

2002-2003
BUDGET

Budget

Speech

Delivered before the National Assembly
by Pauline Marois,
Deputy Prime Minister
and Minister of State for the Economy and Finance,
on November 1, 2001.

Finances

Québec 

Budget Speech

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Introduction

Mr. President:

September 11, 2001 marks a particularly painful episode in the history of the world. The lives of thousands of our neighbours to the south were broken in attacks of an unprecedented scale that spread anguish, pain and death. The events in New York affect us directly. They will be engraved in our memory forever. Yet, last year, we celebrated the start of a new century with hope and confidence, in close communion with the rest of the planet.

We must not give in to fear and panic. We must react without cutting ourselves off from the world. We must reaffirm who we are and steadfastly defend our values of tolerance and freedom for all, while being aware of, and modest about, our ability to influence events of such an overwhelming magnitude. But we also belong, in our own way, to the new global world emerging. Let us be confident—human beings possess the inner strength necessary to meet each of the great challenges of history.

Our values as Quebecers are embodied in the solidarity and lucidity demonstrated after the attacks of September 11. Our solidarity must first be directed toward our American friends, whose pain we share unreservedly. That solidarity and lucidity must also prevail in the fight against terrorism, which we participate in to defend our values of democracy and freedom. That solidarity must triumph over the exclusion of less privileged peoples, which often breeds terrorism. That solidarity, on which the Québec nation was built, is founded on the cohesion between its members and on their mutual respect, whether they be born here or elsewhere.

The world economy as a whole is grappling with the direct consequences of the events of September 11 in Manhattan, and must resolutely adapt to the new geopolitical and military reality in the aftermath of the attacks.

Québec society is taking up this new challenge as well. Obviously, Québec must first be more attuned to danger and strengthen its security measures, which we are in the process of doing. It also goes without saying that we must act with resolve. By protecting what we have achieved, we ensure that we will be stronger when the recovery comes. There is no better time than now, because now is the time for action.

This Budget Speech, delivered five months ahead of time, is just such an illustration of resolution in action. It was my responsibility, and that of the Québec government, to take the initiatives necessary to enable Québec to navigate the current difficulties with the least turbulence possible. We do so today, with the 2002-2003 Budget.

I want to rely on the driving forces of Québec society. In the past few weeks, I therefore met with the experts and principal leaders of the economic and social sectors. We shared our assessment for the current and future evolution of the economic situation in Québec. Then we discussed a number of actions to be taken to ensure the social and economic security of Quebecers. We all agreed on the urgent need to take action.

And we are taking action now.

But we must not do so alone. It is essential that we work in collaboration with others. That collaboration must include the federal government. I have already told the federal Minister of Finance that, given the substantial means at its disposal, the federal government can and must take major initiatives as well.

I am therefore tabling before the National Assembly today a budget enabling us to:

- define now the 2002-2003 budgetary policy, with a view to responding to the present context; as well as
- immediately implement an action plan for responding to that context.

The action plan I am proposing today centres on five main objectives:

- to strengthen the means at Québec's disposal for ensuring personal security;
- to bolster consumer confidence by focusing on people with low incomes, who risk becoming the first victims of the current situation;
- to maintain jobs and economic activity, the very cornerstone of our society;
- to enable our government to continue the work accomplished in strengthening and diversifying the Québec economy;
- to maintain the policies for putting public finances in order, from which our government has not deviated.

This action plan includes major initiatives to support employment and growth, and provide assistance to those most in need, all the while without jeopardizing the zero-deficit policy adopted by our government.

With this action plan, the government is taking action now. In so doing, it is reaffirming its determination to maintain both jobs and a solid economic foundation for the future.

I. An uncertain economic context

Since the beginning of the year, even before the attacks of September 11, the international economy has been slowing perceptibly, after a period of very strong growth. The attacks have exacerbated the slowdown.

While the extent of the slowdown is not easy to gauge, it is sufficient to warrant prompt, appropriate economic action on the part of governments. Remarkably, the least interventionist of them all, the U.S. government, has just embarked on a series of major initiatives to support employment and economic activity.

For its part, the Québec government can make use of economic levers that have already proven their effectiveness, but that nonetheless take a certain length of time to produce their full effect. We must therefore implement an appropriate, rapid response, despite the uncertainty of the situation.

(a) Before September 11: an already perceptible slowdown, but a fundamentally sound Québec economy

2001-2002 Budget: anticipated slowdown of the U.S. economy

The situation in which we find ourselves stems essentially from the difficulties experienced by the U.S. economy. Last March, when the 2001-2002 Budget was tabled, experts were already anticipating a significant slowing of economic activity in the United States. That downturn was reflected in the economic forecast for Québec that I presented in the 2001-2002 Budget Speech.

Québec could not help but be affected, since the equivalent of 40% of its GDP is exported outside Canada, and 86% of those exports go to the U.S. market. Thus, exports to the U.S. alone represent 35% of our GDP. In fact, our ties to the U.S. economy have never been stronger, since the United States became Québec's number one economic partner in 1993, instead of the Canadian provinces as a whole.

An even more pronounced slowdown

In the days leading up to the terrorist attacks of September 11, a more pronounced slowdown had already taken hold in the U.S. economy, resulting in a decline in our exports. However, the performance of the Québec economy was still far from worrisome.

In fact, our economy was still fundamentally sound due, in particular, to high household confidence. The household confidence index had remained steady at pretty much the same level as in 1999 and 2000. That confidence was reflected notably in the good growth in retail sales and housing starts, which counterbalanced the drop in exports to the United States.

Québec's job creation rate continued to be high, as confirmed in the statistics published in early October. During the first nine months of 2001, 45 000 jobs were created by the Québec economy, whereas, during the same period, only 27 000 net jobs were created in Canada as a whole.

The government's financial framework was sending out signals which, at the time, I qualified as mixed. Our tax receipts were at the level initially forecast. On the other hand, pressure was being brought to bear on program spending, whereas less was being spent in debt service due to the reduction in interest rates. Thus, overall, the budgetary framework was balanced. In such circumstances, there was no question of tabling a budget. To do so would not have been warranted by our financial performance any more than it would have been by that of the Québec economy.

(b) Since September 11: a level of confidence to be maintained

The events of September 11 have brought about profound changes. For our friends and neighbours in the U.S., a number of sectors were immediately affected by the terrorist attacks, resulting in heavy layoffs. The aeronautics industry, as well as the financial and tourism sectors, were among them.

Household and business confidence in the U.S. was shaken, and there were further drops in the stock markets, which had already been affected by the major correction of the previous year.

Authorities in the United States responded rapidly, mobilizing substantial resources. To date, President Bush has freed up over \$US130 billion—a clear reflection of the financial might of the world's No. 1 economic power—to provide aid to victims, support the transportation sector, begin rebuilding, and redress the economy.

