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THE QUÉBEC GOVERNMENT'S DEBT

Finances
Québec

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INTRODUCTION

In recent years, the subject of the government's debt has become more prominent in discussions on public finances. People are concerned about the size of the debt and its growth.

Various governments in Canada use a number of concepts of debt to measure indebtedness. The main concepts are the debt representing accumulated deficits, gross debt, net debt, and the public sector debt as a whole. Each concept has its own rationale.

This document explains the various concepts of debt in Québec as well as those used by the federal and provincial governments in Canada. It updates the document released in February 2010 and reflects the data in this budget.

When the Generations Fund was created in June 2006, the government's objective was to reduce the total debt to 25% of gross domestic product (GDP) by 2025-2026.

Since then, the concept of gross debt has been created to include organizations whose financial results are now consolidated line by line pursuant to the 2007 accounting reform. The concept of debt used for the purposes of the *Act to reduce the debt and establish the Generations Fund* has not been changed. In addition, as a result of the economic slowdown, the total debt/GDP ratio has strayed from the target.

Accordingly, the time is right to reconsider the concept of debt to use for the purposes of the Act to reduce the debt and the targets that should be set in this regard.

1. CONCEPTS OF THE QUÉBEC GOVERNMENT'S DEBT

There are many concepts of debt that can be used to measure a government's indebtedness.

1.1 Debt representing accumulated deficits

The debt representing accumulated deficits corresponds to the difference between the government's liabilities and its assets. It represents the government's "bad debt", i.e. the debt that does not correspond to an asset or the debt incurred when an economic slowdown prompts a government to post a deficit. It is often said that this is the debt that was used to "pay for the groceries". By way of analogy with the net worth of an individual or a business, the debt representing accumulated deficits is a government's "negative net equity".

Another way to describe the debt representing accumulated deficits that makes the connection with the gross debt is as follows: subtract from the gross debt the value of the government's financial assets (e.g. investments in a government corporation), net of other liabilities (e.g. accounts payable), as well as the value of non-financial assets (e.g. fixed assets).

As at March 31, 2010, the Québec government's debt representing accumulated deficits is expected to reach $106.6 billion, equivalent to 35.4% of GDP.

This concept is also used as a measure of indebtedness by the federal government and the governments of Ontario and Alberta in their budget papers.

TABLE 1

Debt representing accumulated deficits as at March 31, 2010[P]
(millions of dollars)

Gross debt	160 117
Less: Financial assets, net of other liabilities	– 17 270[1]
Less: Non-financial assets	– 36 219
DEBT REPRESENTING ACCUMULATED DEFICITS	**106 628[1]**
As a % of GDP	***35.4***

P: Preliminary results.
1 Includes the $3 758-million adjustment arising from a change in Hydro-Québec's accounting policies in 2010 to comply with International Financial Reporting Standards (IFRS). This change reduces the value of the government's participation in Hydro-Québec and increases the debt representing accumulated deficits. Also includes the $869-million adjustment arising from the implementation of line-by-line accounting of the results of institutions in the health and social services and the education networks required by the new CICA accounting standards in 2009-2010.

The debt representing accumulated deficits as at March 31, 2010 is adjusted to reflect the change in Hydro-Québec's accounting policies in 2010 to comply with International Financial Reporting Standards (IFRS). All entities having an obligation of public accountability and all government enterprises must adopt the IFRS as of January 1, 2011. These standards differ significantly from the current standards, notably in the way fixed assets are reported. This accounting change reduces the balance of Hydro-Québec's retained earnings by $3.8 billion. Consequently, the value of the government's participation in Hydro-Québec is reduced by the same amount. This change therefore increases the debt representing accumulated deficits by $3.8 billion as at March 31, 2010, but does not affect the government's gross debt.

The debt representing accumulated deficits as at March 31, 2010, is also adjusted by $0.9 billion to account for the implementation of line-by-line accounting of the results of institutions in the health and social services and the education networks required by the Canadian Institute of Chartered Accountants (CICA) accounting standards in 2009-2010.

Over the coming years, the debt representing accumulated deficits is expected to rise by $3.0 billion due to the deficits of $8.6 billion that will be posted from 2010-2011 to 2012-2013, but that will be partially offset by the growth of $5.6 billion in the Generations Fund. The debt representing accumulated deficits will stop rising once the budget is balanced in 2013-2014. It will subsequently decline each year in pace with growth in the Generations Fund.

TABLE 2

Growth factors of the debt representing accumulated deficits

(millions of dollars)

	Debt, beginning of year	Budgetary deficit	Generations Fund	Adjustments	Total change	Debt, end of year	As a % of GDP
2009-2010P	98 459	4 257	– 715	4 627[1]	8 169	106 628	35.4
2010-2011P	106 628	4 506	– 892	—	3 614	110 242	35.2
2011-2012P	110 242	2 900	– 972	—	1 928	112 170	34.3
2012-2013P	112 170	1 200	– 1 061	—	139	112 309	32.9
2013-2014P	112 309	—	– 1 123	—	– 1 123	111 186	31.3
2014-2015P	111 186	—	– 1 542	—	– 1 542	109 644	29.7

P: Preliminary results for 2009-2010 and projections for subsequent years.
1 Includes the adjustment resulting from the change in Hydro-Québec's accounting policies in 2010 to comply with the International Financial Reporting Standards (IFRS) and the adjustment arising from the implementation of line-by-line accounting of the results of institutions in the health and social services and the education networks required by the new CICA accounting standards in 2009-2010.

