Highlights of the Budget Speech delivered before the National Assembly by Pauline Marois, Deputy Prime Minister and Minister of Finance, the Economy and Research on March 11, 2003.
2003-2004 Budget

Highlights

ISBN 2-550-40539-0

Legal deposit

Bibliothèque nationale du Québec, 2003

Publication date: March 2003

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Message from the Deputy Prime Minister and Minister of Finance, the Economy and Research

Quebecers can build on important achievements in the areas of fiscal consolidation, job creation and social development. With this Budget, we are reaffirming our commitment to maintaining fiscal balance and intensifying our efforts to create a more caring and prosperous society.

We have maintained a zero deficit for a sixth consecutive year thanks to some responsible choices. The new initiatives announced in this Budget will be entirely funded through a budgetary reallocation.

In order to increase employment and prosperity in all regions of Quebec, we are focusing our energies on labour-force training, business investment and technological progress. Quality of life is also given greater priority. We are announcing several measures aimed at facilitating work-family balance and stepping up our efforts in the areas of education, health, the fight against poverty, housing, the environment and culture.

Together, we have succeeded in rising to considerable challenges in recent years, and together we shall continue to build a vibrant Quebec.

Pauline Marois
IN BRIEF

- Strong performance of the Quebec economy: real GDP growth of 3.8% in 2002 and 3.5% in 2003.
- Zero deficit maintained.
- Continued economic development by capitalizing on the wealth of our labour force, fostering business investment and turning technological progress to greater advantage.
- Encouragement of young people to return to the regions and development of vibrant regional businesses to ensure that all regions of Quebec prosper.
- $225 million over three years to facilitate work-family balance.
- $270 million for more accessible housing.
- Increased efforts in the areas of education, health, the fight against poverty, the environment and culture.
I. BALANCED PUBLIC FINANCES

a) Strong performance of the Québec economy

- In 2002, the economy grew by 3.8% in Québec, outperforming that of Canada and the United States.
- 118,000 jobs created in 2002, the largest number since 1973.

REMARKABLE ECONOMIC PERFORMANCE IN 2002 (real GDP, percentage change)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Québec</td>
<td>3.8</td>
</tr>
<tr>
<td>Canada</td>
<td>3.4</td>
</tr>
<tr>
<td>United States</td>
<td>2.4</td>
</tr>
<tr>
<td>European Union</td>
<td>1.0</td>
</tr>
<tr>
<td>Industrialized countries</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Sources: International Monetary Fund and ministère des Finances, de l’Économie et de la Recherche.
The economy is expected to grow by 3.5% in 2003, thanks in particular to the implementation of major investment projects in addition to the impact of the Public Investment Acceleration Plan.

**ECONOMIC GROWTH INDICATORS**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>3.8%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Job creation</td>
<td>118 200</td>
<td>89 000</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>8.6%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Housing starts</td>
<td>42 500</td>
<td>40 200</td>
</tr>
</tbody>
</table>
b) Maintaining a zero deficit

- Growth in spending will be capped at 3.7% for 2003-2004, excluding the increase in the health-sector budget following the federal government’s announcement in February.

- The new initiatives contained in this Budget, which amount to $400 million, will be funded thanks to tightened spending in 2003-2004:
  - a working group chaired by the President of the Conseil du trésor will be mandated to identify all areas where savings can be made in the various departments.

- No tax increases.

- A zero deficit maintained for the sixth consecutive year.
NEW 2003-2004 BUDGET INITIATIVES AND TIGHTENING MEASURES
(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2003-2004</th>
<th>2004-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New initiatives</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>39</td>
<td>148</td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• A more caring society</td>
<td>171</td>
<td>235</td>
</tr>
<tr>
<td>• A more prosperous society</td>
<td>190</td>
<td>265</td>
</tr>
<tr>
<td>Sub-total</td>
<td>361</td>
<td>500</td>
</tr>
<tr>
<td><strong>Tightening measures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>148</td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>400</td>
<td>500</td>
</tr>
<tr>
<td>Sub-total</td>
<td>400</td>
<td>648</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
II. A MORE PROSPEROUS SOCIETY

Our objective is to achieve full employment by 2005.

a) Continue economic development

- Capitalizing on the wealth of our labour force:
  - injection of $60 million over three years in Emploi-Québec to better meet job-market needs:
    - accelerate vocational and technical training for occupations in high demand;
    - enable more people to take part in training and employability programs;
    - facilitate entry into the job market for persons 45 and over by helping them to better develop their skills.
Fostering business investment:
  - support for private investment:
    • pursue the actions undertaken by Investissement Québec.
  - strategy for export development:
    • support Québec businesses in their efforts to increase exports.
  - new policy for the development of cooperatives:
    • $20 million over the next three years to enable cooperatives to enhance their capitalization and financing tools.
  - development of social economy businesses:
    • $20 million over three years to fund the action plan for the development of social economy businesses.
Turning technological progress to greater advantage:

- assist the development of biotechnology firms:
  - creation of a $300-million fund to promote the development of emerging biotechnology firms in Québec;
  - extension of the Bio-Levier loan program for another year and granting of an additional envelope of $50 million.

