

Protecting Jobs and Preparing for Recovery

THE BUDGET AT A GLANCE



2009
BUDGET

Québec 

A BUDGET
FOR TODAY
AND FOR PREPARING
THE QUÉBEC OF TOMORROW

1.

TACKLING
THE RECESSION
AND PREPARING
FOR RECOVERY

2.

ENSURING
SOCIAL
DEVELOPMENT

3.

MAINTAINING
SOUND
PUBLIC FINANCES

PROTECTING JOBS AND PREPARING FOR RECOVERY

I am presenting today my third budget to Quebecers. This budget is in line with a context of financial crisis and economic recession. It is a budget of hope that protects our jobs and our services.

We consulted many Quebecers in order to prepare this budget, and I thank all those who offered us their point of view. Our strategy takes the needs they expressed into account. Quebecers asked us to protect employment and our social programs. This is what we are doing.

OUR BUDGET FIRST AIMS TO STIMULATE THE ECONOMY. IT THEN LAYS THE GROUNDWORK FOR RECOVERY. IT HAS THREE MAIN COMPONENTS.

In the first component, we tackle the recession and prepare for the future. We make additional cash resources available to our businesses and improve manpower training. We bank on clean and renewable energy sources, implementation of the Northern Plan, environmental protection and the contribution of green technologies to stimulate the economy.

In the second component, we ensure Québec's social development. We enhance support for our families and our seniors. We initiate the construction of more quality affordable housing. We continue to invest in health and education. We do more to encourage our creators and our artists.

In the third component, we propose a plan to restore fiscal balance. We incur a deficit in the short term so as to protect our public services and support our jobs. We make decisions today that will restore fiscal balance within five years. We continue to contribute to the Generations Fund.

This is a responsible budget.



MONIQUE JÉRÔME-FORGET
Minister of Finance
and Minister responsible for Infrastructure



A world economy in recession

Since fall 2008, the world economic outlook has darkened considerably.

The deterioration in the economy has been swift and severe, prompting experts to revise economic growth forecasts substantially.

The IMF now forecasts that industrialized countries will experience an economic downturn in 2009:

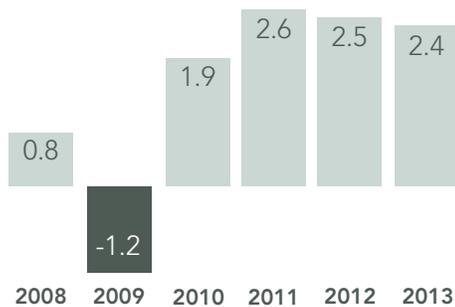
United States: – 1.6%	Euro area: – 2.0%
Japan : – 2.6%	Canada: – 1.2%

As elsewhere in the world, the economic outlook in Québec has worsened rapidly in recent months, with the economy being dragged into recession by the deteriorating economic conditions in the United States.

- In 2008, our economy grew by 0.8%.
- Decline in economic activity in 2009: – 1.2%, i.e. the average rate forecast by private sector experts.

ECONOMIC GROWTH IN QUÉBEC

(real GDP, percentage change)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

Most governments have announced major recovery plans, which should help to stimulate economic growth and employment.

In Québec, the economy is expected to recover in 2010, when economic growth is forecast to reach 1.9%.



IMPACT ON PUBLIC FINANCES

The deterioration in economic conditions, combined with the cost of recovery plans, is causing most countries to go into deficit.

This is also true for Québec.

In view of this situation, the government's strategy is to:

- first, continue efforts to support the economy in order to weather the recession and prepare for economic recovery;
- second, restore fiscal balance once recovery is well under way.

Stepping up government action

A government cannot prevent a recession on its own. However, it does have the means necessary to mitigate the impact of the current economic slowdown and accelerate the recovery process.

Given the deterioration in the growth outlook in recent months, the government is stepping up its action and announcing additional measures to protect jobs, further stimulate the economy and pave the way for renewed growth. These measures are in addition to the initiatives undertaken in November and last January and are aimed at rounding out and accentuating their effects.