The Québec Government's Financial Assets and Liabilities

Financial assets consist chiefly of the book value of the government's investments in its state-owned enterprises, accounts receivable and long-term investments.

Financial liabilities consist mainly of accounts payable, deferred revenue and federal government transfers to be repaid.

Financial assets, net of other liabilities, represent the difference between financial assets and other financial liabilities, i.e. liabilities other than the gross debt (consolidated direct debt and net retirement plans and employee future benefits liabilities).

As at March 31, 2009, financial assets, net of other liabilities, amounted to $22.2 billion.

Net financial assets, net of other liabilities, as at March 31, 2009
(millions of dollars)

Financial assets		
Participation in government enterprises[1]	25 867	
Accounts receivable	12 440	
Long-term investments	5 063	
Other	49	
Subtotal		**43 419**
Financial liabilities other than the debt		
Accounts payable	– 14 122	
Deferred income	– 3 032	
Transfers from the federal government to be repaid	– 1 673	
Other	– 2 000	
Subtotal		**– 20 827**
Stabilization reserve		**– 433**
TOTAL FINANCIAL ASSETS, NET OF OTHER LIABILITIES		**22 159**

1 Represents mainly the government's participation in the Société générale de financement du Québec and Hydro-Québec, which essentially corresponds to Hydro-Québec's earnings not paid to the government as dividends.

The Québec Government's Non-Financial Assets

Non-financial assets consist of the government's net fixed assets, the net investment in the health and social services and the education networks as well as inventories and pre-paid expenses. As at March 31, 2009, non-financial assets totalled $30.8 billion.

The government's net fixed assets correspond chiefly to the book value of roads, buildings, information systems development as well as machinery and equipment. At the time they are acquired, these fixed assets are carried to the government's balance sheet. Subsequently, they are gradually charged to expenditure based on their useful life. This expenditure is called "depreciation". As at March 31, 2009, net fixed assets stood at $21.5 billion.

The net investment in the networks corresponds mainly to loans made to institutions in the health and social services and the education networks to fund their capital investments. As at March 31, 2009, the net investment in the networks stood at $9.0 billion.

Inventories and prepaid expenses totalled $238 million as at March 31, 2009.

Non-financial assets as at March 31, 2009
(millions of dollars)

Net fixed assets[1]		
Complex networks[2]	12 241	
Buildings	5 824	
Information systems development	1 289	
Machinery and equipment	1 187	
Land	769	
Improvements	180	
Subtotal		**21 490**
Net investment in the health and social services and the education networks		
Health and social services network	4 580	
Education network	4 459	
Subtotal		**9 039**
Inventories and prepaid expenses		**238**
TOTAL NON-FINANCIAL ASSETS		**30 767**

1 Corresponds to the stock of fixed assets less accumulated depreciation.
2 Includes mostly roads.

Debt Representing Accumulated Deficits for the Purposes of the Public Accounts

The annual deficit shown in the Public Accounts represents the difference between the government's revenues and expenditures during a fiscal year.

According to the *Act to establish a budgetary surplus reserve fund*, the Minister of Finance may allocate all or part of the excess of revenue over expenditure to a reserve. This reserve can be used to keep the budget balanced. In September 2009, this statute was repealed by the *Act to amend the Balanced Budget Act and various legislative provisions concerning the implementation of the accounting reform*. In addition, the latter created a stabilization reserve fund, to which the amounts allocated to the budgetary reserve after April 1, 2006 are deemed to have been allocated.

The budgetary balance in the Public Accounts does not reflect the amounts allocated to the stabilization reserve or their utilization. Consequently, the debt representing accumulated deficits in the Public Accounts is different from that shown in the budget papers because of the stabilization reserve.

The balance of the stabilization reserve was $433 million as at March 31, 2009. It is used to reduce the 2009-2010 deficit.

After taking the stabilization reserve into account, the debt representing accumulated deficits stood at $98.5 billion as at March 31, 2009, i.e. $433 million more than the $98.0 billion shown in the Public Accounts.

Debt representing accumulated deficits as at March 31, 2009
(millions of dollars)

Debt representing accumulated deficits according to the Public Accounts	**98 026**
As a % of GDP	***32.4***
Plus: Balance of the stabilization reserve	433
Debt representing accumulated deficits after taking the stabilization reserve into account	**98 459**
As a % of GDP	***32.6***

1.2 Gross debt

The gross debt corresponds to the sum of the debt contracted on financial markets and the net liability of retirement plans and employee future benefits of public and para-public sector employees, from which the balance of the Generations Fund is subtracted.