- increase budgets for research by $21 million in 2003-2004:
  - additional funding for college centres for technology transfer;
  - support for business incubators;
  - development of the nanotechnology and biophotonics sectors;
  - support for the development of social research and innovation.
b) **Increase prosperity in all regions**

- Promoting the return of young people to the regions:
  
  - Injection of $27 million per year for the following measures:
    
    - Refundable tax credit of up to $8,000 offered to new vocational, college and university graduates working in a remote resource region;
    
    - Doubling of the amount of the tax credit for residents of remote resource regions regarding interest paid on a student loan;
    
    - Doubling of the amount of the tax credit for on-the-job training for training done in a remote resource region.
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- Ensuring vibrant businesses in the regions:
  - injection of $17 million this year to finance projects arising from ACCORD agreements;
  - five-year renewal of the budgets of the local development centres (CLDs);
  - regional business assistance fund:
    - a budget of $24 million for the regional development councils;
    - assistance for initiatives undertaken in partnership by local development centres and SOLIDE corporations.
  - support for the resource regions:
    - new tax credit to facilitate the construction of forest access roads;
    - increased assistance of $5 million per year for the development of private forests;
    - $5 million per year to support the fishing and aquaculture sectors.
support for the agri-food industry:

- $11.5 million per year for the agricultural and food processing industries;
- $16 million over three years to support and develop Quebec’s greenhouse industry.

support for the tourism industry:

- $6 million to better exploit winter tourism in Quebec;
- investments of $87 million by the Société des établissements de plein air du Québec for:
  - the construction of tourism infrastructures on Anticosti Island stemming from the creation of an intershore link between the Gaspé Peninsula, Anticosti Island and the North Shore;
  - new development in parks, wildlife reserves and tourist establishments.
III. A MORE CARING SOCIETY

a) Making it easier to balance work and family life

- $20 million per year to help SMEs develop programs facilitating work-family balance.
- Accelerate the development of the network of early childhood centres:
  - The network of 200,000 five-dollar daycare spaces will be completed as of March 2005, i.e. a year ahead of schedule.
New tax credit for parental leave taken by self-employed workers:
- support equal to 55% of the worker’s net income for 12 weeks, to a maximum of 5,070 dollars.

New tax credit for caregivers:
- support of $600 per year for approximately 80,000 persons caring for a relative who is losing his or her autonomy.

New program to encourage the cohabitation of seniors with their families:
- envelope of $5 million for home adaptation to accommodate senior family members.
b) More stimulating, better-equipped schools

- Additional investments of $131 million to continue upgrading school libraries.
- Additional funding of $42 million granted to the ministère de l'Éducation to address new priorities:
  - vocational training at the secondary level;
  - technical training programs at the college level;
  - access to training in remote regions;
  - continuing education.
c) Increased resources for health

- The health budget will amount to $19.1 billion in 2003-2004:
  - an increase of $1.7 billion in funding over last year’s budget:
    - $838 million in federal transfers recovered following the federal government’s announcement in February;
    - $814 million injected directly by the Québec government.

- Sustained efforts to:
  - improve the efficiency of the network;
  - reduce waiting lists for cardiology, oncology and ophthalmology.
$556 million to improve front-line services:

- creation, by the summer, of some one hundred family medicine groups offering round-the-clock services;
- local community service centres (CLSCs) will henceforth be open seven days a week, for a minimum of 70 hours per week.

More support for the needy:

- reinforcement of home support;
- additional envelopes for residential centres for seniors;
- more resources to assist young people with adjustment problems and people suffering from mental illness.

An additional $225 million for the university network’s three-year capital spending program, notably to allow for increased enrolment in medicine, nursing and pharmacy programs.
d) Bolstering solidarity and the fight against poverty

$50 million in 2003-2004 to support social development and the fight against poverty:

- as of January 1, 2004, the $100 monthly exemption regarding support payments will be extended to all families with a dependent child, regardless of the child’s age;
- the Solidarité Jeunesse program becomes permanent and is extended to young people aged 21 to 24;
- the Fonds québécois d'initiatives sociales will receive $66 million over three years, with a further $25 million being contributed by the Fondation Lucie et André Chagnon;
- an additional $10 million per year is allocated to support independent community action;
- the Achat-rénovation d'immeubles communaux program is extended.
Additional funding of $270 million to improve the housing situation:

- pursue and step up the construction of 20,200 housing units;
- attenuate the immediate impact of the housing shortage;
- increase the availability of housing adapted to the needs of seniors and persons with disabilities;
- prolong the Rénovation Québec and RénoVillage programs until 2005-2006.

**HOUSING INVESTMENTS**

<table>
<thead>
<tr>
<th>Investment (millions of $)</th>
<th>Households that benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing construction</td>
<td>128</td>
</tr>
<tr>
<td>Support for households affected by the housing shortage</td>
<td>24</td>
</tr>
<tr>
<td>Home adaptation for seniors and persons with disabilities</td>
<td>47</td>
</tr>
<tr>
<td>Home improvement</td>
<td>71</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>270</strong></td>
</tr>
</tbody>
</table>

1. Construction of 5,000 new housing units and acceleration of the construction of 15,200 units.
e) Enhancing environment quality

- Control of greenhouse gas emissions:
  - henceforth, employees will be entitled to deduct the cost of public transit passes from their income;
  - allocation of $10 million to support enterprises interested in recovering methane from landfills for industrial use.

- Implementation of the Québec water policy:
  - assistance in planning how best to use the water resources in river basins;
  - $3 billion over the coming years in collaboration with the federal government to support municipalities that renew their water supply and treatment infrastructures.
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f) Supporting our cultural vitality

- $20 million per year in additional funding for the policy *Pour mieux porter le Québec à l’écran.*

- An additional $5 million in 2003-2004 for the Conseil des arts et des lettres du Québec, over and above the $7 million already granted.

- Broadening of the tax deduction for copyright income.

- $12 million annually to support major events and popular festivals that take place in Quebec.

- Major investments for the Place des Arts de Montréal and the Grand Théâtre de Québec.