Experts now forecast 1% growth for the U.S. economy in 2001, which is one percentage point less than the rate forecast at the time of our Budget last March. According to these same analysts, the U. S. economy will grow 1.2% in 2002, or 2.3 percentage points less than the rate forecast at the time of the last Budget.

The Québec economy affected as well

The Québec economy is, of course, directly affected by the accentuation of the slowdown observed in the United States. The impact is felt all the more on our economy since certain sensitive sectors are also sectors of activity in which Québec is a major player. Such is the case with the aerospace industry, in which Québec ranks sixth in the world, Montréal being the second most important city in the world in this regard, after Seattle and before Toulouse. Our tourism industry is also directly affected.

In the medium-term, our economy will obviously benefit from the massive injections of funds decided by the U.S. government. Québec is one of the biggest suppliers of the state of New York, and Québec businesses will feel the impact of the enormous reconstruction expenditures already being made.

However, we must now do everything to maintain the level of activity of businesses, to provide job-creating SMEs with the necessary liquidity in these difficult times and to stimulate investment. In so doing, it will be possible to preserve the jobs created in recent years.

Major assets

We have a number of major assets at our disposal with which to maintain and consolidate economic activity. Québec's financial health has greatly improved since 1994. In March 1999, and for the first time in 40 years, the Minister of Finance of Québec, who has since become our Prime Minister, tabled a balanced budget, thereby putting an end to the debt spiral.

The end of deficits and balanced public finances are an achievement that we will do everything to safeguard. I therefore announce that, like the 2001-2002 Budget, the 2002-2003 Budget is a balanced budget.

With our public finances in order, thanks to the collective effort of Quebecers and sound management of public finances by our government, I was able, in March, to reduce the debt by \$502 million and create a \$950-million reserve—something no government had been able to do before.

In March, I was also able to announce a substantial reduction in personal income tax, which is particularly timely in the current situation. In two years, we have effectively reduced the tax burden of individuals by 20%, which represents a total income tax reduction of \$11 billion for the 2000-2004 period and a corresponding increase in taxpayers' disposable income. That is a change from the regular, sometimes retroactive, increases in income tax to which we had, alas, been accustomed by the previous government.

In fact, the Québec economy is stronger and more diversified than it has ever been. The standard of living of Quebecers has improved significantly, rising more rapidly than in the rest of Canada in the past five years. The unemployment rate has fallen to an historical low, something that had not

happened since the large-scale projects of 1976, and our businesses have negotiated the shift to the knowledge-based economy with outstanding success. Advanced-knowledge activities now account for nearly one-quarter of the wealth creation of businesses. Québec counts 4 000 businesses, and over 100 000 jobs, in the information-technology sector alone.

The challenge before us

Thus, we have excellent assets to see us through the current difficulties and safeguard the jobs of Québec workers. It is essential to reinforce the confidence of Quebecers and of all economic decision-makers. To meet this challenge, Québec takes action now, and in the right direction.

II. Priority given to balanced public finances: maintaining a zero deficit

(a) Our prudent management has enabled us to offset much of the impact of the anticipated economic slowdown

Tabling an economic action plan while maintaining a zero deficit will mean taking a number of difficult actions.

New economic forecast

The March 29 Budget was based on 2.7% growth in the Québec economy in 2001 and on 2.6% growth in 2002. Following the remarkable 4.7% growth in 2000, we anticipated, like the other forecasters, a certain slowing of the economy for 2001 and 2002. But, as I explained earlier, various factors have been accentuating the slowdown and delaying recovery for some time.

The action plan I am proposing today in the National Assembly will serve in part to offset this negative situation. According to our projections, the action plan will result in an increase of 0.7% in GDP in Québec next year, thereby creating or maintaining some 16 000 jobs. In fact, I am now forecasting real growth of 1.1% this year, and 1.7% in 2002, for the Québec economy.

New financial framework

The economic growth I am now forecasting represents a downward revision compared with the projected growth announced on March 29. This will not be without consequences for the level of tax receipts. In September, the ministère des Finances published the *Quarterly Presentation of Financial Transactions as at June 30*, which contained no major adjustments of our revenue forecasts. However, the new economic situation leaves us no choice but to lower our revenue forecasts by \$1.8 billion for 2001-2002 and 2002-2003.

This adjustment is due in part to the fall in stock market valuations, which affected the investment portfolio of a number of government corporations. For example, the situation of the Commission de la santé et de la sécurité du travail deteriorated by \$351 million.

Fortunately for Québec, however, the central banks have substantially reduced interest rates since the beginning of the year. Consequently, our debt service costs should be \$944 million lower for the years mentioned previously.

In these conditions, Québec could easily have ended up with a deficit. I therefore sought to use every means at my disposal to maintain a balanced budget.

Use of the balance of the \$950-million reserve

In the last Budget, I announced the creation of a \$950-million reserve out of the surpluses accumulated in 2000-2001. The reserve was intended to fund non-recurring expenditures in priority sectors.

Today, we must respond to another important priority need, that of preventing the economic slowdown from plunging Québec into deficit again.

To date, we have earmarked \$280 million of the reserve for new spending. Accordingly, the balance of the reserve is \$670 million. I am announcing that we will use this amount immediately in order to balance the budget. We will therefore be proposing an amendment to the bill concerning the reserve.

Originally, the \$950 million was to be put toward investments in health, education, research and the fight against poverty. In reality, today's Budget provides for much larger investments in these same areas, while maintaining a zero deficit.

As you can see, our foresight last spring is of great service to us today.

(b) Increase in the tobacco tax

Maintaining a zero deficit will, however, require us to implement somewhat tougher measures.

My consultations prior to the Budget clearly showed that we had to avoid any increase in the tax burden that might adversely affect Québec's competitiveness. As a result, this Budget contains only revenue measures that do not have an impact on our competitiveness.

The Québec tobacco tax is among the lowest in Canada today. This is because, as a society, we want to avoid a resumption of tobacco smuggling. I have to say that I monitor developments on this front closely. While I am concerned with maintaining a balanced budget, I am also concerned with public health. Smoking causes major diseases such as lung cancer and heart problems. Raising the price of cigarettes has proven to be one of our most effective preventive measures.

A few months ago, we raised the price of a carton of cigarettes by \$2, without causing a noticeable increase in smuggling. Introducing another increase therefore seemed appropriate. Consequently, I am announcing an increase in the tobacco tax of \$2.50 per carton, to take effect at midnight tonight. This increase will generate revenues of \$125 million over a full year.

For its part, the Minister of Revenue will introduce new measures to curb tax evasion. These initiatives, which include putting a stop to fraudulent input tax refund claims, will result in the recovery of \$100 million per year from the taxpayers involved. Now more than ever, it is important for all Quebecers to pay their fair share.

(c) Rigorous management of spending

A self-financing action plan

— Thanks to the tax receipts it generates.

We had to act rapidly to prevent the economy from deteriorating. That much is clear. What is much less clear is how to do so without jeopardizing a balanced budget.

