

BUDGET 2012-2013

BUDGET SPEECH

DELIVERED BEFORE THE NATIONAL ASSEMBLY
BY RAYMOND BACHAND, MINISTER OF FINANCE,
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Paper inside pages



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A STRONG ECONOMY

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INTRODUCTION

Mr. President:

I have the honour of tabling our government's budget for fiscal year 2012-2013.

I am tabling the following documents:

The tables presenting the preliminary results of the government's consolidated budgetary transactions for 2011-2012, as well as the forecasts for the government's 2012-2013 financial framework.

I am also tabling the government's Budget Plan and the accompanying documents.

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BUILDING THE FUTURE ON OUR STRENGTHS

Mr. President, I have two pieces of excellent news for Quebecers.

The first has to do with economic growth, a core objective of our government since we were elected in 2003.

Since 2003, real GDP per capita has risen more in Québec than in Ontario and the United States, and as much as in Canada. The wealth of Quebecers has grown more than that of North Americans as a whole.

The second has to do with the well-being of Quebecers. Economic growth is an important criterion in a people's well-being. But well-being is a more complex reality than GDP alone. That is why the OECD designed the Better Life Index based on 20 socio-economic indicators. Taken together, these indicators reveal many dimensions of the lives of Quebecers that are not factored into the measurement of GDP alone.

A few weeks ago, professors Luc Godbout and Marcelin Joanis, of the Université de Sherbrooke, published the first better life index calculated for Québec.

The outcome was a matter of some surprise. Depending on the weight attributed to each of the indicators, Québec ranks first or second among the OECD countries: ahead of the United States, ahead of Australia and New Zealand, ahead of Switzerland, ahead of the Scandinavian countries.

Québec stands apart from these countries on numerous social indicators, such as the quality of housing, the health of its citizens, the employment rate of women with children, the low crime rate, air quality and so forth.

We should view this ranking with satisfaction, but also realistically. As the authors of the study themselves said, it has its limits. However, the exercise has the merit of reminding us that, as Quebecers, we have a quality of life that could be the envy of most peoples in the world. We owe that quality of life, in large measure, to public policies and social programs that reflect the values of Quebecers.

Maintaining this situation depends on the ability of the government to provide sustainable funding for these public policies and social programs. Moreover, the authors of the study wrote that "the level of well-being measured in Québec today depends first and foremost on preserving the government's ability to intervene, which depends in turn on sustainable public finances." [TRANSLATION]

That is why we are determined to restore budget balance as of 2013-2014, in a gradual and orderly manner, and to do so while supporting economic growth in Québec. The soundness of this objective has been brought into stark relief by the situation of several European countries. Due to heavy deficits, their governments must make brutal cuts to their social programs reminiscent of those that were made in Québec in the 1990s.

To protect our health, education and family support programs, this return to budget balance remains our top priority.

Overall, global economic growth should slow in 2012, before picking up speed again in 2013. The Québec economy will continue to show moderate growth, as will the Canadian economy. Québec's economic growth will be 1.5% in 2012, rising to 1.9% in 2013. This growth should help keep the unemployment rate at approximately 8%, which compares favourably to its historical level.

The global situation demands that we not let down our guard. However, it must not distract us from the key, long-term issues.

Lest we forget, we are experiencing a major rebalancing of the global economy in real time. Over one third of humanity has joined the developed world. The BRIC countries—Brazil, Russia, India and, especially, China—remain the engines of global economic growth. Although little was made of it, China replaced the United Kingdom in 2011 as Québec's second-largest export market.

This burst of accelerated development creates a global demand for resources, know-how, creativity and entrepreneurship.

Who will gain from this extraordinary period of change? Peoples who possess natural resources, a productive labour force or dynamic businesses: better yet, a combination of the three, as here at home in Québec.

In Québec, we have considerable strengths in each of these three respects. And in each of these three respects, much work remains to be done.

For example, we know that the Québec north has bountiful resources. We must meet the challenge of their optimum development, as part of a long-term vision.

For example, we have a well-trained labour force, recognized for its skills and creativity. We must capitalize on our success with productivity in recent years, while recognizing that Québec workers retire from the labour market at a younger age than their counterparts in the rest of Canada.

For example, in Québec we have dynamic businesses, an effective financial sector and sound institutions. Private non-residential investment will reach a record level of \$26 billion this year. This points to the confidence businesses have in the Québec economy. Mining investment alone will reach a record level of \$4.4 billion in 2012 and manufacturing investment will exceed \$5 billion for the second consecutive year—the highest level in 10 years.

This budget invites all of us to build on our strengths in order to seize the new opportunities this century has to offer.

Six key thrusts emerge:

- first, control our public finances;
- second, foster the ability of our workers and businesses to participate in wealth creation;
- third, get the most out of our natural resources, as part of a long-term vision;
- fourth, consolidate our position as North America’s leader in sustainable development;
- fifth, take care of our seniors;
- sixth key thrust, but not the least, help Quebecers prepare for their retirement.



1. CONTROLLING OUR PUBLIC FINANCES

Let's begin with an update on our public finances and our plan to restore budget balance.

A PLAN FOR SOUND PUBLIC FINANCES

At the time of the last recession, our government adopted a strategy to stimulate the economy, while protecting social programs. We went from a balanced budget position in 2008-2009 to a deficit position the following year. The strategy produced the anticipated results: we weathered the recession better than most developed economies.

As of 2009, we set the objective of restoring budget balance in 2013-2014. The following year, I unveiled the details of the plan to restore budget balance. The plan put at \$12.3 billion the amount of effort required by Québec over four years to achieve balance. Since then, the effort requested of Quebecers has not changed: it has remained the same.

In 2010-2011, the deficit was \$1.1 billion lower than forecast in the last budget.

For this year,

I am announcing that the deficit for fiscal year 2011-2012 will be \$3.3 billion, that is, \$500 million less than the forecast of one year ago.

For the second consecutive year, we have exceeded the objectives set.

I am also announcing that we forecast a deficit of \$1.5 billion in 2012-2013, and I am announcing that we will achieve budget balance in 2013-2014 as planned.

An important clarification must be made: the calculation of the budgetary balance reflects the provisions of the *Balanced Budget Act*. Consequently, in accordance with that act, when we achieve a balanced budget as of 2013-2014, the amounts allocated to the Generations Fund will increase to repay the debt: \$1 billion in 2013-2014, \$1.6 billion the following year, up to \$2.5 billion in 2016-2017.

In fact, restoring balance did not distract us from the necessity of reducing the Québec government's debt load. Even with a deficit, we have paid \$2.3 billion into the Generations Fund since 2009. On March 31, the gross debt will represent 55% of GDP. Despite the recession, this ratio remains below its March 1998 level of over 59% under the previous government.

We will reduce this ratio to 45% in less than 15 years, in 2026.

To that end, we are taking several important actions. In the past two years, I have announced the gradual rise in the cost of heritage pool electricity, and the payment of 25% of mining, oil and gas royalties in excess of \$200 million into the Generations Fund as of 2014-2015.

I am announcing the payment of an additional \$300 million into the Generations Fund in 2012-2013, out of the accumulated surplus in the Territorial Information Fund.

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THE RESULT OF RIGOROUS MANAGEMENT

Let's put our budgetary results into perspective. For 2011, the United States government posted a deficit of 8.7% of its GDP; France, 5.4%; the euro area countries, an average of 4.1%; Ontario, 2.5% in 2011-2012, and the federal government, 1.8% of Canadian GDP.

Our 2011-2012 deficit is limited to 1.0% of Québec's GDP!

If we are posting such a performance, it is because we took the necessary measures ahead of the others and in a timely fashion. And, above all, we were disciplined and rigorous in carrying out our plan.

In two years, spending control measures and the fight against tax evasion have totalled some \$3.5 billion. Of that amount, \$2.7 billion is attributable to the efforts of the departments and agencies. That is \$375 million more than the objective that had been set for them. I want to emphasize the exceptional efforts of my colleague, the Chair of the Conseil du trésor, as well as the contribution of all public sector employees.

Overall, departments will cut their spending this year, with the deliberate exception of the Ministère de la Santé et des Services sociaux, the Ministère de l'Éducation, du Loisir et du Sport and the Ministère de la Famille et des Aînés.