The economic action plan is being deployed in stages and adjusted to changes in the economic situation.

- The new measures in the Budget will inject close to \$3.4 billion into Québec's economy in 2009 and 2010.
- Combined with recent initiatives, the new measures in the Budget will raise the additional cash resources injected into Québec's economy to \$15 billion in 2009 and 2010.

This effort is unprecedented.

The impact of government action to support the economy and kick-start growth in Québec compares favourably with the anticipated benefits of the measures put in place in Canada and the United States.

GOVERNMENT ACTION IN SUPPORT OF THE ECONOMY IN 2009 AND 2010

	\$MM	As a % of GDP
Québec	15.0	4.9
Canada	64.6	4.1
United States	675.0	4.8

Sources : Ministère des Finances du Québec, Department of Finance Canada, Congressional Budget Office and U.S. Treasury.

REVIEW OF RECENT INITIATIVES INTRODUCED TO STIMULATE THE ECONOMY AND EMPLOYMENT



- * \$4-billion increase in the Québec Infrastructures Plan.
- * Financing of \$1 billion for businesses (Renfort program).
- * Contribution of \$1 billion to the SGF to invest in Québec businesses.
- * Increase in the tax credit for retirement income and indexing of social assistance benefits and the personal income tax system.
- * Increase in Child Assistance and the Work Premium.
- * Home Renovation Tax Credit.

Added to these measures is the gradual elimination of the tax on capital.



1.

TACKLING THE RECESSION AND PREPARING FOR RECOVERY

ADDITIONAL CASH RESOURCES TO PROTECT OUR BUSINESSES AND SAFEGUARD OUR JOBS

The 2009-2010 Budget is facilitating funding for Québec businesses by injecting additional cash resources so as to offset the effects of tighter credit conditions.

- Creation of a new stock savings plan (SSP II) to facilitate the funding of SMEs on public savings markets.
- Creation of a \$500-million emergency fund in partnership with the Fonds de solidarité FTQ and the SGF.
- \$60-million increase for the FIER-Régions to assist employment and SMEs.
- Injection of \$5 million into the Réseau d'investissement social du Québec (RISQ) to support the social economy.

STIMULATING INNOVATION AND SUPPORTING OUR ENTREPRENEURS

Québec is banking on research and innovation to ensure its prosperity. Steps must be taken to turn innovation into business opportunities and to benefit from our inventions.

- Creation of an \$825-million fund to finance venture capital funds, in partnership with the Caisse de dépôt et placement du Québec and the Fonds de solidarité FTQ; \$200 million will be contributed by the government.
- Creation of three seed funds totalling \$125 million.
- Ten year tax holiday for companies that commercialize intellectual property.

TAX RELIEF FOR BUSINESSES

The 2009-2010 Budget is reducing the tax burden of businesses in order to encourage them to invest in more productive technologies and equipment.

- Extension of accelerated depreciation for manufacturing and processing equipment until the end of 2011.
- Accelerated depreciation for computer hardware acquired before February 2011.
- Increase in the amount of income eligible for the reduced tax rate for small businesses from \$400 000 to \$500 000.

SUPPORTING THE FOREST SECTOR

Companies in the forest sector are being particularly hard hit by the current crisis.

- Additional assistance of \$65 million is being announced to improve the Silvicultural Investment Program, finance the production of seedlings and develop new markets for the forest sector.
- The Renfort program is being improved and extended to the forest sector.
- The tax credit for manpower training is being extended to the mining and forest sectors.



“Jobs are the priority of our government. We are making support for workers a mission for Québec society as a whole.”

Monique Jérôme-Forget

AN UNPRECEDENTED EFFORT FOR MANPOWER

In 2008, the government announced investments of nearly \$1 billion for the Employment Pact, in partnership with unions and businesses.

All of the measures provided for under the Employment Pact are being implemented.

To prepare for the recovery and address the major manpower challenges of tomorrow, the Employment Pact is being enhanced by \$ 518 million, taking into account the contributions of the federal government and the private sector.