That is why I am especially proud to table before the National Assembly today an action plan that has the advantage of being self-financing. The gross cost of the plan will not exceed \$641 million for 2001-2002 and 2002-2003, as the plan is comprised primarily of investments whose costs will be spread over several years.

Our action plan enables us to inject more than \$3 billion into the economy, which will generate an additional \$306 million in tax receipts, constituting an initial self-financing source.

— Thanks to a reallocation of spending.

A reallocation of \$281 million in spending will be another self-financing source.

Québec society succeeded in breaking free of the vicious circle of deficit by maintaining rigorous management of spending. It was and still is the only way to leave a decent legacy for our children and grandchildren.

The current situation compels us to continue our efforts.

Make no mistakes about it. Managing spending in these difficult times is not an easy task, as the economy needs to be stimulated in the short term without jeopardizing long-term objectives. Since we have no control over the impact of economic conditions on our revenue, rigorous management of spending is the only way to maintain a zero deficit.

For 2001-2002 and 2002-2003, we adopted a similar strategy. It consists in maintaining the program spending targets—\$41 929 million and \$43 223 million respectively—set in March. Certain analysts feared that we would make spending cuts. I am confirming that we will honour the spending commitment made in the last Budget. This represents an appreciable annual increase of 2.8% in 2001-2002 and 3.1% in 2002-2003.

Thus, to offset the additional cost of \$281 million in this Budget and meet the agreed spending targets, the government must make a budgetary reallocation in that same amount.

It will be a tough challenge not to overshoot the spending targets set in March. This mission, which is essential to maintaining a zero deficit, has been entrusted to the President of the Conseil du trésor, who can count on the Prime Minister, as well as on myself and my Cabinet colleagues, to support him in successfully carrying it out. He will submit a report to the National Assembly in this regard, when the Estimates are tabled next March.

Responsible management of government spending has become the hallmark of our government. It is a task that is complicated by a major fiscal imbalance between Ottawa and Québec. The commission set up by the government to study this issue, which is chaired by Yves Séguin, should soon submit its recommendations for resolving the problem.

In the meantime, we are determined to maintain a zero deficit not only in 2001-2002 and 2002-2003, but also in the years to come. The budgetary forecasts I am tabling today bear witness to our commitment in this regard.

GOUVERNEMENT DU QUÉBEC **SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS**

(in millions of dollars)

	2000-2001	2001-2002	
	Actual results ¹	Budget Speech 2001-03-29	Revised forecasts
Budgetary transactions			
Own-source revenue	42 856	41 652	40 298
Federal transfers	8 161	9 484	9 660
Total revenue	51 017	51 136	49 958
Operating expenditure	– 41 959	– 43 226	– 43 506
Debt service	– 7 606	– 7 910	– 7 402
Total expenditure	– 49 565	– 51 136	– 50 908
Budgetary reserve			
Funds allocated to reserve	– 950	—	—
Use of funds allocated to reserve			
Financing new spending	—	—	280
Maintaining a balanced budget	—	—	670
Budgetary surplus after reserve	502	0	0
Non-budgetary transactions			
Investments, loans and advances	– 1 632	– 2 771	– 1 317
Capital expenditures	– 473	– 691	– 691
Retirement plans	1 793	1 888	1 987
Other accounts	– 706	804	– 686
Non-budgetary requirements	– 1 018	– 770	– 707
Net financial requirements	– 516	– 770	– 707
Financing transactions			
Change in cash position ²	– 473	1 859	941
Change in direct debt ²	3 008	1 023	2 032
Retirement plans sinking fund	– 2 019	– 2 112	– 2 266
Total financing of transactions	516	770	707

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.

1 On the basis of the 2001-2002 budgetary and financial structure.

2 The revised forecast for 2001-2002 takes into account borrowings of \$855 million made in advance, whereas the actual results for 2000-2001 include \$1 475 million in borrowings made in advance.

GOUVERNEMENT DU QUÉBEC
SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS¹
2002-2003 FORECAST
(in millions of dollars)

Budgetary transactions	
Revenue	51 938
Expenditure	– 51 938
Budgetary surplus (deficit)	0
Non-budgetary transactions	
Investments, loans and advances	– 1 432
Capital expenditures	– 1 195
Retirement plans	1 969
Other accounts	13
Non-budgetary surplus (requirements)	– 645
Net financial surplus (needs)	
Consolidated Revenue Fund	500
Consolidated organizations	– 1 145
	– 645
Financing transactions	
Change in cash position	1 422
Change in direct debt	1 459
Retirement plans sinking fund	– 2 236
Total financing of transactions	645

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.

1 On the basis of the 2001-2002 budgetary and financial structure.

III. The government's action plan

I am proud to announce now the implementation of an action plan to support employment and economic activity in Québec, whose impact should begin to be felt in the short term.

The action plan is based on an essential premise: it is important to take action immediately, using the various instruments at the Québec government's disposal, to preserve jobs and support the economy.

I met with a lot of decision-makers from the economic and social sectors. I asked them what means they thought Québec should use to cope with the current situation. They made many highly relevant suggestions. Everyone agreed that it was urgent to take action now to support the economy.

This is what we are doing while making personal security a prerequisite. It is indeed essential to safeguard the collective security of Quebecers, and we are implementing the necessary initiatives to achieve that end.

The action plan itself is in keeping with the overall economic policy that has been successfully applied by our government since 1994. This economic policy has contributed to the modernization and strengthening of the Québec economy.

I am tabling a document entitled *The Government's Action Plan and Economic Policy*, in which the initiatives defined in conjunction with the Budget are described in detail and put into perspective, in order to tie them in with Québec's economic performance and government economic policy.

Given the prerequisite of ensuring the personal and collective security of Quebecers, the action plan is comprised of three components:

- First, we are focusing on Quebecers themselves, by injecting \$400 million in favour of consumers.
- Second, the public sector is being mobilized. I am announcing that we will be making investments worth nearly \$3 billion earlier than planned.
- Third, the government is targeting businesses. Our economic instruments are being used to maintain employment. We are helping SMEs to cope with the current context by providing them with additional liquidity, and we are aiming for additional investments by the private sector at large.

(a) A prerequisite: ensuring personal security

Right now, Quebecers are more concerned with their personal and collective security. Today, our government must give still greater attention to this basic need.

Thus, on September 27, the Prime Minister announced the creation of a special ministerial committee, called the “Comité du 11 septembre 2001”, to meet the needs of Quebecers and respond to their concerns. The committee has already identified priorities and proposed concrete actions in response to the crisis situation brought about by the terrorist attacks on New York and Washington.

I am therefore announcing that we will inject \$8 million in 2001-2002 and \$35 million in 2002-2003 into concrete actions to maintain the safe living environment that Quebecers want.