Let's be clear: government spending is under control. Before the plan to restore budget balance was implemented, consolidated expenditure rose an average of 5.7% a year. Since then, it has increased 3.5% a year. Over the duration of the plan, consolidated expenditure will have increased an average of 2.8% a year. This increase is due entirely to the combined effect of inflation and demographics.

Of all the Canadian provinces, Québec remains, with British Columbia and New Brunswick, the province that has done the best job of controlling its spending since our government was elected in 2003.

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FULFILLING THE GOVERNMENT'S ESSENTIAL MISSIONS

Despite the plan to restore budget balance, our government ensured the perpetuity of government's essential missions and the protection of our social programs.

In its last two budgets, the government tabled plans for the medium-term funding of health care, universities and infrastructure renewal. This year, we will do the same with forestry. Thus, almost 50% of the government's consolidated expenditure is now part of a medium-term financial framework.

The health funding plan provides for steady, 5% annual growth of the health envelope. In five years, in 2016-2017, the government will allot \$38 billion to the health system, that is, more than \$100 million a day.

The quality of health care is not dependent solely on the amounts allocated. The funding method also plays a role. A few weeks ago, the Association québécoise des établissements de santé et de services sociaux (AQESSS) recommended the gradual implementation of so-called activity-based funding methods. These funding methods are attracting wider interest globally. To improve service quality and distribute resources more fairly and optimally,

I am announcing the creation of an expert panel charged with evaluating activity-based funding methods, submitting terms for their possible implementation and proposing pilot projects for gradual implementation as of spring 2013.

The panel will be chaired by professor and health policy expert Wendy Thomson, of McGill University. She will be supported by Pierre Shedleur, former CEO of the CSST and the SGF, and Roger Paquet, former senior public servant, and former head of a health institution.

The previous budget introduced a plan to fund our universities. Québec society set itself the objective of having world-class universities. We pledged to fund them in keeping with that ambition. This year, we enhanced the university funding plan by adding to it \$100 million more than the amount provided for in last year's budget.

In 2016-2017, taxpayers will contribute more than \$3.5 billion to our universities. It is a very good investment: quality universities are key to the future of Québec, as they are to the self-realization of every graduate. In 2016-2017, it will cost the government \$12 500 a year to educate a university student. Educating an undergraduate will cost a total of \$37 500. Since each graduate will earn, over the course of his or her working life, an average of \$600 000 more than someone with a secondary-school diploma, it is reasonable for a student to assume 17% of the cost of his or her education, especially since, for 50 000 students, the increase in tuition fees will be totally offset by additional bursaries.

We note that the number of university students is on the rise. Compared to the scenario presented a year ago,

I am announcing that the government's contribution to the university funding plan will be revised upward by \$293 million by 2016-2017.

Public infrastructure is a key determinant of our economy's growth potential. That is why maintaining and renewing it is an essential government mission. From 1971 to 2002, not enough was invested in Québec infrastructure to adequately ensure its maintenance and renewal.

At the outset of our mandate, our government undertook to address this chronic under-investment. We are implementing a five-year investment plan of \$44.2-billion, the bulk of which is earmarked for the maintenance, repair and upgrading of the existing infrastructure. We are gradually restoring our infrastructure capital to its level of 30 years ago.

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TAX EVASION

The fight against tax evasion is an important component of the plan to restore budget balance, not only because of the revenue recovered by the government, but also because it is unacceptable for taxpayers to shirk their responsibility to pay their fair share, whereas everyone is required to make an effort.

The government allots increasing amounts to the fight against tax evasion. Each dollar invested brings in more than \$10 in revenue. In 2011-2012, the Agence du Revenu's tax recovery revenues totalled \$3 billion.

The Agence du Revenu's interventions in the restaurant, construction and tobacco sectors produced conclusive results. In 2012, the Agence du Revenu will continue its tax recovery efforts and step up its audits of, in particular, employment agencies and trusts holding commercial real estate property, in order to ensure compliance with tax laws.

I am announcing new rules for the taxation of foreign trusts carrying out real estate activities in Québec. This will ensure better oversight.

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

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2. THE STRENGTHS OF OUR PEOPLE AND OUR RESOURCES

Mr. President, I will now move on to our government's actions to step up wealth creation. They concern, first, Quebecers, then our abundant natural resources and, finally, our businesses.

* * *

DEPLOYING OUR KNOWLEDGE AND KNOW-HOW

First, Quebecers. We must take advantage of our human potential. Our actions will therefore bear on experienced workers, worker training, and labour market integration of immigrant workers and certain groups of young people.

Strategy for active participation by experienced workers

Although it is on the rise, the participation rate of people 55 and over remains lower in Québec than elsewhere in Canada. Therein lies lost potential, not only from an individual and collective standpoint, but also from a human and economic standpoint.

In recent years, the government's policies, such as the daycare network, the parental leave program and the reinstatement of family allowances, fostered increased participation by women in the labour market. Our challenge is to achieve the same success in increasing the participation rate of experienced workers.

The new tax credit for Québec workers 65 and over took effect on January 1, 2012. The credit will increase gradually until 2016 and, at that time, will represent an income tax reduction of \$1 500 per worker 65 and over. It will benefit 100 000 people.

On September 22, 2011, the Commission nationale sur la participation au marché du travail des travailleuses et travailleurs expérimentés de 55 ans et plus submitted its report. The Demers commission, announced in Budget 2010-2011, was mandated to propose changes that would promote the participation of people 55 and over in the labour market and increase the financial self-sufficiency of retirees.

In the wake of the report, the government will soon unveil its strategy for active participation by experienced workers.

I am announcing immediately the introduction, as of taxation year 2013, of a payroll tax reduction, at the rate of 10%, respecting our workers 65 and over. When fully implemented, the reduction could be up to \$1 000 per employee.

This reduction will benefit 30 000 Québec businesses.

In total, taking into account the tax credit that came into effect on January 1, 2012, the government will allot \$229 million over three years to foster the labour market participation of experienced Quebecers.

The strategy includes other measures, which my colleague, the Minister of Employment and Social Solidarity, will announce in the near future. A vast consultation of Quebecers was undertaken on the strategy. In that regard, I want to emphasize the excellent work of the MNA for Viau, who conducted a tour of the regions of Québec to consult our citizens on the implementation of this policy.

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□ Better match training with jobs to ensure success

Training will always be a key determinant of the productivity of our labour force. Over the next decade, nearly 500 000 jobs requiring vocational and technical skills will need to be filled in Québec.

On February 6, 2012, Emploi-Québec and the Commission des partenaires du marché du travail launched the Investissement-compétences initiative. It will mobilize businesses to establish a culture of continuing education in the workplace. The initiative provides for an investment of \$361 million over three years to support businesses, big and small, in their skills development efforts.

The material and equipment required to train technicians for certain industries can be very expensive. Drilling equipment and heavy vehicles are needed for mining, and patient simulators are needed for nursing. All such equipment must be brought up to standard, which the Québec Infrastructures Plan addresses, just as it provides for the need to set up a new regional training centre for the construction trades. Sixty million dollars will be allotted to upgrading the vocational training infrastructure.

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□ Capitalizing on the contribution of young people

If the potential represented by experienced workers is under-used, so is that of inexperienced workers, regardless of their level of skills.

In Québec, 64% of social assistance recipients under the age of 25 are from recipient families. The generational dynamic is clear. In 2007, the government introduced the Youth Alternative Program, which offers a benefit supplement to young persons who voluntarily undertake a process to enter the labour market. The effectiveness of the program has been demonstrated: 60% of participants have left social assistance. A higher supplement will be an even more effective motivator. For a person living alone, the supplement will be raised to almost \$122 a month as of July 2012.

Since 2006, young graduates who choose to work in a resource region have been entitled to a non-refundable tax credit. The tax credit can be up to \$3 000 a year, for a cumulative maximum of \$8 000. The effectiveness of this measure has also been demonstrated: nearly 65% of recipients of the tax credit stay in an eligible region after three years. However, the tax credit does not attract college and university graduates as effectively. To encourage more college and university graduates to go to and stay in an eligible region,

I am announcing that the maximum cumulative amount of the tax credit is raised from \$8 000 to \$10 000 for new college and university graduates who take up a job as of tomorrow.

