measures announced in the Update of December 2014	(1,861)	(2,722)
Net impact of the increase in program spending target <sup>2</sup>	(108)	(47)
Use of the budgetary margin	(300)	(300)
<b>Balance of efforts to be carried out by departments and bodies</b>	<b>729</b>	<b>1,726</b>
Measures identified by departments and bodies	(729)	(873)
<b>Remaining gap to eliminate</b>	<b>-</b>	<b>853</b>

<sup>1</sup> Corresponding, in 2015-2016, to the balance of measures of \$3,283 million indicated in the June 2014 Budget, reduced by the revision of renewal costs of \$285 million mentioned in the Update of December 2014.

<sup>2</sup> The increase of \$319 million in the program spending target is mainly due to reallocations between revenues and expenditures for a total of \$211 million, and allows for the efforts to achieve the program spending level to be reduced to \$108 million.

## MEASURES ANNOUNCED AT THE UPDATE

Significant efforts to reduce expenditures were made by the departments and bodies in order to meet the Government's budget objectives. Specifically, the measures announced in the Update of December 2014 were the following:

- Limit the factors related to compensation expenditures;
- Compensation spreading for physicians;
- Suspension of bonuses paid to senior executives and management personnel in government departments and bodies;
- Reduction in the contingency reserve for additional requirements;
- Changes to the organization and governance of the health and social services network;
- Adoption of best practices to improve the appropriateness of health care and social services;
- Transitional fiscal pact concerning financial transfers to municipalities for 2015;
- Adjustment of childcare funding;
- Adjustment of fee exemptions for international university students;
- Adjustment of the fine-related penal contribution;
- Funding of operations relative to the administration of unclaimed property.

## ADDITIONAL MEASURES

In order to reabsorb the \$729-million balance, additional measures have also been identified since the Update by the departments and bodies, notably the following:

- Repatriation of immigration selection activities to Québec and the reorganization of the regional administrations of the Ministère de l'Immigration, de la Diversité et de l'Inclusion;
- Repositioning of the Ministère des Relations internationales et de la Francophonie network abroad resulting in staff reorganization;
- Reorganization of Québec's representation network in Canada, including the closure of the Bureau du Québec in Ottawa and the Antenne du Québec in Vancouver from April 1, 2015;
- Closure of some Destination Québec offices whose contracts are due to expire, following the centralization of operations;
- Restructuring of the Sûreté du Québec to improve work processes;
- Tightening of government communications expenditures and the merging within the Ministère du Conseil exécutif all employees who work in communications across various departments and secretariats;
- Proposed modifications to some last-resort financial assistance programs to ensure, in order to protect the most vulnerable members of society, a greater equity between the individuals who receive them and low-income workers;
- Increase in the joint procurement within the health and social services network;
- Reduction in government contributions paid to La Financière agricole du Québec (FADQ) following the favourable climate that prevails in the agricultural markets. This measure will have no impact on agro-food producers, since FADQ's current programs will be fully maintained, and will, all the same, leave significant surpluses in FADQ in 2015-2016;
- Review of the fees for ambulance transport services.



# PROGRAM REVIEW

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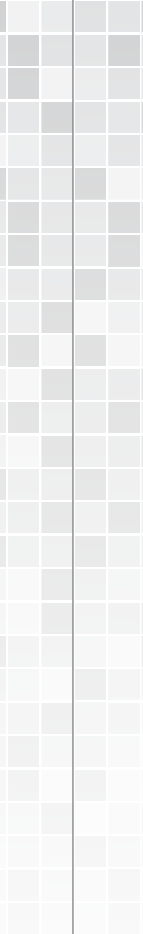
## COMMISSION DE REVISION PERMANENTE DES PROGRAMMES

With regard to program review, the Government set up a committee of experts, chaired by the Honourable Lucienne Robillard and composed of two economists, Messieurs Claude Montmarquette and Robert Gagné, as well as two former administrators of state, Mesdames Michèle Bourget and Mireille Fillion. The Commission has already begun to propose adjustments to certain programs and will soon issue recommendations on the implementation of a permanent review mechanism for the future.

This major project is already proving fruitful, the Commission having produced its first report in November 2014. In it, it recommended that the Government significantly reduce transfers to municipalities and encourage the latter to better control their spending, transform the Farm Income Stabilization Insurance Program into a bonafide insurance program, improve the management of childcare services and review its funding. The Commission further recommended to deregulate the financing of international university students and bring in a quota system for all students benefitting from tuition exemptions, to review upon maturity all contracts between the Government and private ambulance companies, to address the other governance and management problems observed in this sector and to change the current rules governing ambulance fees. Lastly, the Commission recommended to abolish the Ministers' discretionary budgets, abolish the volunteer assistance program by redirecting the beneficiaries to other programs, and to conduct in-depth studies to estimate the foreseeable effects of reducing subsidies to the private school system.