Prevention of bioterrorism is one component of our action. To respond to a biological incident, the Québec health network currently has at its disposal an emergency plan for infection control and sentinel physicians available throughout Québec 24 hours a day, seven days a week. This Budget enables us to increase our capability to decontaminate potential victims of chemical or biological infection.

The biofood sector also merits particular attention. Our animal health warning and information system must therefore be strengthened. To that end, we will upgrade existing equipment, add more sophisticated equipment and set up a laboratory meeting the toughest requirements for holding levels.

Additional resources will be allocated to reinforce intelligence and investigation activities targeting potential terrorist groups, and to enhance the response capability of our specialized police forces. I have no doubt that my colleague the Minister of Public Security will use them appropriately.

Moreover, we will tighten up the criteria for issuing birth certificates, as announced by my colleague the Minister of Relations with the Citizens and Immigration.

Québec also wishes to be part of a North American security perimeter. The fluidity of trade between Québec and the United States is essential to our economic development. The Prime Minister of Québec defends the idea of such a perimeter, as is the Premier of British Columbia. We can only hope that the Prime Minister of Canada will endorse the idea as well.

This Budget introduces a number of other measures to improve the security of Quebecers. A few of the measures are:

- the accelerated deployment of civil protection intervention plans throughout Québec;
- the establishment of response teams specialized, notably, in handling chemical and bacteriological hazards;
- the beefing up of security in government buildings in Québec and abroad.

That covers personal security.

(b) \$400 million to assist consumers

First of all, the action plan implemented today provides for an injection of \$400 million in favour of Quebecers. The aim of this measure is to support economic activity by taking action in relation to consumer confidence.

A rapid injection of \$250 million to bolster consumption

I am announcing that \$250 million will be allocated in December to bolster consumer confidence. This measure will take the form of a payment of an additional \$100 per adult for all recipients of the QST credit. We chose this method of reinforcing consumption because a percentage of recipients could not take advantage of the tax cuts announced last spring, and because it is a method that could be implemented very rapidly. In fact, the \$100 payments will be made as early as December, when the second instalment of the QST credit is paid. This measure will benefit 2.5 million consumers, notably young people and older persons.

Full indexation of the personal income tax system

I would have liked to introduce new income tax cuts. However, I felt that it would be more prudent not to do so in the current context, since the impact of such cuts are permanent whereas the context is beset by uncertainty. I therefore ruled out further tax cuts reluctantly, but nonetheless resolved not to go back on the reduction granted in July or on the indexation announced in the last Budget Speech.

Thus, as promised, the tax system will be fully indexed on January 1.

We will, however, raise the rate of indexation, which was to have been 1.8%. I am announcing that we will increase it to 2.7%. This adjustment will have an additional financial impact of \$77 million, in favour of taxpayers.

\$75 million for persons with low incomes

I am also announcing two other measures specifically for people with low incomes.

- As of January 1, 2002, we will index the social assistance benefits of persons with a severely limited capacity for employment. This represents an additional \$29 million for these recipients.
- Also, on January 1, 2002 we will index the social assistance benefits of persons able to work, resulting in an increase of \$46 million. This is the second increase in a little over six months for these persons.

These significant amounts confirm the priority accorded by our government to the fight against poverty. Major initiatives had already been introduced in this regard in the Budget that I tabled before the National Assembly on March 29. We are following up those initiatives, in times when the fate of people with low incomes takes on a particularly crucial dimension.

Today, we are injecting a total of slightly more than \$400 million for the benefit of consumers. All Quebecers will benefit from these measures, but primarily those with low incomes.

In concrete terms, and taking into account all of the effects of full indexation, the disposable income of a couple with two children and two incomes totalling \$35 000 will increase by \$229.

A couple 65 or over with a total income of \$35 000 will see its disposable income rise by \$342.

A couple with two children and one income of \$35 000 will have \$369 more in disposable income.

A couple with no children that receives last-resort assistance will see its disposable income increase by \$460.

\$500 million to build or renovate 40 000 housing units

In addition to the injection of \$400 million to bolster consumption, we are accelerating housing investments. A significant share of the investments I am announcing today will be devoted to housing for individuals, in confirmation of our government's priorities.

In recent years, the Québec government has provided sustained assistance to the housing sector, primarily for housing units for households with modest incomes.

We are aware that, despite these efforts, needs are considerable. In certain regions of Québec, there is presently a shortage of rental units. Moreover, many Quebecers still have difficulty finding adequate housing.

I am announcing that our government will support the construction of 13 000 new housing units and the renovation of 27 000 others. This investment of nearly \$500 million will improve the living conditions of many households with modest incomes.

A considerable number of the new housing units will be provided for under a new program designed to stimulate the supply of affordable housing to ease the housing shortage. Given the anticipated participation of the federal government and municipalities, Québec's financial contribution will enable much larger investments to be made.

Originally, the Société d'habitation du Québec had planned on 6 500 housing units over the next four years. This Budget shortens the timeline to two years. Barring any unforeseen difficulties, the agreement with the federal government should be reached soon. I hope that, in a spirit of cooperation, the federal government will participate in Québec's effort to move more quickly, given the appropriateness of doing so in the current context.

The other half of the new housing units will be provided for under the AccèsLogis program. Since the creation of the program, some 1 300 units per year have been built in cooperatives and non-profit establishments. The program was scheduled to end in a few months. I am announcing that, on the contrary, the program will be maintained for the next five years, and allocated an annual budget of \$50 million.

We will also support the renovation of over 27 000 housing units, thanks to two programs that have proven their effectiveness: the Revitalizing Older Neighbourhoods Program and the RénoVillage program. We will increase the budgets of these programs to \$111 million over two years, in order to help tenants and small homeowners obtain better housing.

Taken together, the new and renovated housing units represent more than 40 000 units that we will be making available to households with modest incomes.

(c) \$3 billion in accelerated public-sector investments

When I met with the principal leaders of the economic and social sectors over the past few weeks, the consensus was that accelerating public investment would be the best way of taking widespread action to safeguard jobs.

We know what effort and concessions as a society, as well as how much rigorous management of government spending, went into achieving a balanced budget. As I explained earlier, I am determined to preserve those achievements in spite of the tougher current situation.

We also know that public investment offers the dual advantage of improving public services, with relatively little impact on government spending in the short term. It is the most appropriate instrument for usefully injecting funds into the economy and for improving the quality of life of Quebecers.

Under the three-year capital expenditure plan approved this year, \$7.1 billion in public investments were to be made within the government and its networks. I am announcing today that, including the investments in low-cost housing, we will be making an additional \$2.5 billion in investments—an increase of 35%.

Québec government corporations have also committed to accelerating a number of investment projects worth \$500 million. All told, Québec's public sector will make \$3 billion in investments earlier than anticipated.

Half of these earlier investments will be made during the coming year, with the other half being made later on. Thus, it is a question of taking rapid action in response to the context, and of better meeting the needs of Quebecers and the economy. Through our investments in health, education, culture, day care services and housing, we are better meeting the needs of Quebecers. In addition, through the investments of government corporations, and investments in research, the environment, the road network and municipal infrastructures, we are enhancing the competitiveness of the Québec economy.