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□ Immigrants: the first-job challenge

Every year, tens of thousands of newcomers settle in Québec with the intention of integrating the labour market. This integration is sometimes difficult. Among newcomers to Québec who have been here for less than five years, the unemployment rate is close to 20%.

This budget provides for a series of measures that will improve the integration of newcomers into the labour market at every stage of the process. For example, it will capitalize on the success of the Board of Trade of Metropolitan Montreal's Interconnection program, which puts employers in contact with skilled newcomers. With the support of Emploi-Québec, the boards of trade of Québec, Gatineau and Sherbrooke will create new Interconnection centres in their respective regions.

These measures as a whole represent additional investments of \$27 million over the next three years.

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DEVELOPING THE WEALTH OF OUR NATURAL RESOURCES AND DEPLOYING THE PLAN NORD

Our second engine of wealth creation, Mr. President, concerns natural resources. Like all peoples that have resources, Quebecers want to derive their fair share from them. We are dealing today with mining, hydrocarbons and forestry.

Natural resources already benefit Quebecers as a whole, in several ways:

- by the return on capital. Directly or through investment funds or their pension funds, such as the Caisse de dépôt et placement, Quebecers hold securities in almost all resource companies active in Québec;
- Quebecers hold direct, well-paid jobs in the development, use and primary processing of resources; an estimated 156 000 people in Québec work directly in these areas;
- resources produce value through the economic activity generated upstream and downstream of their actual development and use;
- lastly, through taxation, which comes into play at all of these stages. Corporate income tax, personal income tax, royalties and development rights. For the fiscal year coming to an end, royalties from natural resources alone will total \$1.2 billion.

The strategy I am presenting today is aimed at deriving still more benefit, for all Quebecers, from the wealth created by our natural resources.

It focuses on six areas.

The first focus concerns mining taxation. Announced two years ago, the reform of the royalties regime was completed on January 1, 2012. We have transformed the least expensive regime in Canada into one of the most stringent regimes in the country for the mining industry. During the 10 years that preceded the reform of the royalties regime, mining companies paid royalties to Québec totalling \$289 million. Over the next 10 years, they will pay more than \$4 billion. That is 14 times more.

To encourage them to continue their activities, the results of which, by definition, are most uncertain, mining, oil and gas companies that carry out exploration in Québec are entitled to certain tax credits. The current rush to engage in exploration in Québec leads us to believe that the prospects for gain mean these tax benefits are not as important as before.

I am therefore announcing that, for exploration carried out as of January 1, 2014, the refundable tax credit rates will be globally reduced by ten percentage points for junior exploration corporations, and by five percentage points for producing corporations.

That is more than a one-quarter reduction.

In addition to this major reform of mining taxation, there are five strategic components:

- first, the **taking of equity interests** in mining and hydrocarbon projects;
- second, the maximization of wealth derived from mining, in particular by promoting **ore processing** in Québec and support for Québec's mining cluster;
- third, the introduction of the **new forest regime** and incentives for secondary and tertiary wood processing;
- fourth, the review of the **licence and lease regime, as well as the hydrocarbon royalties regime**; and, finally,
- the deployment of the **Plan Nord**.

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❑ **Taking equity interests in resource development companies**

First, taking equity interests in mining projects.

Quebecers want to get their fair share out of their natural resources: consequently, we are going to take equity interests in promising mining projects.

I am announcing the creation of Ressources Québec, a new subsidiary of Investissement Québec specialized in mining and hydrocarbons.

SOQUEM and SOQUIP are becoming subsidiaries of Ressources Québec. The latter immediately disposes of investment expertise in these areas and a portfolio of over \$235 million.

Apart from investing on its own behalf, Ressources Québec will advise the government on the management of a new fund.

I am announcing the creation of Capital Mines Hydrocarbures, a fund dedicated to government investments in Québec's subsurface resources.

Government equity interests in mining projects will be the object of a four-pronged strategy. Two components concern development projects; two others concern exploration projects.

I will deal with development first.

In last year's budget, I announced that the government would allot up to \$500 million over five years for the taking of equity interests in projects carried out in the territory of the Plan Nord.

I am announcing that the envelope available for investment in mining and hydrocarbon development projects is raised from \$500 million to \$1 billion over five years, and that the additional \$500 million will be invested in projects throughout Québec in the mining and hydrocarbon sectors.

Of this \$1 billion, \$250 million will be contributed to the capital of Ressources Québec, which the latter will invest on its own behalf; \$750 million will go to the Capital Mines Hydrocarbures fund.

When fully implemented, Ressources Québec will manage a portfolio of more than \$1.2 billion, either on its own behalf or on that of the Capital Mines Hydrocarbures fund.

The second component concerns all development projects for which promoters will apply for government support, regardless of what form it takes. It might be support for infrastructure construction, the determination of a rate for electricity and so forth.

I am announcing that the government will be able to negotiate an option on an equity interest in all mining development projects in exchange for any form of government support.

The scale of the equity interest will depend on the value of the benefit granted and the level of risk involved.

The third component of our equity interest strategy concerns exploration activities.

I am announcing that corporations that carry out exploration in Québec's subsurface may, at their discretion, take advantage of the enhanced exploration tax credits in exchange for an option on a government equity interest in the future development.

This enhancement will be available for work carried out as of January 1, 2014.

The fourth component with respect to equity interests in mining projects also concerns exploration.

I am announcing that the government and Ressources Québec will allot up to \$100 million in the coming five years for investment in the exploration and development of promising mining sites, in partnership with private companies.

To that end, the government and Ressources Québec will finance exploration by SOQUEM by making a \$50-million contribution each over five years. This will double SOQUEM's level of exploration activity.

Given the time required between exploration and development, this component of our equity interest program naturally targets medium- and long-term returns.

The mining and hydrocarbon industries can be lucrative, but the risk is also huge. We will not gamble with the money of Quebecers. The equity interest strategy we are putting forward allows for prudent risk management, through:

- a diversified project portfolio;
- a balance between development and exploration assets; between short-, medium- and longer term returns;
- the existing experience and know-how in the Québec mining industry.

Thus, Quebecers will tangibly participate in the value created by their resources not only through one of the most stringent mining duties regimes in Canada, but also as shareholders in mining corporations.

We are also introducing a policy for taking equity interests in oil and gas projects. Ressources Québec will be mandated to develop the know-how relevant to this sector, foster the emergence of a services industry and propose equity interests in promising projects to the government.

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❑ Maximizing mining spin-offs

The second component of the natural resources strategy has to do with the multiplier effect of the mining industry. The successive processing of ore already occupies an important place in the Québec economy. Metal processing accounts for 60 000 jobs in Québec.

Regardless of the country, processing is rarely carried out by mining companies. It is simply not what they do. Processing's economic model is focused not on the proximity of the deposit, but on the market proximity and the availability and cost of inputs, including energy and transportation. In short, promoting processing is more part and parcel of an industrial development policy than a mining development policy. Our support programs for the processing industry already include an investment tax credit respecting equipment used in secondary and tertiary metal processing.

However, the tax credit applies only in part to primary metal processing activities. Thus, to stimulate primary metal processing in Québec,

I am announcing that the investment tax credit will henceforward apply to assets used to smelt or refine metals, and for hydrometallurgy, with respect to ore extracted in Canada.

There are 3 800 companies in Québec that provide goods and services to the mining industry, for example in Abitibi-Témiscamingue and Saguenay—Lac-Saint-Jean. Their reputation has already travelled far beyond our borders. They can be found everywhere in the world where mining projects are carried out.

So that this industry can take advantage of all the potential offered by the strong demand for ore and by the Plan Nord,

I am announcing the creation of the Québec mining cluster, whose mission is to coordinate the industry's solicitation of prime contractors and to promote the industry's brand in Canada and on foreign markets.

48^e Nord International, an export bureau serving companies in the Abitibi-Témiscamingue region, has developed know-how in, and networks for, promoting abroad the services of its region's mining industry. The bureau is in Rouyn-Noranda. It is in the interest of the Québec mining cluster to capitalize on that know-how by setting up in Rouyn-Noranda as well.

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□ Conserving the forest in perpetuity

The third strategic component of resource development is forests.

As in the case of mineral resources, we must ensure that we obtain our fair share from the silvicultural resource, while ensuring the sustainable development of the territory.

Mr. President, I am tabling the medium-term funding plan for the sustainable management of forests, which, for the first time, are the object of a five-year predictable financial framework.