The above work supports the actions of the Government, which has already taken significant measures in the programs concerned. In transitioning toward a new long-term fiscal pact that will redefine the relationship between the Government and the municipalities, the Government has begun the process of reorganizing various local development structures while endeavouring to oversee the municipalities' spending growth rates, an effort that amounts to \$300 million.

It reduced by \$150 million its funding contribution to La Financière agricole du Québec without impacting its agricultural support programs, all while enabling the latter to continue to generate surpluses. Last February, the Government concluded an agreement in principle with France which, as of September 2015, will see changes to tuition fees for students from France.



The Government has also followed up on the other recommendations of the Commission, in particular those concerning reduced-contribution childcare. In 2015-2016, the Government intends to index the base contribution and vary an additional contribution based on revenues as well as make adjustments to the funding for childcare centre infrastructure projects. Among other things, it intends to review the fees for ambulance services over the course of the next fiscal year. With respect to the Ministers' discretionary budgets, the Government intends to regulate their use more closely to refocus support on the departments' missions. These budgets were reduced by 25% for all ministers combined, and the budgets for the Chair of the Conseil du trésor and the Minister of Finance were abolished. Each Minister having a mission-support budget will now have to establish a funding allocation policy and report annually to the Conseil du trésor. This measure affecting the discretionary budgets amounts to annual savings of \$4 million.

Over the coming year, the Commission de révision permanente des programmes will continue its work. In addition to opening the debate regarding certain government corporations, its next report, expected in summer 2015, aims to provide the Government with recommendations on the implementation in the government apparatus of a permanent mechanism for program assessment and review. This will prevent repeating the mistakes of the past, whereby programs multiplied without a systemic review to ensure that they continue to meet the context and needs as effectively and efficiently as possible.

## PROGRAM EVALUATION

In the 2014-2015 Budget, the Government asserted its intention to make greater use of program evaluation so as to support decision making at all levels of the government apparatus.

In tandem with the work of the Commission de révision permanente des programmes, initiatives to foster greater use of program evaluation in practice were implemented. The Secrétariat du Conseil du trésor has completed the preparation of instructions for departments and bodies to apply the program evaluation directive, including the Program Evaluation Tool. The Secrétariat has also gone ahead with the targeted implementation of these instructions in certain departments and bodies for financial assistance programs and interdepartmental actions.

The work done will allow the departments and bodies in question to better plan their evaluation work and to use their resources optimally to perform it. In seeking to obtain reasonable assurance that these programs and actions were well designed and equipped with appropriate monitoring mechanisms and evaluation strategies, the Secrétariat du Conseil du trésor avails itself of conclusive data in a timely manner to support the decisions of the Conseil du trésor and of the Government.

The Secrétariat du Conseil du trésor will continue its guidance and the widespread rollout of the Tool and other instructions to all the departments and bodies over the coming year, taking into account any recommendations that could be issued by the Commission de révision permanente des programmes.

## TIGHTENED REQUIREMENTS FOR THE GRANTING OF FINANCIAL ASSISTANCE

In the current context, financial assistance programs must also be refocused and special attention paid such that the amounts granted are used optimally to achieve the Government's objectives. With a view to protecting the most vulnerable members of society, equity and rigorous management of public funds, it is essential that the Government's financial assistance benefit those persons or entities that truly need it, and that the assistance be used effectively and efficiently.

It is also essential that the organizations in charge of administering financial assistance programs have rigorous tools and benchmarks to guide applicant eligibility and selection and to provide better accountability for results.

Work to review the normative framework for granting subsidies will be initiated by the Secrétariat du Conseil du trésor in the coming year. The current provisions of the normative framework will be reviewed to provide the Conseil du trésor with a consistent annual picture of the transfer expenditures carried out by the departments and bodies, and to ensure the rigorous monitoring of those expenditures by its Secrétariat.

The new provisions of the normative framework will also enhance the terms and conditions of programs presented to the Conseil du trésor or to the Government by the departments and bodies in their authorization requests. The terms and conditions will, in particular, have to:

- Specify the needs or issues that the financial assistance will meet or correct, supported by conclusive data;
- Comprise measurable objectives focused on the desired outcomes on the population or the environment;
- Target admissible beneficiaries, projects or activities as well as expenditures which are legitimate and justifiable;
- Provide for monitoring and evaluation measures and accountability on the use of financial assistance by recipients, as well as on the results of financial assistance programs.