This debt concept was created at the time of the December 2007 accounting reform.

The gross debt includes the government's debt and that of all entities whose results are consolidated line by line with those of the government[1]. The gross debt includes the debt of organizations that make loans to entities of the health and social services and the education networks, namely Financement-Québec and the Corporation d'hébergement du Québec.

As at March 31, 2010, the gross debt is expected to reach $160.1 billion, equivalent to 53.2% of GDP.

TABLE 3

Gross debt as at March 31, 2010[P]
(millions of dollars)

Direct debt of the Consolidated Revenue Fund[1]	90 065
Debt of consolidated entities[2]	43 956
Consolidated direct debt[3]	134 021
Plus: Net retirement plans liability	28 763
Plus: Net employee future benefits liability	—
Less: Generations Fund	– 2 667
GROSS DEBT	**160 117**
As a % of GDP	***53.2***

P: Preliminary results.
1 Excludes pre-financing.
2 Excludes debts contracted by institutions in the health and social services and the education networks in their own name.
3 The consolidated direct debt represents the debt that has been contracted on financial markets.

1 At the time of the December 2007 accounting reform, financial data for institutions in the health and social services and the education networks were accounted for in the government's financial statements using the modified equity method. Under this method, debt contracted by network institutions in their own name is not taken into account in the government's gross debt. It is a separate component of the public sector debt.

The following table shows how the government's gross debt has changed since March 31, 1998. The figures for years prior to the 2007 accounting reform have been restated to make them comparable with those following the reform, i.e. for 2007 and subsequent years.

TABLE 4

Gross debt of the Québec government[1] as at March 31

	$ million	As a % of GDP
1998	110 900	58.9
1999	114 719	58.5
2000	116 009	55.0
2001	119 731	53.2
2002	123 065	53.1
2003	128 234	53.1
2004	132 302	52.8
2005	135 879	51.7
2006	138 707	51.0
2007	143 424	50.8
2008	148 151	49.8
2009	151 385	50.1
2010[P]	160 117	53.2
2011[P]	170 599	54.5
2012[P]	180 084	55.1
2013[P]	186 490	54.6
2014[P]	189 428	53.3
2015[P]	192 169	52.0

Note: Gross debt figures prior to March 31, 2007 have been restated to reflect the impacts of the reform of government accounting in December 2007. The purpose of this restatement was to obtain comparable debt levels over a long period. Moreover, once implementation of line-by-line accounting of the results of institutions in the health and social services and the education networks is complete, gross debt data will be restated.

P: Preliminary results for 2009-2010 and projections for subsequent years.

1 Excludes pre-financing.

❑ What causes the debt to rise?

The main factors that cause the debt to rise are:

— The budget deficit.

— Investments made by the government in its corporations are another factor causing the debt to rise. Such investments can be made by means of an advance, a direct capital injection or by allowing a government corporation to keep a part of its earnings to fund its own investments.

For example, Hydro-Québec pays part of its net earnings[2] to the government as dividends and keeps part to fund its investments, in particular hydro-electric dams. The portion of earnings the government allows Hydro-Québec to keep is in fact a capital injection by the government in Hydro-Québec that creates a financial requirement for the government and therefore causes the gross debt to rise.

In addition, sometimes the government makes capital injections in government corporations, for example the Société générale de financement du Québec. Such capital injections cause the government's financial requirements, and therefore its debt, to rise.

- The net investment in the health and social services and the education networks, including loans by Financement-Québec and the Corporation d'hébergement du Québec to institutions to fund their capital investments, also causes the government's debt to rise.
- The government also makes investments in fixed assets (e.g. roads), that require borrowings and cause the debt to rise. At the time they are made, these investments are carried to the government's balance sheet. Subsequently, they are gradually charged to expenditure based on their useful life.
- The change in certain other government asset and liability items, for example accounts payable and accounts receivable, can also cause the debt to rise.
- Lastly, payments to the Generations Fund cause the debt to decrease.

2 The amount of the dividend is calculated in accordance with section 15.2 of the *Hydro-Québec Act*, which stipulates that:

15.2 "The distributable surplus for a particular financial period is equal to 75% of the total of the net operating income of the Company and of its net investment income for the same period, less the gross expenditure income for the same period…"

❑ Increase in the gross debt

The following table shows in detail the factors contributing to the increase in the debt since March 31, 1998.