This funding plan provides for the implementation of the new forest regime, which will be fully in effect in April 2013. This new regime will raise forest royalties from \$111 million in 2011-2012 to \$282 million in 2016-2017.

I am announcing that, as of 2013-2014, the government will allot \$200 million a year for silvicultural work to maintain the production capacity of Québec forests.

In total, Mr. President, the Québec government is henceforward allocating over \$500 million a year to silvicultural work, forest management and other programs aimed at sustainable forest development.

To increase productivity, the government wants to encourage forest companies to invest in new, high value-added niches.

I am announcing the creation of the Fonds Valorisation Bois, in collaboration with the Fonds de solidarité FTQ.

With \$170 million in capital, including \$95 million from the government, the fund will take minority equity interests in forest companies with high potential to foster their competitiveness.

A year ago, I announced the creation of a working group charged with proposing strategies to increase wood use in non-residential construction in Québec. Chaired by Léopold Beaulieu, President and CEO of Fondation, the working group unveiled its report on March 9, 2012.

In the wake of the Beaulieu report, the government will invest an additional amount of nearly \$29 million over five years, in particular in research and development, and to fund continuing education for construction professionals.

I am announcing the creation, in partnership with the industry, of the sector-based cluster on wood use, which will be mandated to promote the use of wood in non-residential construction.

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❑ **Preparing the development of our hydrocarbons**

Our fourth strategic component concerns hydrocarbons. Québec's oil and gas potential has yet to be demonstrated, but the geology of our territory is compatible with the presence of reserves of hydrocarbons.

We have a responsibility to put in place the conditions that will enable all Quebecers to derive their fair share from the reserves. As with mining, this will be accomplished through a combination of royalties, equity interests, licences and leases.

The foundations for Québec's hydrocarbons regime were designed almost 50 years ago, when large-scale production was unlikely. The licence regime is no longer in line with the context of today's industry, or with the specific nature of hydrocarbons.

I am announcing that, as of today, oil and gas exploration licences will be auctioned.

No new licence will be issued until an appropriate auction mechanism is in place. Such a mechanism is used in Alberta, British Columbia, Newfoundland and Labrador and most U.S. states for public lands.

I am announcing that 25% of the sums derived from the auctioning of hydrocarbon exploration licences, as in the case of other mining, oil and gas royalties, will be paid into the Generations Fund.

At the same time, we are going to increase the annual fees associated with the licences already in effect. Overall, they will be raised from \$1 million a year currently to \$5 million in 2014-2015. We are also increasing the fees for issuing related licences. For example, the cost of a drilling licence will be raised from \$100 to \$4 300.

After revising the mining, water and shale gas royalty regimes, we are moving on to the other hydrocarbons. This year, we are determining the parameters for land-based oil production.

The current regime provides for payment of a royalty ranging between 5% and 12.5% of value at the wellhead, depending on the production volume.

I am announcing the coming into effect today of a new royalty regime for land-based oil production at rates varying from 5% to 40%, depending on the production volume and the price of oil.

As for offshore hydrocarbon production, for example in the Gulf of St. Lawrence, the regime will be based on net production value, to take into account, in particular, the high risk incurred by the company. Inspiration will be drawn from the regime in effect in Newfoundland and Labrador. The terms and conditions of the new regime will be made public once adequate knowledge of the geology has been obtained.

The performance guarantee regime is also under review. Companies that carry out hydrocarbon exploration and development must restore the sites to their former condition once development is over. The purpose of performance guarantees is to ensure that, in the case of bankruptcy, the environmental liability is not passed on to the government. We are going to introduce a new regime that will be more stringent than the existing one.

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□ Continuing the development of the Plan Nord

Mr. Président, the fifth, but not the least, strategic component relative to our resources concerns the Plan Nord.

Our history is one of conquering the land. Over the generations, like the First Nations and the Inuit, and, very often, with their help, we went from the shores of the St. Lawrence toward the back country, then from the Mauricie to the Saguenay, from the Abitibi to the Côte-Nord, and from Manic to the James Bay. Yet over 70% of Québec's territory is still hard to get to today.

This land is rich with immense potential.

The Plan Nord is the project of a generation. We must be grateful to the Premier for having launched the Plan Nord, for having come up with this vision for the future rooted in our history.

The first step is to open up, structure and develop the territory. The lessons of the past show us that we must develop the resources while respecting the local communities, including the Aboriginal peoples, and the environment.

The Plan Nord represents an average of 20 000 jobs over 25 years. It represents over \$80 billion in private and public investment. Of that amount, projects totalling \$30 billion are already under way or planned. These initial projects alone will result in tax revenues of \$5.5 billion over 25 years.

A portion of the tax revenues from the Plan Nord will be reinvested in the Northern Plan Fund, but the bulk of the revenues will be put toward paying for our programs and paying down the debt.

Fiscal year 2011-2012 was the first year of the first five-year plan of the Plan Nord. Not only did the mining industry begin analyzing the billions of dollars in investments, but the year also saw concrete achievements. I will mention a few of them:

- the creation, with the Cree Nation, of the Assinica national park reserve, in the territory of the James Bay, thereby protecting a territory of 3 193 square kilometres from all industrial activity;

- the conclusion of agreements between the Société d'habitation du Québec, the Kativik Municipal Housing Bureau and Makivik Corporation, for the construction of 300 social housing units in Nunavik. An investment of nearly \$80 million over four years;
- the launching of the Québec Tourism Strategy North of the 49th Parallel, an investment of \$70 million, including \$32 million invested by our government;
- the conclusion of agreements with the Cree Nation and the Stornoway mining company for the extension of Highway 167 to the Otish Mountains, a \$332-million project to which Stornoway will contribute.

■ Opening up the North

The Plan Nord is the opportunity to open up the territory of Northern Québec by extending the gas, power and rail infrastructure to the region.

First, gas. To date, natural gas is not supplied to the Côte-Nord region. The deployment of the Plan Nord could provide an opportunity to change that. Not only will the Plan Nord lead to the development of abundant mineral resources, but it will also prompt industries processing these resources to set up in the territory. The availability of natural gas would be an additional factor of attraction and development, to say nothing of the fact that the use of natural gas in the existing large plants operating on heavy fuel oil would reduce their greenhouse gas emissions by approximately 30%.

The cost of studies on, and construction of, a gas pipeline linking the Côte-Nord to the existing gas network is currently estimated at \$750 million.

I am announcing that Gaz Métro will undertake feasibility studies with a view to supplying natural gas to the Côte-Nord region, with the support of the Québec government.

The contribution of the Québec government is twofold. Initially, it will assume 75% of the first \$40 million in studies. If the project is shown to be feasible, the government will support it. Our contribution will be temporary and repayable, and the project will be financed by Gaz Métro.

Second, electricity. Although several of our hydroelectric generating stations are located in the Québec north, they still do not supply certain northern communities.

As part of the implementation of the Plan Nord,

I am announcing that Hydro-Québec will undertake studies this year on the extension of the power transmission grid to Nunavik, from the Complexe La Grande facility. To that end, Hydro-Québec will invest up to \$10 million during 2012-2013.

Discussions will be undertaken with the communities concerned by the projects for the production and transmission of hydroelectric power in the territory, as will be the case with the planning of the logistics of the preliminary projects.

With the extension of the power transmission grid to Nunavik, it will be possible to:

- supply mining operations in the territory;
- connect Nunavik communities to Hydro-Québec's main grid, by replacing the power currently supplied by local thermal plants with clean, renewable hydroelectricity;
- integrate into the grid the power supplied by future hydroelectric facilities in Nunavik.

It goes without saying that mining corporations will be called on to assume the costs of the power transmission infrastructure necessary to their activities.

Lastly, rail. Mining projects in the Labrador Trough alone represent a private-investment potential of more than \$20 billion. The development of a responsible, ordered rail solution is essential to developing this territory.

I am announcing that the CN and the Caisse de dépôt et placement du Québec are working together on a project for an integrated rail link between the port in Sept-Îles and the mining projects in the Labrador Trough.

This multi-user line would extend more than 800 kilometres just north of Schefferville. It could cost several billion dollars to build the possible link.

Transportation agreements with mining companies and the First Nations are a prerequisite for conducting a detailed feasibility study.