At the same time as this work, the Secrétariat du Conseil du trésor will support the departments and bodies to strengthen their management practices in this regard. Over the coming year, the Secrétariat will develop a guide for departments and bodies to help them comply with the provisions of the revised normative framework. In addition, the Secrétariat will provide the departments and bodies with ongoing support in implementing these provisions.

# REVIEW OF STRUCTURES AND BODIES

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During fiscal year 2015-2016, the Government will continue the work of reviewing government bodies and structures that was begun in 2014-2015. These profound changes will take into consideration the benefits to the Québec population but also its ability to pay.

## MEASURES ALREADY ANNOUNCED

### **REORGANIZATION OF THE HEALTH AND SOCIAL SERVICES NETWORK**

Representing an additional step in the Government's approach of keeping patients at the forefront in its decisions, the reorganization of the health and social services network is aligned with efforts undertaken in recent years to increase the organizational efficiency of the health and social services network and is based on a solid foundation.

The Act addressing this enacted in February 2015 modifies the organization and governance of the health and social services network by regionally integrating health and social services, creating institutions with expanded missions and implementing a two-level management hierarchy.

This approach to optimization could generate, eventually, yearly savings of around \$220 million mainly related to trimming the administrative structure.

The reorganization of the health and social services network in Québec introduces the true integration of services. The simplified and improved administrative management of the network is intended to facilitate public access to services, improve the quality and safety of care and make the network more efficient and effective.

## **NEW REGIONAL GOVERNANCE**

The Government, in collaboration with municipalities, is working to develop a new model for regional governance that gives regional county municipalities (RCM) and equivalent bodies new responsibilities for local, regional and rural economic development. This decentralizing intention set out in Bill 28, which would position RCMs at the heart of this local governance, is essentially supported by a significant trimming of regional development structures, thereby bringing the decisions closer to the population.

This local governance project, which would give RCMs increased autonomy, also depends on the flexibility of the methods adopted to support the development of the regions, on simplifying reporting and on greater accountability for local and regional elected officials.

The Government thereby wishes to allow existing local and regional decision-making bodies to take full responsibility for their decisions and actions, and provide them with adequate financial resources. By reducing administrative expenses to a minimum, the monies available would be fully dedicated to development projects throughout Québec.

## **ELIMINATING REGIONAL ADMINISTRATION OF THE EDUCATION NETWORK**

In May 2014, the Minister responsible announced the closing of regional administrations of the education system, which ceased operating on August 16. The Ministère de l'Éducation, de l'Enseignement supérieur et de la Recherche is therefore continuing its restructuring aimed at optimizing the organization of the school system, particularly by moving it from four to three levels of intervention (Department, school boards, schools). This approach also permits focusing on services to students.

Some of the regional responsibilities and mandates are handled by central administrations of the Department and a coordination and transition unit. In addition to handling department requests of the network, this unit facilitates the transition of mandates given to central units and identifies new ways to implement certain contributions from the Department in the regions. To start, 110 positions were affected by the closing of the regional administrations. At the end of the exercise, there will be savings of \$8.3 million; \$6.3 million in payroll, \$1 million in operations and \$1 million in rent that will be achieved with the closing of regional administrations.

## **REORGANIZATION OF QUEBEC'S REPRESENTATION NETWORK IN CANADA**

The mission of Québec's representation network in Canada is to represent Québec in its relations with the other Canadian governments and to promote Québec's political, economic, tourism, social and cultural interests.

As part of the review and optimization of government structures and bodies, the Secrétariat aux affaires intergouvernementales canadiennes has initiated the reorganization of Québec's representation network in Canada, which includes the closure on April 1, 2015 of the Bureau du Québec in Ottawa and the Antenne du Québec in Vancouver, currently under the responsibility of the Bureau du Québec in Toronto.

The reorganization of the network should translate into additional responsibility in terms of economic development for the Toronto office and more direct relations between Québec's ministers and their federal counterparts. The Moncton office will continue to carry out its specific mission to promote Canadian French-speaking communities. Funds have been earmarked to ensure the continuation of representation activities and the promotion of Québec interests across Canada.

Net savings of more than \$0.4 million will be generated by this reorganization.

## **MERGING DEPARTMENTS**

The Ministère du Travail and the Ministère de l'Emploi et de la Solidarité sociale have been merged, as have the Ministère de l'Enseignement supérieur, de la Recherche et de la Science and the Ministère de l'Éducation, du Loisir et du Sport. This change reduces the number of departments by two, increasing efficiency and optimizing administrative operations.