The Employment Pact is thus being increased from \$1 billion to \$1.5 billion, making it possible in particular to:

- allocate more funds to support the newly unemployed;
- broaden the scope of the program to support workers affected by collective dismissal to all Québec regions;
- work directly with businesses so as to encourage them to opt for manpower training rather than layoffs.

PRELIMINARY RESULTS OF THE EMPLOYMENT PACT (as of February 2009)

The initial results of the Employment Pact are very encouraging. There has been:

- an increase of 900 businesses benefiting from the training measure;
- an increase of 4 000 people participating in public employment services as part of their efforts to find work or enter training.

Overall, roughly 240 000 people and 9 200 businesses have been able to benefit from Emploi-Québec measures and services.

Accordingly, despite the difficult economic situation, the number of adults receiving benefits under social assistance programs has fallen by more than 6 200 since the Employment Pact was implemented.



Preparing for economic recovery

AN AMBITIOUS PLAN TO MAKE QUÉBEC A WORLD LEADER IN CLEAN AND RENEWABLE ENERGY

Northern Québec has outstanding development potential because of its resources, particularly in energy.

Projects to be implemented between now and 2035 will generate a total of 3 500 megawatts of additional electricity, of which 700 megawatts will be set aside for developing other renewable energy sources, such as wind power.

These projects, combined with work undertaken since 2003, will give Québec access to 14 000 additional megawatts of hydroelectricity and other forms of renewable energy by 2035.

This electricity production will be used to satisfy the growth of our domestic demand as well as that of export markets.

STIMULATING GAS EXPLORATION

Québec must put its gas potential to good use.

- The Budget provides for \$11 million over two years to encourage gas companies, through, among other things, a five-year royalty holiday for wells drilled before 2011, to continue their gas exploration and development activities in spite of the economic situation.

BOLD MEASURES TO AFFIRM QUÉBEC'S PLACE AS A WORLD LEADER IN ENVIRONMENTAL PROTECTION AND GREEN TECHNOLOGY

Québec is a leader in sustainable development and boasts the best record in Canada concerning per capita greenhouse gas emissions. To stay this course, the Budget provides for:

- a \$500-million capital assets program for the installation of equipment to produce bioenergy by, among other things, recycling household waste;
- a \$204-million program for accelerating the plan to modernize the management of public dams;
- an \$8-million program to support research and development in the realm of new technologies;
- a refundable tax credit for the acquisition or lease of a green vehicle.

In addition, the government will show leadership by adopting higher energy efficiency standards for public buildings.

GOING FORWARD WITH THE NORTHERN PLAN

Northern Québec will be developed in partnership with the First Nations, the Inuit and all the local communities that inhabit this vast territory.

This is a comprehensive project that involves the development of energy, mining, recreational and tourism activities, transportation and communities based on a model of sustainable development.

The government is taking the first steps to give life to this vision of the future.

Developing access to this area

- \$698 million for the construction of a road to the Otish Mountains from Chibougamau and for the repair of Highway 389 between Baie-Comeau and Fermont.
- \$106 million for the improvement of northern airports.





INVESTING IN HEALTH AND EDUCATION

The government is continuing to devote the major share of spending increases to its fundamental missions: health and education.

- * The health budget will be raised by 5.7%, or \$1.4 billion, to \$27 billion in 2009-2010.
- * The education budget will be increased by 3.5%, or \$490.2 million, to \$14.5 billion.

SUPPORTING THE CULTURAL SECTOR

Culture is not only a source of pride: it is also an industry that creates wealth and employment.

- The Placements Culture program will be enhanced by \$5 million, making it possible to support some 40 cultural organizations.
- Funding of \$3 million will be granted to support the presence of Québec artists abroad and thereby partly mitigate the impact of cultural funding cuts by the federal government.
- Tax credits for businesses active in sound recording and show production will be raised to 35%.

2.

ENSURING SOCIAL DEVELOPMENT

GREATER SUPPORT FOR FAMILIES

The tax credit for child care expenses is being improved again.