If this project goes ahead, the railway will be built and operated in the spirit of sustainable development and in accordance with its rules, in cooperation with the communities involved, not only to maximize mitigation of the environmental effects, but also to optimize the benefits for the communities.

The Plan Nord is taking shape.

* * *

FOSTERING THE GROWTH OF OUR BUSINESSES

Mr. President, I was saying a moment ago that the manufacturing industry carries out the successive levels of processing of our natural resources.

□ Support for the manufacturing sector

The rise in the Canadian dollar and the growth in imports from emerging countries represent a considerable change for the entire Canadian manufacturing sector. Many manufacturing jobs have disappeared in the last decade. Québec's manufacturing industry has nevertheless shown more resilience than that of the other provinces.

The manufacturing industry represents less than 12% of U.S. GDP and 13% of Canadian GDP. It represents 16% of Québec GDP. The manufacturing industry accounts for over 12% of our jobs and 90% of our international goods exports.

Mr. President, as a proportion of the economy, we process more raw materials into finished products here than elsewhere in North America.

Our industry has more strengths. It is more diversified than Ontario's. It demonstrates flexibility and resilience in the face of change. With the support of the Québec government, it is penetrating new export markets in the euro area and in the emerging economies.

Our government has already taken major steps to support the Québec processing industry. I will mention a few of them:

- the elimination of the tax on capital and the introduction of the investment tax credit;
- the Action Plan to Support the Manufacturing Sector;
- the implementation of the Québec Research and Innovation Strategy;
- the Québec Entrepreneurship Strategy;
- the Export Québec strategy.

Today, we are going further.

Investment in the information and telecommunications technologies is a driver of productivity, competitiveness and growth of businesses. Québec manufacturing SMEs must step up the digital shift.

I am announcing the creation of ESSOR 2.0 and PME 2.0, two programs designed to assist manufacturing SMEs in integrating the information technologies.

The fashion industry is an important sector of development for Québec, especially Montréal, where it is concentrated. Montréal is a centre of creation, but also, along with New York and Los Angeles, one of the three main fashion production centres in North America.

Budget 2012-2013 supports the industry in its efforts to step up productivity, innovation and export development.

I am announcing the following measures: financial support for fashion events and the Montréal Fashion Bureau, as well as the launching of an offensive on markets outside Québec and of a pilot project under the new PME 2.0 program.

■ **Increasing capital for Québec businesses**

At each stage in the life of a business, there are various sources of capital and various financing mechanisms, which may be private, public or mixed.

This budget includes several measures to improve access to capital for Québec SMEs. I will mention four of them.

Innovatech Québec et Chaudière-Appalaches will be converted into a mixed capital corporation, in association with Capital régional et coopératif Desjardins. In a more flexible framework, its action will be more effective.

A second measure concerns Fondation, one of Québec's two labour-sponsored funds. To facilitate its capitalization, the tax credit granted to Fondation investors was raised to 25% on June 1, 2009. That increase is combined with a \$150-million limit on Fondation's annual issuances. To further accelerate the fund's capitalization, the limit will be gradually raised to \$225 million in 2015. Subsequently, it will be eliminated and the rate of the tax credit will be brought back to 15%.

In addition, this budget relaxes the investment standards imposed on the Fonds de solidarité FTQ, thus enabling it to take more effective action for the capitalization of Québec businesses and for increased Québec ownership of certain publicly quoted companies.

A fourth measure concerns the stock savings plan II, which targets companies with assets of \$200 million or less. Experience shows that, for these companies, the costs associated with an initial public offering can be a deterrent. This budget introduces a refundable tax credit for these companies, equivalent to 30% of eligible issue costs.

Mr. President, this budget makes total capital of \$1.3 billion available to Québec companies to support their development and, hence, the creation of jobs for our citizens.

■ **Stimulating our exports**

Exports represent 45% of our GDP. That is why the Québec government supports the export efforts of our businesses.

Announced in our budget last year, Export Québec was allotted an envelope of \$60 million over three years; it administers the Export Program.

Today's budget bolsters our support for exports in the fashion and clothing manufacturing, forestry and food processing sectors; steps up the support provided by Québec delegations abroad for exports, primarily to the BRIC countries; and introduces a tax credit for SMEs in the manufacturing sector that seek to make certain products comply with standards in effect in export markets.

In total, we will inject roughly another \$35 million in export stimulation over the next three fiscal years.

■ **Fostering the development of cooperatives**

Mr. President, the UN General Assembly proclaimed 2012 International Year of Cooperatives.

Québec has approximately 3 300 active cooperatives and mutuals. Non-financial cooperatives alone bring together several million producers, consumers and workers.

The government has already announced its support for the International Summit of Cooperatives, to be held here in the city of Québec in October 2012.

Budget 2012-2013 presents new measures designed to support the development of cooperatives in Québec.

I am announcing the creation of the Fonds de co-investissement COOP, whose mission will be to invest in new cooperatives at the pre-startup and startup phases.

The fund will receive \$30 million from Capital régional et coopératif Desjardins, the Québec government, the Conseil québécois de la coopération et de la mutualité, the Business Development Bank of Canada and the Community Futures Development Corporation.

Shareholding workers cooperatives are not only a tool by which workers can obtain an interest in the capital of their business and contribute to its enrichment, but also a succession planning tool for entrepreneurs concerned about preserving their business's autonomy after their retirement. The budget therefore proposes several measures that will enable cooperatives to better fulfil their role.

■ Financial sector

There are more than 150 000 well paying jobs in Québec's financial sector. The sector accounts for close to 6% of our GDP. It is an important development lever, especially for Montréal. That importance is one of the reasons for our political and legal contestation of the federal plan to create a single securities commission.

In passing, I want to underscore Québec's Supreme Court victory in this regard. Québec was the first province to react and mobilize the other provinces in this regard. I want to emphasize the exceptional contribution of the Autorité des marchés financiers.

Further to the Supreme Court decision, we can now work together to ensure that Québec's securities regulations and those of the other Canadian provinces remain among the best in the world, as indicated by the World Bank and the OECD.

It is up to us to promote the development of the financial sector, a task to which my colleague, the Minister for Finance, devotes himself with considerable expertise. To stimulate entrepreneurship in the financial services industry,

I am announcing the introduction of two tax credits for new Québec businesses working in securities management or transactions.

■ Increasing the competitiveness of the biofood sector

Essential to life, food is also essential to the economic life of Québec. The biofood industry accounts for 7% of our GDP, and 476 000 people work in the industry. In 2010, Québec exported \$5 billion in biofood products, chiefly to the United States, the European Union and Japan.

Budget 2012-2013 provides for the investment of \$34 million over the next three fiscal years to increase the competitiveness of our biofood sector.

The government will allocate these amounts to the promotion of Québec food products here and abroad, and to supporting the industry in its search for quality and productivity.

■ Promoting our tourist attractions

Tourism is Québec's fourth export product. In 2010, we had more than 8 million visitors. More than 140 000 people work in the industry.

The Comité performance de l'industrie touristique, a panel of experts chaired by Gilbert Rozon, published its report in May 2011.

The committee emphasized the importance of the tourist product itself. It therefore recommends that Québec capitalize on its tourism strengths, that is, the gateways that are Québec and Montréal, the iconic St. Lawrence, and the major tourist centres.

In the wake of the report, my colleague, the Minister of Tourism, will table at the Assises du tourisme 2012 in May a development plan for the tourism industry that will act on the recommendations in the Rozon report. For the first time, there will be a structured and organizing strategy for Québec tourism.

The Québec government will invest \$175 million in it during the next five fiscal years, thereby providing support for investments of almost \$465 million over the next five years.

One of the issues identified in regard to our tourism industry is the lack of private investment to improve and enhance the tourism offering. We are taking two measures in this respect.

The first concerns the quality of the hotels available outside Montréal and Québec.

I am announcing that, as of tomorrow and until December 31, 2015, hotel renovations outside the Québec and Montréal metropolitan census areas will give entitlement to a tax credit of 25% of the eligible costs.

This measure should support renovation work evaluated at \$240 million.

I am also announcing the introduction of a new loan and loan guarantee program for projects that seek to develop innovative tourism products.

Given the experience acquired by Investissement Québec in over 430 projects since 2006, this program will be entrusted to IQ Tourisme, a new division of Investissement Québec specialized in tourism.