TABLE 5

Growth factors of the Québec government's gross debt

(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)[1]	Investments, loans and advances	Net investment in the networks[2]	Net capital expenditures[3]	Other factors[4]	Generations Fund[5]	Total change	Debt, end of year[6]	As a % of GDP
1998-1999	110 900	– 126	1 312	761	396	1 476		3 819	114 719	58.5
1999-2000	114 719	– 7	1 989	122	200	– 1 014		1 290	116 009	55.0
2000-2001	116 009	– 427	1 701	841	578	1 029		3 722	119 731	53.2
2001-2002	119 731	– 22	1 248	934	1 199	– 25		3 334	123 065	53.1
2002-2003	123 065	728	1 921	631	1 706	183		5 169	128 234	53.1
2003-2004	128 234	358	1 367	560	1 186	597		4 068	132 302	52.8
2004-2005	132 302	664	1 303	1 486	1 006	– 882		3 577	135 879	51.7
2005-2006	135 879	– 37	1 488	1 013	1 179	– 815		2 828	138 707	51.0
2006-2007	138 707	– 109	2 213	1 002	1 177	1 018	– 584	4 717	143 424	50.8
2007-2008	143 424	—	2 658	487	1 457	774	– 649	4 727	148 151	49.8
2008-2009	148 151	—	1 086	622	2 297	– 52	– 719	3 234	151 385	50.1
2009-2010P	151 385	4 257	507	1 832	3 620	– 769	– 715	8 732	160 117	53.2
2010-2011P	160 117	4 506	1 278	2 402	3 593	– 405	– 892	10 482	170 599	54.5
2011-2012P	170 599	2 900	1 202	1 305	3 860	1 190	– 972	9 485	180 084	55.1
2012-2013P	180 084	1 200	970	1 202	3 147	948	– 1 061	6 406	186 490	54.6
2013-2014P	186 490	—	630	909	2 818	– 296	– 1 123	2 938	189 428	53.3
2014-2015P	189 428	—	1 024	823	2 502	– 66	– 1 542	2 741	192 169	52.0

Note: Gross debt figures prior to 2006-2007 have been restated to reflect the impacts of the government accounting reform in December 2007. The purpose of this restatement was to obtain comparable debt levels over a long period. Moreover, once the implementation of line-by-line accounting of the results of institutions in the health and social services and the education networks is complete, gross debt data will be restated. A positive entry indicates an increase in the debt; a negative entry, a decrease.

P: Preliminary results for 2009-2010 and projections for subsequent years.

1 Prior to 2006-2007, the budgetary balance could not be restated to reflect the impact of the December 2007 government accounting reform because information on a comparable basis is not available.

2 Includes mainly loans by Financement-Québec and the Corporation d'hébergement du Québec to institutions in the health and social services and the education networks. As of 2006-2007, the net investment in the networks also includes the change in the accumulated deficits of network institutions.

3 Investments in fixed assets made during the year less the annual depreciation expense. Includes investments made in the course of public-private partnership agreements.

4 Includes in particular the change in "other accounts", such as accounts receivable and accounts payable, as well as the change in the value of the debt in foreign currencies.

5 Represents the increase in the Generations Fund during the year. This increase stems from payments to the Fund as well as investment income.

6 Excludes pre-financing.

Overall, between March 31, 1998 and March 31, 2010, the Québec government's gross debt rose by $49.2 billion from $110.9 billion to $160.1 billion.

The bulk of the increase in the gross debt between 1998 and 2010 is attributable to the following three factors:

— investments, loans and advances of $18.8 billion, including $10.6 billion representing Hydro-Québec earnings reinvested in the corporation;

— the government's investments of $16.0 billion in fixed assets;

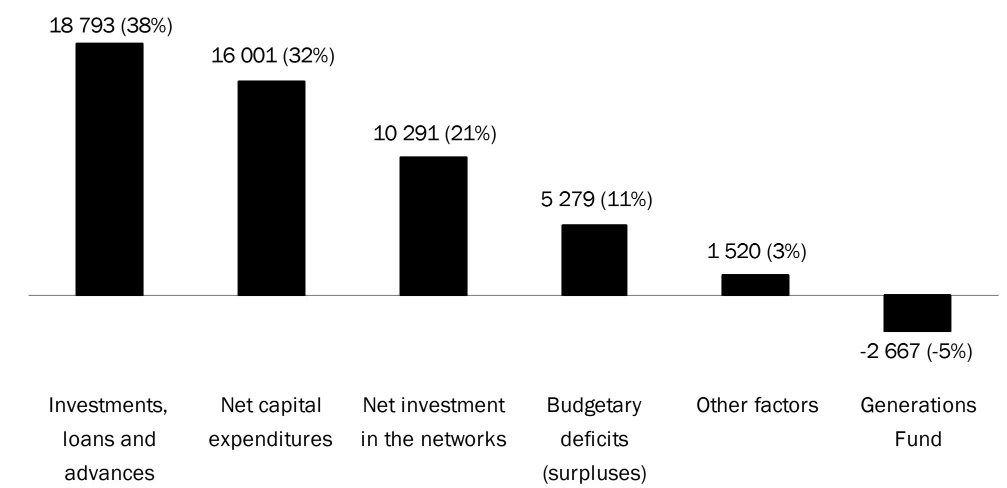
— the net investment of $10.3 billion in the networks so they can fund their capital investments.

Budget deficits caused the gross debt to rise by $5.3 billion over this period, while "other factors" contributed $1.5 billion.

Lastly, deposits to the Generations Fund caused the gross debt to decrease by $2.7 billion.