## NEW MEASURES

### **MERGING BODIES RESPONSIBLE FOR PENSIONS AND RETIREMENT PLANS**

The primary mission of both the Régie des rentes du Québec (RRQ) and the Commission administrative des régimes de retraite et d'assurances (CARRA) is to administer retirement plans: the retirement plans of Quebecers as well as supplemental retirement plans and voluntary retirement savings plans in the case of the RRQ, and the public sector retirement plans entrusted by the Government or by law in the case of the CARRA.

Given the comparable nature of these mandates, the RRQ and CARRA present similar collaborator activities and profiles, for example in the actuarial, customer service or planning sector. They are also similar in size and both located in Québec City. Their merger will therefore contribute to an even more rigorous and responsible management of public spending.

Considering the economies of scale and the improved integration of processes it will be able to generate, this type of merger will create a hub of retirement expertise in the public sector and improve the service offering of both bodies, by applying each body's best practices. Merging these two bodies into a sole entity will reinforce government know-how and expertise in pension plans. It will thus increase efficiency in the delivery of services offered, while respecting taxpayers' capacity to pay.

### **MERGING BODIES RESPONSIBLE FOR LABOUR MANAGEMENT**

#### **Merging bodies**

In order to simplify the population's access to services, the Government intends to create the Commission des droits, de la santé et de la sécurité du travail. This body will stem from the integration of the Commission des normes du travail and the Commission de l'équité salariale to the Commission de la santé et de la sécurité du travail.

The creation of the new Commission will generate approximately \$8 million in recurring management savings starting from the third year. These savings will be achieved thanks to a reduction in administrative expenditures and in payroll for the bodies.

Merging these bodies will also generate benefits for clientele. Access to services will be simplified, because clientele will now only have to contact one organization for their requests regarding pay equity, standards and occupational health and safety. The new Commission will also ensure better regional coverage, as well as improved activity efficiency. The other expected benefits include reduced employer contributions and simplified governance.

### **Merging administrative courts**

The Commission des lésions professionnelles and the Commission des relations de travail will also be merged to create the Tribunal administratif du travail.

Merging administrative labour courts presents benefits for clientele, including improved regional coverage through an increased presence across the Québec territory, as well as greater activity efficiency, in particular with regard to rules of evidence and procedure, case closing times and information sharing.

The creation of the Tribunal administratif du travail will also generate recurring management savings in the amount of \$6.9 million starting from the third year. These savings will be achieved by harmonizing the decision-making processes of both courts, by abolishing the presence of joint members, and by reducing the operating expenses of the courts by repatriating the administrative services of the Commission des relations de travail within the new tribunal.

## **REVIEWING FILM MANAGEMENT AND DEVELOPMENT STRUCTURES**

### **Régie du cinéma**

The functions of the Régie du cinéma are to classify films, to publish information on the films classified, to hold consultations on the classification of films, to issue, renew, suspend or revoke exhibitors' or distributors' licences, to supervise and monitor the sale, leasing, lending or exchange of video material, and to issue filing certificates.

Over the last few years, the film and audio-visual industry has undergone profound changes. The tremendous growth in online purchasing of audio-visual products affects the sale of video material. This new consumption habit in the digital sector imposes the review and update of the mission and mandates of the Régie du cinéma.

The Régie du cinéma will therefore be integrated into the Ministère de la Culture et des Communications and its mandates and orientations for the years to come will be reviewed. The purpose of this integration is to pool the resources and expertise of the Régie and the Department while ensuring the improved efficiency of services offered. This integration will be made over the 2015-2016 fiscal year.

### **Cinémathèque québécoise**

Founded in 1963, the Cinémathèque québécoise is a non-profit organization whose mission is to acquire, document and preserve Québec's audio-visual heritage and international animation and to collect significant Canadian and international works in order to make them available for cultural and educational purposes.

Some activities of the Cinémathèque québécoise correspond to the mission of the Bibliothèque et Archives nationales du Québec (BAnQ), which is to assemble, preserve on a permanent basis and disseminate the published heritage of Québec and all materials related to this heritage and of cultural interest, as well as all materials related to Québec published outside Québec.

Over the last few years, the Cinémathèque has faced financial difficulties that, in the current context of rigorous budgeting, call for the pooling of resources. Discussions and work will therefore be undertaken between the Cinémathèque and BAnQ in order to optimize the structure and preserve the organization's mission.

## **RECONFIGURATION OF THE DELEGATION NETWORKS FOR REPRESENTING QUEBEC ABROAD**

The mission of the Ministère des Relations internationales et Francophonie is to promote and defend Québec's interests on the international scene. In carrying out its mandate, it plans, organizes and directs government action and the activities of its departments and bodies abroad. It also coordinates their activities in Québec in matters of international relations.