Green spaces are a tourist attraction that also improve the quality of life of Quebecers. Sépaq will invest \$35 million to, among other things, upgrade the Parc national des Îles-de-Boucherville, the Parc de la Chute-Montmorency, and the Parc national des Grands-Jardins in the Charlevoix region.

* * *

TAPPING THE STRENGTHS OF THE REGIONS

□ Supporting the development of all regions of Québec

Every region of Québec displays its personality with pride. Each approaches in its own way its specific development issues.

Since 2003, all regions in Québec have been in a process of rebirth. Economic activity has been reinvigorated and unemployment has dropped considerably. In 2011, all regions of Québec posted demographic growth for the first time in over 20 years.

Every region has challenges to meet. So that each region can implement solutions tailored to its specific situation, my colleague, the Minister of Municipal Affairs, Regions and Land Occupancy, unveiled, in the wake of a vast consultation, his strategy to ensure land occupancy and vitality.

This strategy mobilizes primarily the key players in the sector: regional elected officers and entrepreneurs. The 21 regional conferences of elected officers and the 120 local development centres throughout Québec will be called on. The regional conferences will be expected to prepare a five-year development plan. The local development centres will be expected to develop the entrepreneurial culture and level of entrepreneurship in their area.

To support regional players, additional government investments will total \$165 million. This will raise support for the regions to \$670 million over five years, including \$300 million for regional conferences of elected officers and \$361 million for local development centres.

■ Aboriginal Initiatives Fund

Created in 2006, the Aboriginal Initiatives Fund supports structuring economic and social development projects. To date, the \$125-million fund has generated more than \$300 million in investments in nearly 400 projects. The snow crab processing plant of Groupe UMEK, an Aboriginal business in the Côte-Nord region, for example, comes to mind, as does the construction of a new youth centre in Obedjiwan. The fund has demonstrated its effectiveness.

I am announcing that the Aboriginal Initiatives Fund is renewed for the next five years and that its envelope is increased to \$135 million.

Of that amount, specific envelopes will be allocated to Aboriginal women and young entrepreneurs.

■ **Fostering the dynamism of Québec and Montréal**

Regardless of the distinctiveness of each of our regions, they all play an essential role in the development of Québec as a whole. But two regions require a tailored approach: they are, of course, Québec, our capital, and Montréal, our metropolis.

■ ***The dynamism of Québec***

Québec is now a city known internationally for the shows it puts on. Although the city has a few good-sized concert halls, there is no room large enough to accommodate large-scale contemporary productions like those mounted by Robert Lepage's company Ex Machina. We find ourselves in a paradoxical situation in which it is difficult for Robert Lepage to stage in the city of Québec the shows that he and his team create here.

I am announcing that the Québec government will provide assistance of up to \$30 million to the city of Québec and Ex Machina for the construction of the Théâtre Le Diamant.

The new 625-seat room will be built in place d'Youville, near the Palais Montcalm and the Théâtre Capitole. The site chosen will add to the dynamism of Vieux-Québec.

■ ***Montréal in the 21st century***

The renovation of Montréal is under way. We are investing in Montréal to renovate the road network, upgrade and extend the public transit system, modernize the health network and develop the Quartier des spectacles.

For the five years of the Québec Infrastructures Plan, our investments will total \$17 billion, which will result in the creation or maintenance of 22 000 jobs a year.

The work will provide our metropolis with transportation, health and cultural infrastructure that will enhance the quality of life of Montrealers and add to Montréal's ability to attract companies and tourists.

But there is more.

In 2017, Montréal will celebrate its 375th anniversary. We will take advantage of that to highlight the 150th anniversary of the Canadian federation and the 50th anniversary of Expo 67.

I am announcing that the Québec Infrastructures Plan will allot \$125 million for work that will leave Montréal with a tangible legacy for its 375th anniversary.

Concretely, this amount will finance:

- the upgrade of the Biodôme, the Montréal Botanical Garden and the Insectarium, three neighbouring, complementary facilities;
- the construction of a boardwalk along the shoreline of Parc Jean-Drapeau and the refurbishment of Place des Nations;
- tourist development projects at Saint Joseph's Oratory;
- the construction of a new pavilion to the Montreal Museum of Fine Arts.

The new pavilion will house and showcase the exceptional collection of early masters that will be given to the museum, as part of Montréal's 375th anniversary, by Michal and Renata Hornstein, a couple that survived the Holocaust and decided to make their lives in Montréal.

I want to pay tribute to them today. They arrived in Montréal in 1951 and built up a real estate business. As great patrons and great philanthropists, they gave back much to their country of adoption, especially in the areas of health and the arts. Their collection is valued today at over \$75 million, and its quality will be a priceless attraction at the museum.

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CONSOLIDATING OUR LEADERSHIP IN SUSTAINABLE DEVELOPMENT

It is impossible to talk about economic development without placing it in a process of sustainable development.

The efforts of our government and Québec society as a whole, which grew out of and were stimulated by the personal commitment of our Premier, have made Québec a genuine leader in the fight against climate change. Our greenhouse gas, or GHG, emissions record is one of the best in North America. Our emissions are 13% to 22% below those of the states of New York, California and Massachusetts. They are less than half those of the rest of Canada and nearly seven times lower than those of Saskatchewan.

The adoption of the 2006-2012 Climate Change Action Plan and the creation of the Green Fund constituted a turning point in Québec environmental policy. With an envelope of \$1.6 billion, the Green Fund made it possible to support over 2 000 projects for the reduction of GHG emissions. The plan was rounded out by other major interventions, such as the adoption of the Québec Public Transit Policy in 2006, the Energy Strategy 2006-2015, the development strategy for Québec's environment and green technology industry in 2008, the Québec Residual Materials Management Policy in 2011 and the 2011-2020 Electric Vehicle Action Plan.

■ Implementation of the 2013-2020 Climate Change Action Plan

In a few weeks, my colleague, the Minister of Sustainable Development, Environment and Parks, after consulting with environmental groups and the industry, will unveil his new 2013-2020 Climate Change Action Plan.

Our goal is very ambitious: bring our total GHG emissions back to 20% below their absolute 1990 level.

The means are major ones. The plan provides for the investment of nearly \$2.7 billion over eight years.

It will be self-financing.

Of that amount, \$1.8 billion will be allocated to the transportation sector, which is responsible for 43% of our GHG emissions. In particular, the plan will devote over \$1.5 billion to the development and promotion of public and alternative transportation.

The plan will grant more than \$610 million to support businesses that innovate in GHG reduction and energy conservation.

The action plan will lead to the creation of partnerships with communities and civil society to foster sustainable development throughout Québec. It will provide financial assistance to households to make their homes more energy efficient, or convert their heating systems to renewable energy.

How will this program be funded? Logically, GHG emitters must pay their fair share. With this in mind, the government announced in December 2011 the creation of a carbon market like the ones in Europe and in the northeastern United States, and the one that California is in the process of putting in place.

Once the market has been set up, companies will not be able to emit GHGs unless they have obtained emission rights, either directly from the government, in auctions, or on the secondary market for emission rights.

For companies, GHG emissions will become a production cost, like any other input. Companies will find it profitable to invest in emissions reduction, especially since they will be able to make a profit by selling the excess rights on the market.

The market will be implemented in two stages. As of 2013, it will apply to big industrial emitters and to electricity producers; in 2015, it will be broadened to include fuel and fossil fuels used in the transportation and building sectors. By 2020, the sale of emission rights will yield over \$2.4 billion to fund the plan.

The volume of emission rights up for sale by the government will decline year after year until the reduction objectives in the action plan have been achieved.

To ensure the funding of the action plan until the carbon market reaches its cruising speed, the government will extend to December 31, 2014 the duty on gasoline and fossil fuels, which was supposed to end on September 30, 2013. This extension will bring in revenues of \$220 million, which will round out the funding of the 2013-2020 Climate Change Action Plan.

3. THE STRENGTH OF OUR VALUES

Mr. President, the economy and wealth creation are not ends. They are means for individuals, families and communities to flourish.

Our ranking in the OECD Better Life Index, which I mentioned at the beginning of my remarks, is a good illustration.

