

**2007-2008 Budget
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2007-2008 Budget Speech

A More Prosperous Québec for All Quebecers

“Over the last four years, the government has created an economic and social environment conducive to prosperity.”

- Michel Audet

Québec, February 20, 2007 – The 2007-2008 Budget Speech provided an opportunity for the Minister of Finance, Michel Audet, to review the government’s economic record. “Since 2003, the government has taken action to translate into reality the vision of Québec it made a commitment to implement: a modern Québec that is responsible, confident in the future and resolutely embarked on the road to prosperity,” the Minister said.

Québec’s economy in good shape

Mr. Audet indicated that, above all, the government’s actions as a whole had made a direct contribution to the good performance of Québec’s economy. The labour market has made solid progress, with almost 200 000 jobs created since 2003. The unemployment rate averaged 8% in 2006, unheard of in 30 years. Consumer spending and business investments have made substantial gains.

“Over the last four years, business investments have risen more in Québec than in Ontario. In addition, business investments in Québec as a percentage of GDP are now similar to that in the rest of Canada, excluding Alberta,” the Minister of Finance noted.

Healthy public finances and major investments in Quebecers’ priorities

“Since 2003, the budget has remained balanced because of rigorous management of public spending. Québec has had one of the lowest rates of growth in spending in Canada and this management has enabled the government to invest in the priorities of Quebecers,” the Minister of Finance observed.

Between 2003-2004 and 2007-2008, health spending rose by \$5.7 billion and education spending increased five times faster than during the previous government’s mandate. Spending on education has thus risen by \$2.2 billion.

The boost in health and education spending accounted for nearly 80% of the growth in program spending.

Creation of the Generations Fund

It was the government's duty to put an end to a situation that has made Québec the province with the highest debt. Tackling the debt load in the economy had become imperative, particularly since the debt had been used in the past to finance the bulk of current spending. Hence, in the last budget, the Minister of Finance announced the creation of the Generations Fund.

Dedicated exclusively to repaying the debt, the Generations Fund is financed by specific revenue sources that have not led to an increase in the tax burden.

With Hydro-Québec's sale of its interest in Transelec Chile, the government decided to accelerate its efforts to reduce the debt burden. An additional \$500 million was deposited in the Generations Fund last Thursday. Including the amounts accumulated, the debt burden as a proportion of the economy will be reduced to 41.6% in 2008-2009. It will be lowered to less than 25% as at March 31, 2026.

The government's action and, in particular, the on-going efforts to maintain discipline, the maintenance of a balanced budget and the creation of the Generations Fund, have been acknowledged as Québec's credit rating was upgraded twice in 2006.

More wealth for Quebecers

Today, Quebecers enjoy greater economic prosperity thanks to a series of economic and social policies the government has implemented since 2003. They no longer bear the heaviest tax burden in North America.

Accordingly, Quebecers' tax burden is lower and after-tax income is higher, families are supported in balancing family and work, young people have access to better tools to ensure their success, the elderly receive more support in coping with the consequences of aging, the labour force has more incentive to work than ever and wealth is more evenly distributed.

For instance, since 2003, Québec taxpayers have benefited from major income tax reductions totalling \$3.8 billion. All Quebecers have gained from these tax cuts, regardless of their family situation or income.

To deal with the demographic challenge, the government's action is aimed at better supporting families financially and promoting better balancing of family and work. The scope of the efforts can now be gauged: Québec is the leader in Canada. Financial support for Québec families will total over \$4.7 billion in 2007, i.e. an increase of more than 30% compared with 2003.

Dynamic businesses

Because businesses that invest become more productive and play a greater role in the enhancement of prosperity, the government, since 2003, has:

- ensured that the cost of investing in Québec is as low as possible;
- fostered major investments to remain at the forefront of technological advances;
- encouraged productive partnerships with the private sector to sustain investment;
- favoured an efficient financial sector;
- modernized the state and streamlined administrative procedures.

“In all these fields, and even though there is still work to be done, we can say that Québec is now in a better position to face existing challenges,” the Minister of Finance said.

Economic progress throughout Québec

Since 2003, the government has taken concrete action to foster the autonomy of the regions, particularly through:

- the creation and funding of the regional conferences of elected officers (CREs);
- the transfer to the regional county municipalities (RCMs) of responsibility for local development centres (CLDs);
- the agreement on a new fiscal and financial partnership with the municipalities;
- the new *National Policy on Rurality*;
- the regionalization of government services and their adaptation to the socioeconomic realities of the regions.

As a result of these concrete steps, every region of Québec is now able to develop its strengths.

With the new *Strategy for the Development of Every Region*, the government is giving the regions more powers and resources to develop and contribute directly to Québec's prosperity. The government is earmarking \$825 million over the next five years for the regions.

Major increase in the level of investment in public infrastructure

The well-being of Québec's citizens and the growth of its economy require developmental investments. Since 2003, the government has stepped up the pace of investments in public infrastructure.

Capital investments have risen from an average of \$2.9 billion for the period from 1997-1998 to 2002-2003, to \$4.7 billion in 2006-2007. A portion of these investments is devoted to maintaining assets.

The effort in terms of infrastructure has been particularly impressive as regards the road network. A total of \$7.9 billion will be invested in the road network over the next four years, \$1.7 billion of which in 2007-2008.

In addition, the government has deployed incentives to make use of public transit throughout Québec and has improved access to modern and safe sports facilities in order to foster the well-being of the population and prevent health problems.

Sustainable results

Mr. Audet concluded: "Since 2003, the government has established a series of economic and social policies to enhance prosperity, see that it is in line with sustainable development and ensure that all Quebecers benefit from it."

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