The Department's main responsibilities include representing Québec abroad. To improve the effectiveness and optimize the use of its resources, the Department will undertake a strategic repositioning of Québec's representation network abroad. This will maximize the payoff of its actions and ensure better cooperation with the various actors on the international scene. The Government intends to be in the right place at the right time to advance Québec's prosperity.

Closely aligned with the Government's priorities and major international objectives, this repositioning is the outcome of a strategic analysis that will see Québec diplomacy deployed in territories with a strong potential and aligned with Québec's niches of excellence. The mission of each representation will be refocused into one or more priorities that will be set out in specific mandates and targeted activities based on the potential of each territory.

The repositioning of resources deployed abroad will lead to net savings of over \$2 million starting in 2015-2016 and of \$8 million annually thereafter. Reconfiguring the network of delegations also involves selling homes and purchasing smaller properties, which better meet the current needs of Québec diplomacy. This approach matches resources with needs based on the Government's objectives and priorities while complying with budgetary constraints.

## **REPOSITIONING THE SHARED SERVICES APPROACH**

### **Centre de services partagés du Québec**

Created in 2005, the Centre de services partagés du Québec (CSPQ) brings together the Government's operational and transactional services for departments and bodies to increase their focus on achieving their respective missions and reducing costs through economies of scale, optimized processes and pooled expertise.

After ten years, the CSPQ has only reached part of its objectives. The complexity of the funding model, the legal and administrative operating conditions and the engagement strategy have contributed to the slowdown in rolling out shared services in the Government. Given these observations, the CSPQ needs to refocus its mission and review its service offering.

For this reason, a major restructuring plan will be implemented to provide the government community with proven value-added services, based on a refocused mission and optimized administrative processes. This plan will target the ongoing review of the added value of all services and the quality of the CSPQ's administrative and business processes. It will result in areas affecting the services, clientele, organization and operating conditions of shared services.

### **Société québécoise des infrastructures**

The mission of the Société québécoise des infrastructures (SQI), the result of the merger of the Société immobilière du Québec and Infrastructure Québec in 2013, is, on one hand, to support public bodies in public infrastructure project management, and on the other hand, to develop, maintain and manage the real estate inventory that meets the needs of departments and bodies.

Ensuring that the SQI continues to fulfill its mission as efficiently as possible, the Government asked it to examine its entire mandate and review its business model in order to reduce costs while meeting its clientele's expectations. The cost structures and rate charts, in particular, will be reviewed for a more rigorous management of public assets. In this regard, the SQI must submit a recovery plan to the Government in 2015-2016.

## **REORGANIZATION OF SERVICES QUEBEC**

The Government reaffirms its desire to make Services Québec the main entry point for government services for citizens and businesses across Québec. Rolling out Services Québec in outlying regions is part of the Minister of Labour, Employment and Social Solidarity's mission under the Act to optimize government action in delivering public services to citizens and businesses.

The Gouvernement du Québec will continue to expand, through Services Québec, its single window for public services. The goal is for more than 90% of Québec's population to have access to an integrated point of service within a 50-km radius, perpetuating the Government's service offering and presence in all regions of Québec. Services Québec also focuses on the optimal use of information technology by rolling out informational and transactional online services supported by its customer service centres.

The Government is committed to an approach aiming to integrate a variety of service deliveries, in order to create a network administration facilitating the transparency and implementation of a client-focused and cost-effective service delivery. Upcoming work will identify potential savings targets. In this regard, departments and bodies will be called upon to facilitate citizen and business participation in government relations, maximize the efficient use of government resources and ensure a sufficient presence of government services across Québec.

## **ELIMINATION OF DESTINATION QUEBEC OFFICES**

The Destination Québec office network's mandate is to market Québec tourism abroad through promotional activities, sales missions, press relations and networking with the distribution network.

In order to optimize its resources, the Ministère du Tourisme is currently reviewing certain processes as well as its service offering within the tourism industry and to international clients. Taking into account this context and the fact that the seven contracts for its representation were expiring, it was a good time to review the representation structure in different markets and initiate a strategic reorientation.

Therefore, among the Destination Québec contracts expiring at the end of the 2014-2015 fiscal year, those located in Chicago, Berlin and London will not be renewed, resulting in their closure. In addition, the Department has already repatriated its representation at the Québec Government Office in Mexico City in September 2014.

Consequently, the Department is currently carrying out a tendering process that will centralize operations in four offices in Europe, the United States, China and Toronto. These measures will create \$1.3 million in savings annually.