CHART 1

Growth factors of the gross debt from 1998 to 2010
(millions of dollars)

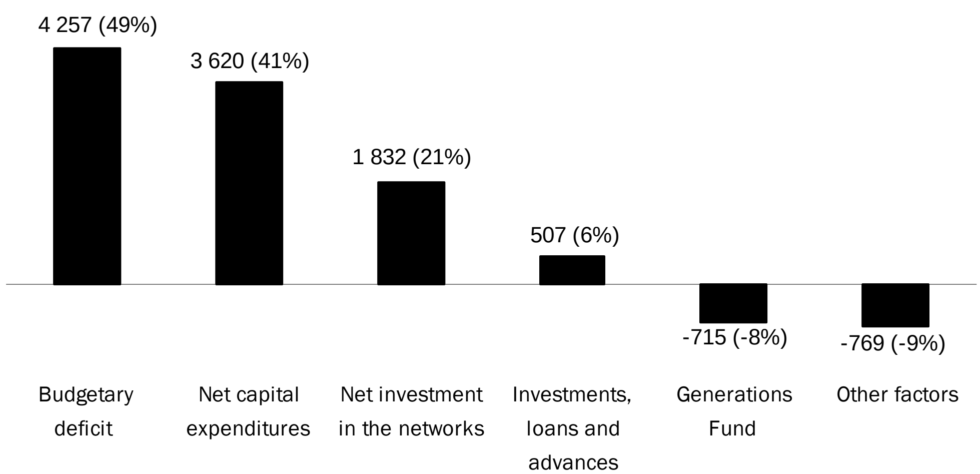


❑ Increase in the gross debt in 2009-2010

In 2009-2010, the gross debt should rise by $8.7 billion. This increase is attributable mainly to the forecast deficit of $4.3 billion and investments by the government in fixed assets (e.g. roads) of $3.6 billion.

CHART 2

Growth factors of the gross debt in 2009-2010
(millions of dollars)



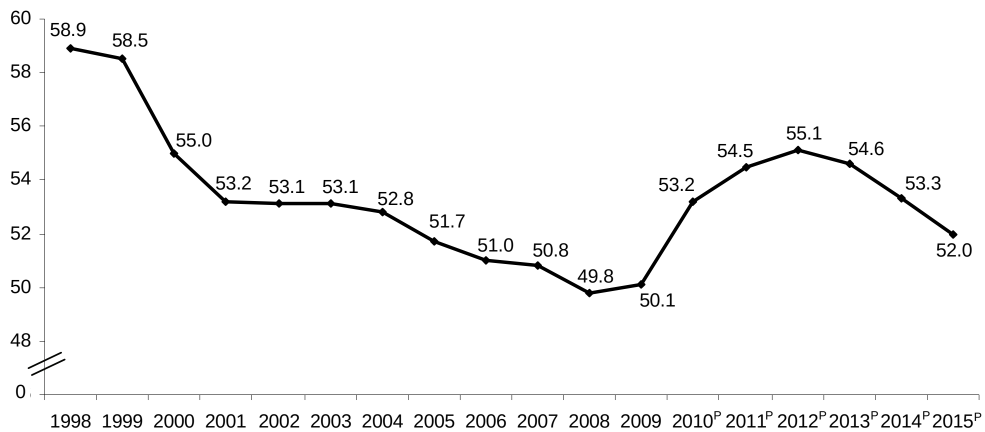
❑ Debt burden

One way to measure the extent of the government's indebtedness is to compare its debt to the size of the economy, i.e. GDP. The debt/GDP ratio is then calculated. GDP represents the total value of goods and services produced in an economy during a given period. It is the source of the revenue the government collects to fund its activities, including payment of debt service. The comparison of the government's debt to GDP is similar, for example, to the case of a person that wants to borrow to buy a house. The amount of his debt (mortgage, car loan, etc.) is compared to his income to assess his level of indebtedness.

Since March 31, 1998, the Québec government's gross debt/GDP ratio has fallen significantly. Whereas gross debt was equivalent to 58.9% of GDP as at March 31, 1998, the gross debt/GDP ratio stood at 50.1% as at March 31, 2009. The ratio is expected to rise to 55.1% as at March 31, 2012, in particular because of the forecast deficits and the economic situation. The gross debt/GDP ratio should then decline to 52.0% as at March 31, 2015.

CHART 3

Gross debt[1] as at March 31
(as a percentage of GDP)



P: Preliminary results for 2010 and projections for subsequent years.
1 Excludes pre-financing.

❑ New debt reduction objectives

In the March 23, 2006 Budget Speech, the Minister of Finance announced the creation of the Generations Fund. The government deposits certain revenues in the fund, which will later be used to pay down the debt.

The government's objective in establishing the fund was to reduce the total debt to 25% of GDP as at March 31, 2026. This objective was enshrined in the *Act to reduce the debt and establish the Generations Fund*, passed on June 15, 2006. The Act set objectives for the government's total debt, the debt concept used in the government's reporting entity at the time the Act was passed.