- It is being enhanced to make the cost of private child care comparable to the cost of \$7-a-day child care, up to a family income of approximately \$125 000.
- The limit on eligible child care expenses for the purposes of the refundable tax credit is being raised by \$2 000, to \$9 000 annually for children under age 7.
- Single-parent families will now be able to benefit from the refundable tax credit for child care expenses during the period they receive benefits under the Québec Parental Insurance Plan.

These improvements to the refundable tax credit for child care expenses represent \$22 million a year and will benefit 100 000 families.

IMPROVING THE LIVING CONDITIONS OF SENIORS

The 2009-2010 Budget provides for several measures to improve seniors' living conditions:

- The government action plan to counter elder abuse will be implemented thanks to funding of \$4 million a year.
- The "Age-Friendly Municipalities" initiative will be supported to finance local projects, among other things.

MORE QUALITY AFFORDABLE HOUSING

Investments of \$200 million will be allocated for the construction of 3 000 new social housing units, bringing the number of new social housing units built on the initiative of the government to 27 000. In addition, the government is allocating \$170 million for various home renovation and adaptation programs.





3.

MAINTAINING SOUND PUBLIC FINANCES

The economic crisis we are facing will put the government into deficit as of 2009-2010.

In view of this situation, the government's strategy aims to:

- first, continue efforts to support the economy in order to weather the recession and prepare for economic recovery;
- second, restore fiscal balance once recovery is well under way.

With the tabling of the 2009-2010 Budget, the government is launching the implementation of a dynamic plan to restore fiscal balance by 2013-2014.

SHORTFALLS ATTRIBUTABLE TO FOUR FACTORS

- * A much weaker than anticipated economic growth outlook, resulting in an annual decline of about \$2.5 billion in government revenues for 2009-2010 and 2010-2011.
- * Funding of measures to support the economy, in the amount of \$826 million in 2009-2010 and \$607 million in 2010-2011.
- * Maintenance of program spending growth at 4.5% for 2009-2010.
- * Changes by the federal government to the equalization program, which cut the revenues initially forecast by \$75 million in 2009-2010 and \$695 million in 2010-2011.

A DEFICIT POSITION AS OF 2009-2010

The financial framework shows that:

- a balanced budget will be achieved again in 2008-2009;
- the budgetary deficit will amount to \$3.9 billion in 2009-2010;
- a deficit of \$3.8 billion is anticipated in 2010-2011.

MAINTENANCE OF PAYMENTS TO THE GENERATIONS FUND

Despite the recession and the substantial deterioration in public finances, the government reiterates its commitment to reduce the debt load and, consequently, will continue to make annual payments of dedicated revenues to the Generations Fund:

- \$715 million will be deposited in the Generations Fund in 2009-2010 and \$880 million in 2010-2011.

Plan to restore fiscal balance

The government plans to implement as of now a plan to restore fiscal balance in order to gradually eliminate the deficit and achieve balance in 2013-2014.

Four initiatives are being put forward to gradually eliminate the deficit:

- establishment of annual program spending growth at 3.2%, as of 2010-2011, a rate compatible with economic growth and taxpayers' ability to pay;
- stepping up of efforts to counter tax evasion and avoidance;
- indexing of all non-indexed user fees as of January 1, 2011, with the exception of the \$7-a-day fee for child care. In that regard, the government is tabling a policy for the funding of public services and creating the Road Infrastructure and Public Transit Fund;
- an increase in the Québec sales tax from 7.5% to 8.5% on January 1, 2011. Low-income households will be protected by an increase in the QST tax credit.

This plan will enable the government to renew with the fiscal policy directions that have guided its action in recent years:

- maintenance of fiscal balance;
- spending growth at the same rate as growth in collective wealth;
- a commitment to future generations to reduce the debt load.

"The government is signalling its firm intention to support citizens and businesses in order to weather the recession while now charting the course toward restoring sound public finances."

Monique Jérôme-Forget



“Quebecers want their government to look beyond the current situation in order to prepare Québec for recovery. This budget includes an ambitious plan to position Québec as a technology, energy and environmental power worthy of future generations.”

Monique Jérôme-Forget