## **REORGANIZATION OF IMMIGRATION STRUCTURES**

The mission of the Ministère de l'Immigration, de la Diversité et de l'Inclusion is to promote immigration, select immigrants and support the full participation of immigrants in Québec's development. In order to optimize the Department's work, two transformative actions will be put forward in 2015-2016.

### **Transferring international selection activities to Québec**

Selection activities in Latin America carried out in the Québec Immigration Office in Mexico City will be repatriated to Montréal in 2015-2016. This will generate recurring annual savings of \$0.6 million. Essentially, the orientation aims to centralize administrative activities in Montréal and eliminate those without added value.

This is consistent with the orientation to centralize selection activities in Montréal, a decision made in 2011. The closing of three Québec Immigration offices (Damas, Vienna and São Paulo) and the centralization of 87% of skilled worker applications in Montréal with a 35% smaller workforce has already generated recurring annual savings of \$5.4 million.

This orientation, consistent with the Auditor General of Québec's recommendations, allows for a more consistent and flexible processing of selection with increased quality control, while creating substantial savings.

### **Reorganization of regional administration**

Reorganizing the operations of regional administrations takes into account the expertise developed in recent years by numerous regional and local stakeholders in immigrant settlement and integration. This reorganization will engender savings of \$3.0 million in 2015-2016 and \$6.1 million annually from 2016-2017, including \$1.0 million in rent.

The reorganization will allow regional immigration-related activities to be centralized and integration roles and responsibilities to be shared as Department personnel working in business services are transferred to the Ministère du Travail, de l'Emploi et de la Solidarité sociale. It will also reduce structural costs and bring about savings without affecting services by ceasing regional administration activities.

These actions are consistent with the strategic role of the Department, as the leader for a network of partners, reinforcing its actions in its areas of jurisdiction. The Department has already withdrawn from direct customer service to the benefit of Emploi-Québec and community organizations working with immigrants. As a result, these changes have had no impact on customer service.

# PAYROLL CONTROL

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## WORKFORCE CONTROL AND DOWNSIZING

The Government has already underscored the importance of establishing an overall staff downsizing plan. This plan affects both public servants and staff outside the public service.

As part of the 2014-2015 Budget Speech, the Government announced its intention to legislate to better support workforce development in the public and para-governmental sectors. Thus, on December 5, 2014, the National Assembly adopted the Act respecting workforce management and control within government departments, public sector bodies and networks and state-owned enterprises.

The Act aims to ensure a regular and frequent setting of staffing numbers per major job category. It will also allow the Government to implement its commitments regarding the overall staffing freeze in public, para-governmental and peri-public sectors until the end of the 2015-2016 fiscal year. Lastly, the Act aims to strengthen accountability among the bodies' management regarding service contract conclusion throughout periods subject to rigorous staffing controls. In this sense, it provides measures for accountability, auditing and oversight to prevent the circumvention of staffing control measures.

In 2015, the Government began implementing measures to set overall staffing numbers. It is compiling the initial data collected and a portrait of government staffing will be completed in spring 2015.

### **PUBLIC SERVANTS**

In line with the streamlining measures implemented in April 2014, measures that specifically concern public servants will be deployed in 2015-2016 fiscal year.

#### **Staffing needs review for departments and bodies**

All ministers were given the mandate of defining new staffing targets to reduce current levels in their respective departments. This exercise will lead to a work organization review and a reassessment of the staff required. The program review results will also be taken into account and the target adjusted accordingly.

Until then, as a transitional measure, staffing levels will continue to be subject to downward pressure while maintaining government performance; flexibility will also be ensured so that priority needs can be met without compromising the overall downsizing target.

### **Staffing targets and flexibility with regard to priorities**

In the past year, the Government made clear its firm intent to reduce overall public service staffing levels by 2%. As such, it requested departments and bodies to cap staff growth as of 2014-2015 to achieve a 3% reduction by the end of 2015-2016. The 1% margin thus generated will be allocated based on priority.

At the end of 2014-2015, the public service staff utilized is estimated at 64,167 full-time equivalents (FTE), a reduction of 1,162 FTEs (or 1.8%) compared with 2013-2014. This reduction results from the hiring freeze imposed by the Conseil du trésor at the start of the year as well as rigorous staffing controls by the departments and bodies. The Government is therefore already well positioned to meet its objective. The coming months will be essentially devoted to reinforcing the results obtained to date as well as continuing the efforts to achieve this objective and constituting the 1% flexibility margin to be allocated based on priority.

Given the firm targets set for 2015-2016, the hiring freeze imposed in 2014-2015 will not be renewed. This will give departments and bodies greater flexibility so that they can consolidate and manage staffing cuts effectively, particularly for casual or seasonal employees. However, departments and bodies who are not on track to meeting these targets will be subject to a hiring freeze.