In December 2007, the government carried out a major accounting reform which, among other things, broadened the reporting entity to include all institutions in the health and social services network and most institutions in the education network. A new concept, gross debt, was created to reflect the changes made to the reporting entity. The accounting reform increased the size of the debt by $21 billion, equivalent to 7 percentage points of GDP. The bulk of this increase was previously included in the debt of other components of Québec public sector.

TABLE 6

The Québec government's total debt and gross debt as at March 31, 2007
(millions of dollars)

TOTAL DEBT FOR THE PURPOSES OF THE *ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND*[1]		**122 575**
As a % of GDP		***43.4***
Plus:	Debt of Financement-Québec	12 073
	Debt of the Corporation d'hébergement du Québec and other entities	3 560
	Debt of the Société québécoise d'assainissement des eaux	2 522
	Debt of Immobilière SHQ	1 942
	Net employee future benefits liability	752
Subtotal		20 849
GROSS DEBT		**143 424**
As a % of GDP		***50.8***

1 Excludes pre-financing.

Furthermore, the recession will have left budget deficits totalling $12.9 billion from 2009-2010 to 2012-2013, causing the debt to rise.

Accordingly, as provided for in last year's budget, the Generations Fund legislation will be amended to revise the debt reduction objectives.

The government is determined to reduce Québec's indebtedness to ensure greater intergenerational equity. To that end, additional deposits will be made in the Generations Fund starting in fiscal 2014-2015, that is, once fiscal balance has been restored. Revenue generated by the increase in the price of heritage pool electricity will be deposited in the Generations Fund.

Furthermore, the discussions about the debt that have taken place in recent years highlight the distinction between "good debt" and "bad debt".

Good debt is the debt contracted to acquire an asset; for example, to build a road, school or hospital. Bad debt is the debt that does not correspond to any asset. This is the debt that needs to be addressed first.

The debt representing accumulated deficits, i.e. the bad debt, is expected to stand at $106.6 billion as at March 31, 2010, equivalent to 35.4% of GDP.

The government's first objective is to reduce this ratio by half to 17% in 2025-2026. This is a maximum level.

TABLE 7

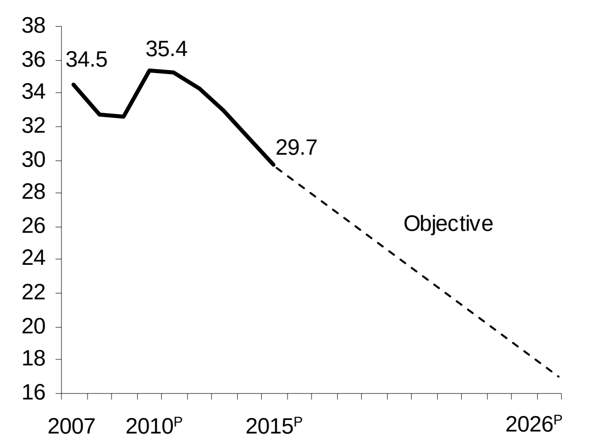
New debt reduction objectives
(as a percentage of GDP)

	March 31, 2026
Debt representing accumulated deficits	17
Gross debt[1]	45

Another objective will be set for the gross debt. This debt is expected to stand at $160.1 billion as at March 31, 2010, equivalent to 53.2% of GDP. This ratio is projected to reach up to 55.1% of GDP in 2011-2012 and then start falling. The government's goal is to reduce the ratio of gross debt to GDP to 45% in 2025-2026. Again, this is a maximum level.

CHART 4

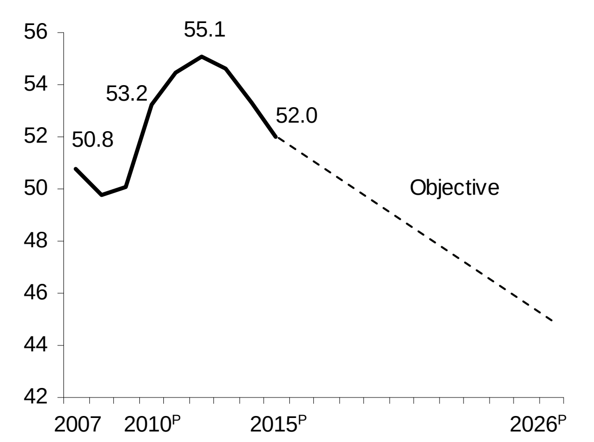
Debt representing accumulated deficits
(as a percentage of GDP)



P: Preliminary results for 2010, forecasts for 2011 to 2015 and projections for subsequent years.

CHART 5

Gross debt[1]
(as a percentage of GDP)



P: Preliminary results for 2010, forecasts for 2011 to 2015 and projections for subsequent years.
1 Excludes pre-financing.

Components of the Gross Debt

☐ **The consolidated direct debt**

The consolidated direct debt corresponds to the debt that has been contracted on financial markets. It consists of the debt issued for the purposes of the Consolidated Revenue Fund and those of the consolidated entities.