This \$3 billion in investments will act as leverage, as long as the federal government, municipalities and, in certain cases, private investors, join ranks with us. It is an injection that is more than necessary in the current economic context.

\$500 million more for health and social services

A large share of the investments announced today will be made in the health and social services network. We had already authorized this year new investments worth \$360 million in this network. I am announcing today that we will be freeing up an additional \$500 million in investments.

As a result, we will be able to provide better accommodations to older persons losing their autonomy, thanks to the construction and renovation of residential and long-term care centres. We will also be able to renovate a number of hospital emergency rooms. These investments will benefit regions such as Abitibi and Lanaudière, as well as those of Montréal and Québec.

Moreover, we will provide our facilities with equipment that all too often is lacking these days. Such equipment includes new electric beds, patient lifts and therapeutic tubs that will serve to enhance the quality of life of the residents, as well as the working conditions of staff members.

Through these new investments in the health network, we will be able to finish installing computers in youth centres, as well as upgrade the systems for the processing and interchange of information between laboratories, front-line institutions, hospitals and radiology clinics. As a result, telemedicine can be more widely used, private diagnoses can be improved and circulation of information between health-care teams can be enhanced—in short, our health and social services network can be made more efficient.

\$400 million more for education

The challenge facing any society is to ensure that its young people become autonomous, responsible and committed citizens. So that we can attain

this ambition, I am announcing today that projects worth \$400 million will be implemented earlier than anticipated in the education sector.

In the short term, we will carry out projects to improve the premises of educational institutions at the elementary, secondary, college and university levels. We will construct new schools and new university buildings. We will develop new facilities for vocational and technical education.

I am announcing right away that we will undertake large-scale renovations of the Institut de technologie agricole de Saint-Hyacinthe and the Institut de technologie agricole de La Pocatière.

\$100 million more for research

Over the past few decades, Québec society has developed an increasingly high-performance research and innovation system that does not at all suffer by comparison with what is done elsewhere. The progress made is the result of close collaboration between all the players in the system and the determined support of Quebecers' national government.

It was in that spirit that I announced, in the last Budget, the allocation of \$250 million for the implementation of various investment projects in the research and innovation field.

I am announcing today an additional \$100 million for new projects in the research, science and technology field, thereby raising to \$350 million the amounts allocated to investment projects such as:

- the expansion of the Clinical Research Institute of Montreal;
- the construction of an optics and photonics research centre at Université Laval; and
- the creation of a marine biotechnology research centre in Rimouski.

I have no doubt that my colleague the Minister for Research, Science and Technology will see to it that these developmental investments in the research and innovation field are all carried out rapidly.

\$50-million additional investment in early childhood centres

In 1997, our government put forward a family policy largely given over to educational childcare for which a reduced contribution is payable. This innovative measure is intended to make it easier for parents to combine work and family responsibilities and to promote equal opportunity for children.

Since then, we have implemented a vast project that has created 60 000 new places and 12 000 jobs. In keeping with the process to accelerate the opening up of day care places, which is already under way, I am

announcing today that the Québec government will allocate an additional investment budget of \$50 million for the construction of early childhood centres.

My colleague the Minister of Child and Family Welfare will soon announce how and at what pace she intends to continue developing the educational childcare network.

\$400 million more for the national road network

Québec's principal and secondary roads are an economic asset of the utmost importance. A State cannot develop adequately without a road network in good condition—an important factor in creating jobs in the regions.

Thus, Quebecers as a whole benefit from having a better transportation network.

We had planned to perform roadwork worth \$1 billion in 2002-2003, in particular to begin implementing the Greater Montréal Area Transportation Management Plan, the Capitale Nationale transportation plan and the regional action plan announced in the last Budget. That amount was already well above the sums provided in recent years. I am nonetheless announcing that, in 2002-2003, we will carry out further work, earlier than anticipated, worth \$400 million, for a total of \$1.4 billion.

The additional investments announced today represent the first phase in a 10-year, \$3-billion action plan to be implemented by my colleague the Minister of Transport, who will soon announce the particulars of the work to be carried out.

I would like to point out that we have introduced an accelerated procedure for submitting tenders and awarding contracts. Consequently, we will be able to make investments in all regions of Québec very early in the spring.

\$350 million more for municipal infrastructures

In collaboration with municipalities and the federal government, Québec is undertaking a major effort to renovate municipal infrastructures. This action targets drinking water treatment and distribution, water purification and improvements to municipal roads. It also includes a number of projects with economic, urban or regional repercussions. As we all know, this action is necessary to enhance the quality of life of Quebecers.

To date, including the contribution of our partners, we have committed to carrying out work valued at more than \$1.9 billion, but we must do more.

I am therefore announcing today the creation of a new joint Québec-municipalités infrastructure renovation program with an envelope of \$350 million.

We obviously expect the municipalities to invest a matching sum. Furthermore, I believe it would be appropriate for the federal government to make a contribution covering one-third of expenditures, as it did under the Canada-Québec Infrastructure Program. After all, it reaps just as many economic benefits as Québec from these projects. I am therefore calling on its collaboration.

Environmental protection and sustainable development

With this new municipal infrastructure program, we will above all be able to make a significant contribution to environmental protection and sustainable development in Québec. In fact, most of the funds will be used to renovate and retrofit drinking water supply systems, and to upgrade wastewater treatment systems.

An interesting project will be implemented in the Capitale nationale region, the importance of which we are well aware. We will be going ahead with the first phase in the project to clean up the Saint-Charles river, an initiative that will make my colleague the Minister responsible for the Capitale nationale region very happy.

Moreover, \$30 million will be made available to rural communities and small municipalities for the treatment of wastewater produced by businesses.

We will also invest in the testing of new treatments for soil contaminated by heavy metals, in the treatment of manure and in the treatment and reuse of fish-farming wastewater.

In addition, \$1.9 million will be allocated for the construction of a test bed for three wind turbines in the Gaspésie region, in order to adapt to weather conditions in Québec and the North American context. This action will develop Québec expertise, with considerable input from the Gaspésie region.

The government intends to establish a Québec-wide program to develop a network of protected areas. To that end, we will enter into an equal partnership with nature conservation organizations and businesses, in this unprecedented conservation effort.

My colleague the Minister of the Environment will ensure follow-up of these environmental initiatives, in collaboration with the other ministers involved.

\$100 million more for cultural facilities

Québec has resolutely aligned itself with the modern world, and must continue to be in the forefront of the new economy, which is in large part driven by creativity and cultural innovation. The main policy directions and

the strategic choices of the government have already left their mark on this movement. Culture, provided it is given the means, can be a marvelous asset which Québec must continue to rely on.

We must make significant investments in landmarks of our collective memory, but also in landmarks of our creativity and cultural innovation that are vehicles for our national identity and the quality of life in communities throughout Québec.