### **End of the non replacement of one retiring employee out of two**

This new approach will replace the government size-reduction measure that consisted of replacing only one out of every two retiring employees. This measure had a number of limitations, particularly from an operating standpoint. Among these were the difficulty in predicting its effect and monitoring its results.

In addition, the measure produced undesirable effects on the departments and bodies concerned, calling for an adjustment of the rates based on the impact of early retirement departures on coming years. The measure also limited the mobility of experienced staff.

## COLLECTIVE AGREEMENT NEGOTIATION

Government employee collective agreements are renewed in a context where the Government has committed to balancing the budget in 2015-2016 and subsequently maintaining it without increasing the tax burden. Negotiations to renew the collective agreements of the Government's 541,000 unionized employees are underway and the Government has tabled propositions respecting taxpayers' ability to pay.

The Government has proposed pay parameters of 3% over five years. This is on top of the 1% increase to come into effect on March 31, 2015 under the existing collective agreements. The Government also wishes to correct certain inconsistencies in the compensation structure. This proposition takes into account the low growth in program spending in the coming years as well as the financial commitments resulting from collective agreements or labour rights legislation. These commitments include costs associated with pay scale progression, pension plan funding and obligations related to the Pay Equity Act.

Regarding retirement, the Government's proposals aim to consolidate the plan's sustainability, improve equity between participants and maintain the participant contribution rate at its current level or even reduce it. The Government thus proposes moving the retirement-without-penalty minimum age from 60 to 62, raising the reference period used to determine pensions from 5 to 8 years and raising from 4% to 7.2% the reduction applicable to early retirement.

In addition, the employer has made proposals in the areas of public service, school boards, colleges and health and social services network aiming to improve the quality of public services and foster a more fluid and flexible work organization.

# REDUCING OUTSOURCING AND REINFORCING INTERNAL EXPERTISE IN CERTAIN SECTORS

## **CURRENT SITUATION**

To fulfil their missions and bring their activities to completion, government departments and bodies sign service contracts worth nearly \$2 billion per year, including consulting contracts.

Hiring consultants improves the Government's ability to deliver public services as well as benefit from leading-edge expertise in certain fields. However, in certain cases the recourse to external resources can be more costly. Accordingly, decisions to outsource call for careful analysis, particularly in the area of information resources.

Given the question's significance and at a time when the Government is reviewing its methods and seeking to manage its expenditures with rigour, the Government wants to ensure that outsourcing decisions are based on the right criteria.

## **APPROACH**

To begin with, an overview of the importance and reasons for using consultants and external resources is currently being drafted. Subsequently, new criteria to better regulate the question of whether or not to outsource will be established, particularly with a view to retaining strategic internal expertise and controlling costs.

## **Information technology resource management**

Given the high rate of recourse to external IT resources, the Government has launched a comprehensive action plan that takes this into consideration, which emphasizes a rigorous management of these resources. Below is a reminder of the concrete actions already implemented:

- The mandates of the chief executive officer of the Centre de services de partagés du Québec (CSPQ) and the chief information officer have been separated.
- The CSPQ is currently undergoing a major repositioning involving significant reductions to the use of external resources, particularly in the area of information technologies.
- An IT draft regulation will be subject to a consultation process aiming to ensure better risk sharing between work providers and suppliers in addition to reviewing the scope of the contracts and seeking to optimize project costs.
- An audit was requested for contracts related to the SAGIR project to ensure that they are carried out as agreed and abide by good contract management practices.
- A review of the dashboard concerning the progress of IT projects was carried out, with further modifications to come.

Between now and late June, the Government will unveil a far-reaching structural vision with regard to information technologies.



# SOUND MANAGEMENT OF PUBLIC INFRASTRUCTURE INVESTMENT

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## BETTER UNDERSTANDING OF THE INFRASTRUCTURE NETWORK AND ITS CONDITION

The assessment of investment needs must be based on in-depth knowledge of the state of infrastructure, knowledge that can then be used to determine action priorities and evaluate the pacing of any needed investments or actions.

In that sense, the Government has implemented guidelines to instruct its departments and bodies on establishing and maintaining a complete inventory of their infrastructure along with the condition, maintenance deficit (where appropriate) and replacement value of these infrastructures.

These guidelines will enable the Government to present, for the first time, annual management plans for public infrastructure investments, which will provide an initial snapshot of this inventory, including an assessment of its condition and asset maintenance deficit. This yearly government report will foster better accountability for the benefit of both parliamentarians and the public.

As such, it is another demonstration of the Government's transparency and rigour as it strives to provide its citizens with more complete information on the state of most of Québec's public infrastructure.