Consolidated entities are entities whose results (revenue, expenditure, assets and liabilities) are consolidated line by line with those of the government. The main consolidated entities are the Road Network Preservation and Improvement Fund, Financement-Québec, the Corporation d'hébergement du Québec, Immobilière SHQ, the Société québécoise d'assainissement des eaux, the Société immobilière du Québec, Investissement-Québec, the Agence métropolitaine de transport, the Financière agricole du Québec and the Société du Palais des congrès de Montréal. As at March 31, 2010, the debt of these entities is expected to account for over 90% of all the debt of entities consolidated line by line.

☐ **Net retirement plans liability**

The net retirement plans liability is calculated by subtracting the balance of the Retirement Plans Sinking Fund (RPSF) from the retirement plans liability.

The retirement plans liability represents the present value of the retirement benefits that the government will pay to public and para-public sector employees, taking into account the conditions of their plans and their years of service. This liability should stand at $67.0 billion as at March 31, 2010.

The government created the RPSF in 1993. It is an asset that may be used to pay the retirement benefits of public and para-public sector employees. As at March 31, 2010, the book value of the RPSF is projected to be $38.2 billion.

The net retirement plans liability is expected to be $28.8 billion as at March 31, 2010.

Net retirement plans liability as at March 31, 2010[P]
(millions of dollars)

Retirement plans liability:	
Government and Public Employees Retirement Plan (RREGOP)	37 332
Pension Plan of Management Personnel (PPMP)	8 458
Other plans	**21 171**
Subtotal	66 961
Less: Retirement Plans Sinking Fund	**– 38 198**
NET RETIREMENT PLANS LIABILITY	28 763

Note: See Appendix 2 for additional information on the retirement plans of public and para-public sector employees in Québec.
P: Preliminary results.

Components of the Gross Debt (continued)

☐ Net employee future benefits liability

The government records under its debt the value of its commitments regarding future benefits programs for its employees, namely, accumulated sick leave, which is payable notably when an employee retires, and pensions paid to the survivors of a government employee. These programs give rise to long-term obligations whose costs are covered in full by the government.

Since the December 2007 accounting reform, an actuarial valuation is done of future employee benefits and, like the retirement plans liability, these benefits are included in the government's gross debt. Previously, future employee benefits were entered in the government's accounts payable and the Survivor's Pension Plan Fund was entered under long-term investments.

In addition, as part of the December 2007 accounting reform, the government undertook to create the Accumulated Sick Leave Fund. This fund was created in October 2008. The sums accumulated in this new fund are subtracted from the liability for future employee benefits.

The balance of the net employee future benefits liability should be zero as at March 31, 2010.

Net employee future benefits liability as at March 31, 2010P
(millions of dollars)

Accumulated sick leave		703
Survivor's pension plan		405
Less:	Accumulated Sick Leave Fund	– 657
	Survivor's Pension Plan Fund	– 451
NET EMPLOYEE FUTURE BENEFITS LIABILITY		—

P: Preliminary results.

Components of the Gross Debt (continued)

☐ The Generations Fund

In 2006, the government implemented a debt reduction strategy with the creation of the Generations Fund. The amounts paid into the Fund will be used solely for debt repayment.

The sources of revenue dedicated exclusively to the Generations Fund are:

- water-power royalties paid by Hydro-Québec and private hydro-electricity producers;
- a portion of Hydro-Québec's earnings on the sale of electricity outside Québec as a result of increased generating capacity;
- royalties on harnessed water;
- asset sales;
- gifts, bequests and other contributions received by the Ministère des Finances;
- unclaimed property managed by the Ministère du Revenu;
- investment income on the amounts that constitute the Fund.

Moreover, the Generations Fund legislation allows the government to order the direct payment into the Fund of amounts it collects or receives and which the National Assembly is entitled to allocate.

As at March 31, 2010, the book value of the Generations Fund should stand at $2.7 billion.

Generations Fund
(millions of dollars)

BOOK VALUE AS AT MARCH 31, 2009	**1 952**
Dedicated revenue in 2009-2010	
Water-power royalties	
Hydro-Québec	571
Private producers	87
	658
Unclaimed property	2
Investment income	55
Total	**715**
BOOK VALUE AS AT MARCH 31, 2010 P	**2 667**

Note: See Appendix 3 for additional information on the Generations Fund.
P: Preliminary results.

1.3 Net debt

In addition to the gross debt and the debt representing accumulated deficits, other debt concepts are used. The net debt is a concept that can be described as "intermediate", i.e. it is situated between the gross debt and the debt representing accumulated deficits.

The net debt is equal to the government's liabilities less its financial assets. It represents the debt that has been used to finance capital investments as well as the bad debt that has been used to fund current spending. The net debt is obtained by subtracting the government's financial assets, net of other liabilities, from the gross debt.

As at March 31, 2010, the net debt is expected to stand at $142.8 billion, equivalent to 47.5% of GDP.

TABLE 8

The Québec government's net debt as at March 31, 2010P
(millions of dollars)

Gross debt[1]	160 117
Less: Financial assets, net of other liabilities	– 17 270
NET DEBT	**142 847**
As a % of GDP	***47.5***

P: Preliminary results.
1 Excludes pre-financing.