I am announcing today an investment of \$100 million for this purpose. Thus, sets of related projects will be able to be carried out.

The Québec government will contribute to the building or renovation of cultural venues? including libraries, museums, performance halls, and training, production and dissemination centres? and to the upgrading of the network of specialized facilities used in training, programming, dissemination and conservation.

The built heritage of Québec? particularly that of places of worship and convents? is an important component of our cultural identity, a crucial element of Québec's appeal as a tourist destination and a highly significant factor in the quality of life of Quebecers. The public-sector accelerated investment plan will make it possible to carry out long-awaited restoration work in order to ensure the safeguard, protection and enhancement of our national heritage.

The Québec government intends to continue applying its important book and reading policy, one of the major focuses of which is the development of the population's reading habits from early childhood. To that end, contributing to the enrichment of book collections, multimedia documents and other educational works is indispensable. The acceleration plan provides for an additional investment in this regard.

Special support for rural areas

Rural Québec and its local communities are an essential part of the identity of the Québec people. These communities play a preponderant role in the vibrancy with which the territory is occupied. I therefore wanted to devote a large share of the investments in this Budget to the rural areas of Québec.

In the 2001-2002 Budget, I tabled an economic development strategy for the resource regions, aimed at developing new sectors of activity in the great mining, forestry, agricultural and marine spaces that characterize our national territory.

In the spirit that inspired these measures, and with a view to turning our rural communities into municipalities of the future, I am first announcing the introduction of a new program called "Villages branchés du Québec", with a budget envelope of \$75 million. The objective of this program is to connect Québec schools through a telecommunications network on the cutting

edge of technology. These infrastructures will also be used by partner organizations, such as municipalities, thereby laying a solid foundation for a Québec-wide information highway. With this Budget, we are providing rural areas with one more means of taking sole responsibility for their future.

To increase the power of appeal of rural communities and thereby contribute to their revitalization, I am also announcing a village beautification program with an envelope of \$9 million a year over the next two years. We will be asking municipalities interested in this program to make a contribution equal to that of our government, in order to carry out work totalling \$36 million.

These amounts are over and above the funds injected into the RénoVillage program mentioned earlier, under which financial assistance is paid to low-income homeowners so that they can correct major defects in their dwelling. We will contribute another \$16 million to this program over the next two years. With the participation of the federal government and homeowners, work valued at \$45 million will be able to be carried out.

A number of representatives from rural areas have been waiting for the rurality policy for a long time. I am confirming that my colleague the Minister of State for Regions and Minister of Industry and Trade will table it shortly. The Minister will use, for the purposes of the policy, \$10 million from the budget envelopes at his disposal. I would add that the measures announced today and the measures for resource regions are in line with this policy.

\$500 million more for investments by government corporations

To further support investment in Québec, our national government has a strategic lever at its disposal, namely, government corporations of commercial scope. Not only do these firms make a very positive contribution to the Québec economy and Québec society, they also make ongoing investments in the Québec economy. The projects carried out or backed by these firms are both profitable and economically viable. The government therefore asked them to accelerate implementation of a number of projects, and to give special consideration to projects for the regions.

The accelerated investment plan now totals \$500 million. For example, the Société des établissements de plein air du Québec will accelerate \$40 million worth of investments in Québec's parks, wildlife reserves and recreational tourism centres.

(d) Support for SMEs and incentives to accelerate private-sector investment, notably by reducing the tax on capital

The third component of the government's action plan is designed to support employment and economic activity by providing additional liquidity to SMEs and by encouraging the private sector to make additional investments, notably by reducing the tax burden.

Private investment growth is the number one objective of the government's economic policy. Our government is convinced that businesses, whether they be in rural or urban areas, constitute, through their investments, the driving force behind job and wealth creation. In recent years, we have introduced highly effective support measures to attain this objective. The results achieved have shown how right our choices were. What we have to do now, to see us through these difficult times, is use these various support measures to stimulate additional private investment.

This Budget reinforces and adapts the levers used to stimulate private investment, by taking priority action on four fronts:

- First, the government is granting immediate assistance to SMEs, by providing them with additional liquidity and facilitating their funding.
- Second, the government is stimulating investment by businesses, by reducing the tax on capital and improving funding for major projects.
- Third, the government is stepping up and expanding efforts on behalf of the resource regions, by improving investment support measures.
- Fourth, the government is introducing other investment support measures, on behalf of the agri-food industry.

Immediate assistance for SMEs

The current situation directly affects SMEs, for which financing is even harder to obtain.

\$525 million in additional liquidity for SMEs

Thus, in the days following the attacks of September 11, I took a first initiative on behalf of SMEs, aimed at seeing them through a difficult situation that could lead to layoffs. I announced that businesses with less than \$15 million in paid-up capital would be given a six-month extension for remitting to the government the income tax and tax on capital instalments that were payable last month. It was a temporary measure designed to provide SMEs with \$175 million in additional liquidity.

I am announcing today that instalments for two other months, namely, November and December, may be so deferred. As a result, the businesses concerned will receive assistance for their working capital totalling \$525 million. Overall, thousands of jobs can be saved. These measures are intended to give greater leeway to Québec SMEs and their employees, an economic engine of the economy.

I am also announcing that, as of January 1, 2002, employers whose monthly source deductions do not exceed \$1 000 will no longer be required to remit source deductions monthly. They will be able to make such remittances quarterly, which will help with their cash flow and lighten their administrative burden. It is estimated that small employers will henceforth be dispensed from filing 800 000 forms. My colleague the Minister of Revenue will act diligently to implement this measure. Further information on the measure is contained in the document *Additional Information on the Budgetary Measures*, which is an integral part of this Budget Speech.

La Financière du Québec: powerful support for SMEs

SMEs currently have access to a limited supply of market financing. This problem is particularly acute for young businesses, businesses established in the regions and new economy businesses, which affects the jobs these businesses can offer.

To help SMEs obtain financing, I am announcing the creation of La Financière du Québec. This new entity will be affiliated with Investissement-Québec and replaces Garantie-Québec. La Financière du Québec will have a broader mandate, in that it will be able to grant loans to businesses, rather than essentially just loan guarantees, as was the case with Garantie-Québec. La Financière du Québec will use innovative funding formulas, established on a business basis, to offer flexible solutions to the increasingly diversified needs of small and medium-sized businesses.

Additional resources will be freed up so that La Financière du Québec can participate in a number of new initiatives. I am therefore announcing that an additional budget of \$13.2 million will be allocated in 2002-2003 for the purpose of granting loans or loan guarantees worth another \$140 million.