## RESPONSIBLE PLANNING

The Government must ensure that future generations will have the funds needed to maintain and restore existing infrastructure as well as anticipate needs for the coming years. The appropriate division of investments between infrastructure maintenance and infrastructure development is imperative, taking into account the taxpayers' ability to pay.

With pressing infrastructure needs, reinforcing investment planning and management is vital. Identifying priority projects is thus key and must reflect the priority needs of the population by incorporating a sustainable vision of assets that are essential to delivering quality services.

In this regard, guiding principles behind the prioritization of infrastructure investments have been developed. These principles help steer government priorities and orientations with regard to prioritizing the projects to support. They clearly demonstrate that projects that would help maintain the current service offering to the population through the maintenance, restoration or replacement of existing infrastructures are considered a priority.

And, since Québec's infrastructure needs are increasing and considering the budgetary limits the Government is up against, new procedures and methods need to be identified.

To this end, the Government has entered into an agreement with the Caisse de dépôt et placement du Québec, entrusting it with certain public transit infrastructure projects. This would allow for the modernization of Québec's public infrastructure while ensuring some budgetary leeway for Québec's other infrastructure projects.

In line with all the above orientations, the Government presents a planning strategy for the next 10 years that:

- Prioritize the maintenance of services to the population through asset maintenance and the replacement of existing infrastructures;
- Establish a new strong central budget, which will be allocated to projects prioritized by the Government;
- Provide a list of all projects costing \$50 million and over.

## **INVESTMENTS IN KEEPING WITH NEEDS**

As elsewhere, a significant portion of Québec's infrastructure was developed before the 1980s. Thereafter, substantial investments were made in other sectors of activity, including social programs, which meant that public infrastructure investments were curtailed resulting in a significant maintenance deficit.

Since 2006-2007, the Government has begun once again to make significant investments in its infrastructures in order to absorb this deficit while developing essential new Québec infrastructure. Since it is difficult to sustain this momentum over the long term due to the combined effect of debt and expenditures, a slight decrease in investments is forecast in the 2015-2025 Québec Infrastructure Plan. All the same, this plan provides for average annual investments of \$9.0 billion for the next five years and \$8.6 billion for the following five years. As such, the Government is adopting an even more rigorous approach to the project selection process, while showing innovation in the funding of major projects.

**Table 2**  
**Investment budgets by sector in the 2015-2025 Québec Infrastructure Plan**  
 (contribution of the Gouvernement du Québec, in millions of dollars and as a percentage)

	<b>2015-2025</b>	<b>%</b>
Road network	16,655.3	18.8
Public transit	7,247.7	8.2
Marine, air, rail, and other transportation	2,164.7	2.4
Health and social services	14,436.8	16.3
Education	8,772.9	9.9
Higher education and research	6,529.6	7.4
Culture	1,650.2	1.9
Municipal, sports, community and recreation infrastructures	8,214.1	9.3
Social and community housing	2,013.5	2.3
Government buildings	2,441.1	2.8
Information resources	3,313.2	3.7
Other	4,310.4	4.9
Central envelope <sup>1</sup>	10,650.8	12.0
<b>Total</b>	<b>88,400.0</b>	<b>100.0</b>

Note: Figures are rounded and the sum of the amounts may not correspond to the total.

<sup>1</sup> Budget reserved for projects that are currently under study and potential projects that have not yet been identified.



# CONCLUSION

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From day one, the Government has focused its efforts on regaining control of public finances by resisting the temptation to delay this objective. Programs have been piling up for decades, without any systematic questioning regarding procedures and methods. This has resulted in a rate of growth in program spending that exceeds Quebecers' ability to pay.

Government spending must be contained. We can no longer spend more than the revenues we receive. The Government has the courage to make difficult but necessary decisions, and conduct an in-depth review of all its procedures and methods, programs and government structures.

The Government has therefore announced that it is going to overhaul the structure of government by repositioning its actions, slimming down and reducing its size. The Government needs to transform and find more leeway to drive the Québec economy forward instead of restraining it. As well, our infrastructure investment choices should be dealt with the same rigorous concern; that is, meeting priority needs in terms of security, deterioration and public safety while fostering economic development across Québec. Similarly, the Government confirms its commitment to ensure a disciplined approach to spending on IT projects by means of a global plan that involves regulatory tightening, responsible workforce management and better risk-sharing.

All in all, this is a disciplined and responsible approach to protect the Government's present and future actions in ensuring prosperity, fairness and justice in our society, and to recover the leeway needed to meet the upcoming challenges in the best interest of citizens and taxpayers.