My attention was drawn particularly to the life subjective overall satisfaction indicator. On this score, Quebecers rank among the world's leaders, on a par with the Danes. This indicator suggests that Québec's social model, in its constant striving to balance individual success with social solidarity, corresponds closely to our values as a people.

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THE STRENGTH OF OUR SOLIDARITY

One of these values, and I mentioned it just a moment ago, is solidarity. It takes many forms.

❑ Growing Old at Home Policy

One aspect of this solidarity deserves our attention, namely the place of seniors in our society. This is not a new issue. But how it expresses itself changes quickly, especially in two ways.

There is, first of all, the demographic aspect. We are living longer. We are growing old in better health and physical condition, and more actively than ever before. The number of seniors is rising fast.

Then there is the social aspect. For a long time, solidarity between generations was manifested within the family unit. That is less so today in our urbanized society in which households and dwelling units are smaller.

We wish long life for our seniors. A long life and high quality of life. In other words, a life that is active, independent and fulfilled. A life grounded in a community that welcomes seniors and values their contribution, even as they enjoy the support of the community around them.

Among seniors, 88% choose to grow old at home. This option must form the basis of any policy on aging.

Hence the 2012-2017 Growing Old at Home Action Plan that my colleagues, the Minister responsible for Seniors and the Minister for Social Services, have jointly developed after holding consultations and that they will unveil this spring.

Since this action plan involves investments of \$2.7 billion over five years, the budget sets out its financial framework.

The Growing Old at Home policy sets out four initiatives.

The first targets the active involvement of seniors in their community. Integration tools include the Age-Friendly Québec Program, in particular its Age-Friendly Municipalities Initiative, as well as the Maisons des grands-parents. To date, 324 municipalities in Québec have launched such an initiative, and the objective is to raise this number to more than 850.

On this matter, I would like to quote from a letter our Premier received from Doctor John Beard, head of Aging and Life Course at the World Health Organization in Geneva. Noting the involvement of municipalities in the integration of seniors, he wrote: “Québec is the most advanced society in the world in the application of this approach, so much so that we have all drawn from your model to improve ours.” [TRANSLATION]

This initiative will involve investments of \$76 million over the next five years.

The second initiative concerns implementing health services adapted to the needs of seniors and their desire to grow old at home. In four years, we will offer home support services to 50 400 more people than at present, we will have 5 600 new non-institutional structured accommodation spaces, as well as 850 institutional accommodation spaces.

The additional cost of these developments amounts to \$2.3 billion over five years.

The third initiative of the Growing Old at Home plan concerns housing. There is already a variety of financial assistance programs for the payment of rent or the functional adaptation of a residence. Over the next five years, we will add another \$86 million to build 1 250 housing units for seniors under the AccèsLogis program.

The fourth initiative concerns tax assistance to help seniors remain in their home. Currently, there are two refundable tax credits, one available to seniors and the other designed for informal caregivers of a spouse with reduced autonomy. Both will be enhanced,

I am announcing that the maximum tax credit for home-support of seniors will rise, as of 2013, from \$4 680 to \$6 045 for independent seniors, and from \$6 480 to \$7 095 for dependent seniors. The maximum amounts will then be raised each year until 2017, to \$6 825 and \$8 925 respectively.

I am announcing that the refundable tax credit for informal caregivers of a spouse with reduced autonomy will rise from \$607 to \$700 in 2012, and will be increased gradually to \$1 000 in 2016.

In addition,

I am announcing the introduction, as of taxation year 2012, of two new refundable tax credits designed to increase and extend the independence at home of seniors age 70 or over.

The first of these new tax credits will target the costs incurred by seniors for a stay in a functional rehabilitation transition unit, generally following a stay in hospital; the second will apply to the purchase or rental of equipment to help seniors continue living at home, for instance an emergency call system, a remote monitoring system or a walk-in shower.

Those are the major initiatives of the Growing Old at Home policy.

□ Ensure everyone has access to a pension plan

Mr. President, living longer and healthier lives is excellent news. However, it does have economic consequences as people are living increasingly longer after retirement.

In last year's budget speech, I announced the introduction of the voluntary retirement savings plan, or VRSP.

Today, the budget reveals the broad outlines of how this plan will work.

This measure will enable 2 million workers, most of them employees of SMEs or self-employed workers, to save for retirement within a structure that offers them benefits that until now were available only to group plans.

Everyone acknowledges the need to save more for retirement. However, there are two obstacles.

One: saving on your own requires a lot of discipline.

Two: managing your savings is a complex task that requires time and expertise.

Our objective is to simplify things. Easier for the worker. Simpler for the employer.

Businesses with five or more eligible employees and that do not already offer a pension plan will have to offer a VRSP. Eligible workers will be enrolled automatically, but will have the option not to participate. Self-employed workers will be able to enrol in a VRSP directly with a plan administrator.

Plan administrators will be subject to oversight by the Régie des rentes and the Autorité des marchés financiers, while the Commission des normes du travail will oversee employers.

Employees' contributions will give rise to tax deductions, just like RRSPs. The regulations will set a base contribution rate. If the employer decides to make contributions to the VRSP, they will be exempt from payroll taxes.

My colleague, the Minister of Employment and Social Solidarity, will table a bill laying out the legislative provisions governing VRSPs. Consultations will be held on the bill. Our objective is to have VRSPs come into force January 1, 2013. Employers will have to comply with the new plan before January 1, 2015.

☐ Increase the supply of housing for Quebecers: 3 000 new units

A few moments ago, I noted that our government was allocating substantial resources to building affordable housing for our seniors.

As you know, the cost of housing is an issue for all age groups, not just seniors.

I am announcing that the government will invest \$180 million to build 3 000 social, community and affordable housing units.

This amount covers:

- construction of 2 300 units under the AccèsLogis program;
- construction of 200 additional units under the AccèsLogis program according to a new funding mechanism as part of a pilot project with the Chantier de l'économie sociale; 500 units will be reserved for this form of funding over each of the next two years. This project is further to a commitment made in last year's budget speech;
- and funding of 500 units under the private component of the Affordable Housing Québec program.

This budget is the ninth in a row to include investments to increase the stock of social housing in Québec. Since 2004-2005, our government will have added 22 000 social, community and affordable housing units for a total public investment of \$1.5 billion. By the end of 2017, 13 000 more units will have been built.

☐ Continuing to fight poverty and support community organizations

From 2004 to 2010, the government invested \$4.4 billion in its plan to fight poverty.

One quarter of this amount was allocated to Child Assistance. Another quarter to the work premium, to help low-income workers. We have earmarked more than \$600 million for the construction of affordable housing. The plan also directs resources to funding community organizations. I want to acknowledge the exemplary support of my colleague, the MNA for Jean-Lesage, for community organizations, especially community recreation centres.

In short, we have put a range of programs in place because there is a range of causes of poverty.

Our plan has produced convincing results. Whereas economic inequality rose in Québec from 1996 to 2002, it has declined since 2003, thanks to our policies: such as the restoration of family allowances, the work premium, support for social housing, child care services. Québec is the most egalitarian society in Canada. Low-income rates for our families and children are the lowest in the country.

But, naturally, we are not resting on our laurels! We are intensifying the fight against poverty.

In 2010, the plan to fight poverty was renewed until 2014-2015. During these five years, the government is funnelling \$7.1 billion into the fight against poverty, including \$2 billion to index social assistance benefits as well as \$1.25 billion each for the work premium and Child Assistance.

That, also, is everyone's fair share.

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THE STRENGTH OF OUR CULTURE

Mr. President, over the past nine years, the government has appreciably increased its financial support for Québec's cultural sector. From \$572 million in 2003-2004, it will reach \$770 million for the fiscal year coming to a close.

The Québec Cultural Heritage Fund was set up in 2006-2007 to foster preservation of Québec's cultural heritage. Its investment envelope, initially set at \$100 million, is increased with \$10 million per year in revenue from the specific tax on tobacco products.

I am announcing a \$60 million increase in the envelope of the Québec Cultural Heritage Fund. To that end, the government's contribution will be raised by \$5.5 million per year.

Museums play an important role in spreading our culture. There are 192 museum institutions recognized by the Ministère de la Culture, des Communications et de la Condition féminine, in every region of Québec. To better support Québec's museum network, the government will allocate an additional \$11 million to it over the next three years.