- Thus, La Financière du Québec will be entrusted with the important mandate of providing working capital assistance to businesses experiencing temporary difficulties. The objective is to grant \$100 million in loans or loan guarantees by March 31, 2003.
- La Financière du Québec will be able to make loans immediately to fledgling businesses that are having difficulty obtaining funding because of the current situation. A loan envelope of \$25 million has been made available for this purpose, until March 31, 2003.
- La Financière du Québec will be able to make capitalization loans and supply other quasi-equity financial products to small cooperatives and

social economy businesses. The objective is to grant \$15 million within this financing framework.

Given its expertise, La Financière du Québec will be mandated to manage the Private Investment and Job Creation Promotion Fund, commonly known as the FAIRE program.

By taking this major initiative, the government is seeking to offer Québec SMEs the possibility of collaborating with a real financial partner, whose principal mandate is to offer such collaboration. In fact, La Financière du Québec can play the role of an investment bank for SMEs, as an adjunct to commercial financial institutions.

Stimulation of private investment: reduction of the tax on capital

Private investment and, by the same token, jobs are largely dependent on the tax treatment to which businesses are subject. The action plan I am announcing today provides for a significant, gradual reduction in the tax on capital in order to maintain the competitiveness of our corporate tax system.

Tax on capital reduction of more than 50%, by 2007

To date, Québec has been able to offer businesses a competitive overall tax system. However, the signs have multiplied lately that this competitiveness may be in danger if we do not take the appropriate action. In particular, our tax on capital rate is currently the highest in North America. If we do nothing, the gap will increase, since a number of jurisdictions have announced the elimination of this tax expense.

The tax on capital disparity is already causing serious problems. Large companies may be prompted to move their activities outside Québec. The disparity is even more acute for Québec SMEs, since several jurisdictions already exempt their competitors from paying any fixed charges.

The action plan I am announcing today is designed to be a decisive response to the tax on capital burden. I am therefore announcing that the government is implementing a tax on capital reduction plan. The general tax rate will be gradually cut to less than half of its current rate by 2007, that is, from 0.64% to 0.30%.

Accelerated reduction for SMEs: as of January 2003, 60% of businesses will no longer pay the tax on capital

I wanted to go even further in the case of SMEs. As of January 1, 2003, Québec SMEs will be exempt from paying the tax on capital on the first \$250 000 of paid-up capital. Beginning on January 1, 2004, the exemption threshold will be raised to \$500 000. Subsequently, it will be gradually increased, until it reaches \$1 million in 2006. Thanks to this measure, close to 60% of Québec businesses will no longer pay the tax on capital as of

January 1, 2003. Once fully implemented, 210 000 SMEs, that is, 75% of all Québec businesses, will be exempt from the tax on capital.

As of now, these measures send a very clear message to investors: the Québec government is making specific commitments to maintaining the competitiveness of its tax system applicable to businesses. After having reduced the payroll tax, it is now cutting the tax on capital, which will significantly reduce fixed charges.

Measures targeting the new economy

The action plan implemented today to bolster business and consumer confidence includes provisions specifically for the new economy. Remarkable success has been achieved in these new sectors of activity in recent years, enabling Québec to position itself internationally. The success of such designated sites of the new economy as the Cité du multimédia in Montréal is a striking example.

To date, 350 businesses have taken advantage of the sites designated in the tax measures defined by the government. I would like to emphasize the scale of this success. Since their establishment in the designated sites, that is, in less than three years, the businesses have almost doubled the number of jobs they offer. In our estimation, by 2004, over 20 000 jobs, targeting essentially information and communications technologies, will have been created or maintained in conjunction with these sites. It is a remarkable outcome, which a few naysayers refuse to acknowledge.

In certain niches, however, the current situation has made businesses more vulnerable and could jeopardize our achievements, particularly in the area of e-commerce.

I am therefore announcing that support for the new economy will be strengthened, which will have an immediate effect on investments. Indeed, we are extending all existing programs until December 31, 2013.

Moreover, I am announcing broader support for e-commerce businesses established in Montréal. Support is being extended to include a territory adjacent to the Cité, in downtown Montréal, as well as the site of the CNNTQ, in accordance with redefined parameters.

This broader support for e-commerce will not result in any additional costs for the government, as I am announcing at the same time a significant downsizing of the initial E-Commerce Place project.

Accelerated implementation of major projects: enhancement of the FAIRE program

Again to stimulate private investment, the government is mobilizing new funding tools, using to that end instruments that have proven their worth, such as the FAIRE program.

The government is enhancing the FAIRE program to enable major new investments to be made rapidly by the private sector. As a result of the FAIRE program, Québec was able to compete with other jurisdictions to attract major investments to its territory. In recent years, several major projects spearheaded by the private sector contributed to the performance of the Québec economy.

In the current context, we are giving ourselves the tools necessary to rapidly attract major new projects and thereby increase private-sector investment.

- I am therefore announcing that \$150 million is being injected into the program envelope for the current fiscal year, and \$200 million for fiscal 2002-2003, thereby raising the envelope to \$400 million and \$300 million, respectively. The minimum threshold for eligible investment projects is being lowered from \$10 million to \$5 million to broaden application possibilities.
- I am announcing that the terms and conditions of the FAIRE program are being improved to give the program greater clout. Henceforward, businesses may be eligible for both the program and the tax measures in effect, in order to further stimulate the implementation of major projects. For example, businesses that qualify for a tax holiday for major projects may still take advantage of the provisions of the FAIRE program. This measure will apply to both major projects and regional projects that are given tax incentives.
- I am announcing that the FAIRE program, which was to end on March 31, 2003, is being extended to 2004-2005.

The FAIRE program can now be used to facilitate funding of new wind-power projects. As a result, it will be possible to support investment in the regions and contribute to the fight to reduce greenhouse gas emissions, thereby improving our environment.

I am very pleased to announce that, further to the enhancement of the FAIRE program, several major investment projects will be implemented immediately. Among these projects, I would like to mention the following:

- the expansion of Wilco inc., in Candiac, a business specialized in cosmetics packaging, for an investment of \$18 million in Montérégie;

- the expansion of Cyberseanix Technologie inc., a computer-assembly business, for an investment of \$3.2 million in the Capitale nationale region;
- the expansion of Hyperchip inc., a telecommunications company, a \$131-million project in the Montréal region.

Continuation and intensification of efforts in favour of the resource regions

The third component of our action to promote employment and growth is specific to the regions.

In the last Budget Speech, I announced the introduction of the economic development strategy for the resource regions, to which the government allocated \$800 million. This strategy is now in application and has started to bear fruit. To date, approximately 200 businesses have taken advantage of the support measures available to them, which is highly encouraging.

However, the current situation affects the economy of the regions specifically, and calls for a response from us. During the meetings I had in preparation for this Budget, I received many messages concerning the specific impact of the current context on the resource regions.

I am announcing today four improvement measures for the resource regions, to take into account the impact of the current context.