In recent years, the number of applications for bursaries and grants to the Conseil des arts et des lettres du Québec has swelled. That is a sign of our cultural vitality. Additional appropriations of \$4.5 million over three years will be allocated for the Conseil des arts et des lettres, particularly for the dance sector.

The creation of multimedia environments and events is a fast-emerging form of expression. Québec creators in this field are recognized around the world. To support the international distribution of their work,

I am announcing the implementation of a new refundable tax credit for the production of multimedia environments and events staged outside Québec.

Budget 2012-2013 also enhances the tax credit applicable to the production of musical comedies.

Like the other sectors of Québec's economy, the culture industry stands to benefit from going digital. The government saw this in 2010, when it launched studies leading to a digital strategy for Québec's culture industry. Access to Québec cultural productions on digital platforms has become essential to their effective presence in the world. That Québec is the continent's only majority Francophone society only adds to this necessity.

The digital strategy for Québec's cultural sector was completed in the fall of 2011. Budget 2012-2013 adds certain new means for its implementation. The budget allocates \$20 million over the next five fiscal years for the implementation of this strategy.

* * *

THE STRENGTH OF SPORTS AND RECREATION

In 2006-2007, the government set up the Sports and Physical Activity Development Fund. The fund draws its financing from the specific tax on tobacco products. Its mission is to provide financial support for the construction, renovation, equipping and bringing up to standards of sports and recreational facilities. Its existing envelope stands at \$584 million.

I am announcing an additional envelope of \$50 million for the Sports and Physical Activity Development Fund.

These additional resources will help finance more sports and recreation infrastructures.

Québec's sports federations play a major role in elite sport as well as in popular sport activity. Their funding is a constant challenge and many federations must devote enormous energy to private sector fund-raising. Last December, the Comité sur le financement des fédérations sportives tabled its report. Co-chaired by the MNA for Trois-Rivières and Olympic fencer Jean-Marc Chouinard, this committee is recommending in particular that a program be set up to provide government funding matching private donations. This will not only ensure immediate financial support, but also represent a persuasive argument to the private sector.

I am therefore announcing the creation of Placements Sports, a program to match private donations to Québec sports federations.

Accordingly, additional appropriations of \$2 million in 2012-2013 and \$3 million for subsequent years are being made available to the Ministère de l'Éducation, du Loisir et du Sport. We estimate that this program may generate up to \$5 million a year for sports federations.

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CONCLUSION

Mr. President,

Québec families have more money in their pockets today than in 2003, even with the effort citizens have been asked to make to return to a balanced budget. I am proud to say again that there has been no change to this effort: it has stayed the same since the March 2010 budget. Today's budget contains no new taxes for Quebecers.

Budget 2010-2011 was characterized by discipline, laying the foundations of the plan to restore fiscal balance.

Budget 2011-2012 was characterized by responsibility, encouraging us to roll up our sleeves to study, to act, while assuming our responsibilities towards our most vulnerable fellow citizens, our community and future generations.

In this year's budget, we are putting in place the tools to increase our wealth and maintain our quality of life:

- we are keeping tight control of our public finances;
- we are stimulating the capacity of our workers and our businesses to take part in the creation of wealth;
- we are drawing maximum benefit from our natural resources consistent with a long-term vision;
- we are consolidating our North American leadership in sustainable development;
- we are caring for our parents;
- we are helping Quebecers to better prepare for retirement.

In this way, we will leave our children a stronger economy, able to sustain an enviable level of well-being over the long term.

In closing, I propose, Mr. President, that the National Assembly approve the government's budgetary policy.

Thank you.



Québec government
Summary of budgetary transactions
2011-2012 fiscal year
(millions of dollars)

	Preliminary results
BUDGETARY REVENUE⁽¹⁾	
Own-source revenue	50 364
Federal transfers	15 175
Total	65 539
BUDGETARY EXPENDITURE⁽¹⁾	
Program spending	-61 384
Debt service	-7 452
Total	-68 836
CONSOLIDATED ENTITIES	
Contingency reserve	-300
DEFICIT	-2 452
Deposits of dedicated revenues in the Generations Fund	-848
BUDGETARY BALANCE⁽²⁾	-3 300

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

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

Québec government
Summary of budgetary transactions
Forecasts for 2012-2013
(millions of dollars)

BUDGETARY REVENUE⁽¹⁾	
Own-source revenue	53 598
Federal transfers	15 797
Total	69 395
BUDGETARY EXPENDITURE⁽¹⁾	
Program spending	-62 642
Debt service	-8 237
Total	-70 879
CONSOLIDATED ENTITIES	
Contingency reserve	-300
DEFICIT	-589
Deposits of dedicated revenues in the Generations Fund	-911
BUDGETARY BALANCE⁽²⁾	-1 500

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

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

Québec government
Budgetary revenue of the general fund
Forecasts for 2012-2013
(millions of dollars)

OWN-SOURCE REVENUE	
Income and property taxes	
Personal income tax	19 547
Health services fund	6 386
Corporate taxes	4 324
	30 257
Consumption taxes	
Sales	15 229
Tobacco	746
Alcoholic beverages	457
Other	18
	16 450
Duties and permits	
Natural resources	357
Other	287
	644
Miscellaneous	
Sales of goods and services	340
Interest	472
Fines, forfeitures and recoveries	540
	1 352
Revenue from government enterprises	
Hydro-Québec	2 625
Loto-Québec	1 221
Société des alcools du Québec	990
Other	59
	4 895
Total	53 598
FEDERAL TRANSFERS	
Equalization	7 391
Protection payment	362
Health transfers	4 821
Transfers for post-secondary education and other social programs	1 515
Other programs	975
Compensation for harmonization of the QST with the GST	733
Total	15 797
TOTAL BUDGETARY REVENUE	69 395

Québec government
Budgetary expenditure of the general fund
Forecasts for 2012-2013
(millions of dollars)

PROGRAM SPENDING

Affaires municipales, Régions et Occupation du territoire	1 724.8
Agriculture, Pêcheries et Alimentation	1 067.6
Assemblée nationale	117.6
Conseil du trésor et Administration gouvernementale	997.8
Conseil exécutif	379.3
Culture, Communications et Condition féminine	664.1
Développement durable, Environnement et Parcs	211.7
Développement économique, Innovation et Exportation	960.3
Éducation, Loisir et Sport	15 975.5
Emploi et Solidarité sociale	4 278.0
Famille et Aînés	2 450.6
Finances (excluding debt service)	154.1
Immigration et Communautés culturelles	299.3
Justice	751.3
Personnes désignées par l'Assemblée nationale	79.8
Relations internationales	115.9
Ressources naturelles et Faune	548.7
Santé et Services sociaux	30 120.8
Sécurité publique	1 200.9
Tourisme	135.8
Transports	751.7
Travail	31.4
Anticipated lapsed appropriations	-375.0

Total **62 642.0**

DEBT SERVICE

Direct debt service	5 217.0
Interest ascribed to retirement plans	3 032.0
Interest ascribed to employee future benefits	-12.0

Total **8 237.0**

TOTAL BUDGETARY EXPENDITURE **70 879.0**

Québec government
Non-budgetary transactions
Forecasts for 2012-2013
(millions of dollars)

INVESTMENTS, LOANS AND ADVANCES	
General fund	-1 156
Consolidated entities	118
Total	-1 038
CAPITAL EXPENDITURES	
General fund	
Net investments	-402
Amortizations	160
Subtotal	-242
Consolidated entities	-4 794
Total	-5 036
RETIREMENT PLANS AND EMPLOYEE FUTURE BENEFITS	
2 628	
OTHER ACCOUNTS	
General fund	-196
Consolidated entities	-189
Total	-385
TOTAL	-3 831

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

Québec government
Financing transactions
Forecasts for 2012-2013
(millions of dollars)

CHANGE IN CASH POSITION

General Fund	4 401
Consolidated entities	—
Total	4 401

NET BORROWINGS

General fund	
New borrowings	5 850
Repayment of borrowings	-7 519
Subtotal	-1 669
Consolidated entities	
New borrowings	8 692
Repayment of borrowings	-3 811
Subtotal	4 881
Total	3 212
Retirement Plans Sinking Fund, other retirement plan assets and funds dedicated to employee future benefits	-1 982
Generations Fund	-1 211
TOTAL FINANCING TRANSACTIONS	4 420

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.