- I am announcing the improvement of the 10-year tax holiday for manufacturing SMEs in remote resource regions. We are doubling the size of the businesses eligible for the tax holiday. The holiday will apply to all such SMEs whose paid-up capital is less than \$30 million, not \$15 million, as initially provided for.
- I am announcing major changes to the refundable tax credit for processing activities in the resource regions, as well as to the tax credits relating to new jobs for the Vallée de l'aluminium and the Gaspésie—Îles-de-la-Madeleine region. The calculation of new jobs has been relaxed to take into account the current economic situation.

A temporary change has been made to the formula for determining the tax credit. Businesses that maintain their employment level are now eligible for tax assistance applicable to 10% of their existing jobs. The objective of this additional assistance is to help maintain jobs in these difficult times.

- Furthermore, the refundable tax credit for exploration activities is being broadened to include the cut-stone sector, in an effort to support the diversification of an industry that is already performing very well on export markets. This measure should directly affect exploration activities carried out in the Côte-Nord, Gaspésie and Haute-Gatineau regions.

- Lastly, SOQUEM, together with its private partners, will be allocated an envelope of \$12 million for exploration work totalling \$20 million. That is more good news for the resource regions.

Support for the agri-food industry

Québec farm producers are at the heart of a prosperous, modern industry. Their contribution to our economy is essential. To support growth in this sector, and in keeping with the 2001-2002 Budget, our government, along with our partners in the sector, have created the Financière agricole. This unique, innovative institution represents for Québec farm producers a pioneering financial instrument for meeting income protection, insurance and financing needs.

In October, the Prime Minister and the Minister of Agriculture, Fisheries and Food attended the Rendez-vous sur l'agriculture et l'agroalimentaire québécois, where the government announced an injection of nearly \$200 million into this strategic industry.

At this forum, participants were concerned with, among other things, food safety, that is, food-tracing systems and stricter food quality standards known as HACCP standards. I am therefore pleased to announce an additional budget of \$5 million to fund implementation of these standards in all regions of Québec.

(e) Action plan follow-up mechanism

The action plan I am proposing today is in response to a very specific context, which leaves us with a two-fold obligation. We must make sure that it is applied without delay. We must be ready to adjust it if the context evolves.

It is a task that I will personally assume, as head of the economic security working group within the Comité du 11 septembre 2001 set up by the Prime Minister. I want to make certain that the investments announced today are made as rapidly as possible. I also want to ensure that they are made throughout Québec, in keeping with the policy to support the resource regions. I know that I will be able to count on the support of my parliamentary assistant, the MNA for Lotbinière, in carrying out this task.

Along with my colleagues in the working group, I will closely monitor the employment situation. And, if necessary, we will bring in business retention measures to preserve the jobs of Québec workers.

Conclusion

As I stressed at the beginning of this Budget Speech, the Québec government is taking exceptional steps to respond to a situation that is itself exceptional.

We are doing so to ensure personal security, to bolster consumer confidence and to preserve employment and economic activity. We are doing so to continue the work we have done in order to strengthen and diversify the Québec economy. We are doing so while maintaining the policies we have consistently applied to put public finances in order.

All the people I met with in my consultations prior to the Budget told me the same thing: We must act rapidly. This is what we are doing through the very significant initiatives in the present Budget.

It was not easy to devise this Budget. We had access solely to the limited means of a government that still receives but half of Quebecers' income and other taxes. The other half is in Ottawa, and it is obvious to me that the federal government must do its part by joining in our efforts and expanding their scope.

In a few weeks, the federal Minister of Finance will himself table an early budget. As I told him this week, I hope his budget builds upon the action we are taking today—for example, by contributing, as he should, to the public investment projects which we are undertaking. The real leeway is in Ottawa, and it should be used to ensure our economic and financial security.

I began this Budget Speech by pointing out that, faced with the current difficulties, we must react and mobilize collectively, through the solidarity that has enabled us to meet so many challenges.

I hope this Budget helps Quebecers to address this new challenge, overcome the current difficulties and view the future serenely and enthusiastically, a future when—soon, I hope—Québec will participate fully in the concert of nations.

Because we are confident in the future—in our future—we are going to act now.

Thank you, Mr. President.

GOUVERNEMENT DU QUÉBEC
BUDGETARY REVENUE
2002-2003 FORECAST
(in millions of dollars)

Own-source revenue	
Income and property taxes	
Personal income tax	15 656
Contributions to the Health Services Fund	4 538
Corporate taxes ¹	4 757
	24 951
Consumption taxes	
Sales	8 016
Fuel	1 582
Tobacco	722
	10 320
Duties and permits	
Motor vehicles	658
Alcoholic beverages	151
Natural resources ²	229
Other	156
	1 194
Miscellaneous	
Sales of goods and services	422
Interest	391
Fines, forfeitures and recoveries	333
	1 146
Revenue from government enterprises	
Société des alcools du Québec	515
Loto-Québec	1 307
Hydro-Québec	1 010
Other	465
	3 297
Consolidated organizations	1 783
Total own-source revenue	42 691
Federal transfers	
Programs	
Equalization	5 761
Canada Health and Social Transfer	2 486
Other transfers related to fiscal arrangements	15
Other programs	617
Consolidated organizations	368
Total federal transfers	9 247
Total budgetary revenue	51 938

1 Including tax on corporate profits, tax on capital and tax on insurance company premiums, as well as the tax on telecommunications, gas and electricity.

2 Including forest, mining and hydraulic resources.

GOUVERNEMENT DU QUÉBEC
BUDGETARY EXPENDITURE
2002-2003 FORECAST
(in millions of dollars)

Operating expenditure

Program spending – 43 223

Consolidated organizations – 1 359

Total operating expenditure – 44 582

Debt service

Consolidated Revenue Fund – 6 683

Consolidated organizations – 673

Total debt service – 7 356

Total budgetary expenditure – 51 938

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
2002-2003 FORECAST
(in millions of dollars)

Investments, loans and advances	
Consolidated Revenue Fund	– 1 460
Consolidated organizations	28
Total investments, loans and advances	– 1 432
Capital expenditures	
Consolidated Revenue Fund	
Net investments	– 175
Amortization	334
	159
Consolidated organizations	– 1 354
Total capital expenditures	– 1 195
Retirement plans	
Contributions	4 944
Benefits and other payments	– 2 975
Total retirement plans	1 969
Other accounts	
Consolidated Revenue Fund	– 49
Consolidated organizations	62
Total other accounts	13
Total non-budgetary transactions	– 645

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

GOUVERNEMENT DU QUÉBEC
FINANCING TRANSACTIONS
2002-2003 FORECAST
(in millions of dollars)

Change in cash position	
Consolidated Revenue Fund	855
Consolidated organizations	567
Total change in cash position	1 422
Change in direct debt	
Consolidated Revenue Fund	
New borrowings	3 815
Repayment of borrowings	<u>– 2 934</u>
	881
Consolidated organizations	
New borrowings	1 750
Repayment of borrowings	<u>– 1 172</u>
	578
Total change in direct debt	1 459
Retirement plans sinking fund	– 2 236
Total financing of transactions	645

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.