The difference between the net debt and the debt representing accumulated deficits is that the net debt includes both the debt used to finance capital investments and the bad debt, while the debt representing accumulated deficits reflects only the bad debt.

1.4 Total debt for the purposes of the *Act to reduce the debt and establish the Generations Fund*

As mentioned in Section 1.2, when the *Act to reduce the debt and establish the Generations Fund* was passed in June 2006, the concept of total debt was used for the purposes of the Act. This was the debt of entities that, at the time, were included in the government's reporting entity, i.e. entities whose revenues, expenditures and other operations were included in the results shown in the Public Accounts.

With the December 2007 accounting reform, the government reporting entity was broadened to include the entities of the health and social services and the education networks.

The concept of gross debt was then created to reflect the changes made to the reporting entity.

As at March 31, 2010, the government's total debt should stand at $136.8 billion, equivalent to 45.5% of GDP.

TABLE 9

The Québec government's total debt and gross debt as at March 31, 2010[P]
(millions of dollars)

TOTAL DEBT FOR THE PURPOSES OF THE *ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND*	**136 754**
As a % of GDP	***45.5***
Plus: Debt of Financement-Québec	16 471
Debt of the Corporation d'hébergement du Québec and other entities	2 845
Debt of the Société québécoise d'assainissement des eaux	2 226
Debt of Immobilière SHQ	1 821
Net employee future benefits liability	—
GROSS DEBT[1]	**160 117**
As a % of GDP	***53.2***

P: Preliminary results.
1 Excludes pre-financing.

1.5 Public sector debt

We have seen previously that the gross debt represents the debt level of the government and all governmental organizations that are part of the government reporting entity in accordance with generally accepted accounting principles (GAAP). That means that the debt of commercial government enterprises, such as Hydro-Québec or the Société générale de financement du Québec, is not included in the gross debt. That is also the case of municipalities, which are independent organizations whose results are not consolidated with those of the government.

That is why an indicator representing the indebtedness of the entire public sector has been developed. The debt of the public sector represents the total of the debts of all organizations in Québec's public sector.

The preliminary results indicate that the debt of Québec's public sector should stand at $218.5 billion as at March 31, 2010, equivalent to 72.6% of GDP. Essentially, the difference between the government's gross debt and the public sector debt ($160.1 billion versus $218.5 billion) is the debt of Hydro-Québec and the municipalities. These debt data must be put into perspective, as they do not take into account the economic value of certain assets held by the government, such as Hydro-Québec, the Société des alcools or Loto-Québec.

TABLE 10

Public sector debt as at March 31, 2010P
(millions of dollars)

Government's gross debt[1]	160 117
Hydro-Québec	36 803
Municipalities[2]	19 897
Health and social services and education networks[3]	974
Other government enterprises[4]	698
PUBLIC SECTOR DEBT	**218 489**
As a % of GDP	***72.6***

P: Preliminary results.
1 Excludes pre-financing.
2 Corresponds to the long-term debt contracted by municipalities in their own name. A portion of this debt is subsidized by the government ($2 846 million as at March 31, 2010).
3 Corresponds to the long-term debt contracted by network institutions in their own name and whose debt service is subsidized by the government through transfers for the payment of interest and principal on the borrowings.
4 Excludes the debt of enterprises guaranteed by a third party or by assets, such as inventories and accounts receivable.

Information Supplied to Regulatory Authorities and Data on Québec's Debt

To borrow on foreign financial markets, the Québec government must comply with the requirements of the regulatory authorities of those markets. Accordingly, Québec files a variety of information with the Securities and Exchange Commission (SEC) in the United States, the Financial Services Authority (FSA) in the United Kingdom, the Australia Stock Exchange and Japan's regulatory authority.

Every year, Québec files Form 18-K, an information document, with the SEC. This document contains all the information required under the *Securities Act of 1933*. Annual filing of Form 18-K avoids having to file a prospectus for each borrowing, which would cause additional costs and delays. The information contained in Form 18-K must reflect the borrower's financial position as fairly as possible. This requirement provides investors with all the relevant information for them to make informed investment decisions.

Concerning the debt, the SEC legislation requires the inclusion of "funded debt", i.e. the debt maturing in more than one year and contracted on financial markets, as well as the "floating debt", i.e. the short-term debt that is continually rolled over to fund operations. Québec also provides information concerning the liability regarding the retirement plans of the public and para-public sectors.

The information relating to the public sector long-term debt in Form 18-K is requested by the SEC and shown in four categories. The difference between the debt figure of $181.5 billion as at March 31, 2009 in Form 18-K and that of $208.1 billion shown in the budget papers is attributable mainly to the short-term debt and the liability regarding the retirement plans. The liability regarding the retirement plans and the short-term debt are shown elsewhere in Form 18-K.

Public sector long-term debt as at March 31, 2009[P] for the purposes of Form 18-K
(millions of dollars)

Government Funded Debt	
Borrowings – government	124 837
Borrowings – to finance government enterprises	224
Government Guaranteed Debt[1]	36 668
Municipal Sector Debt	18 639
Other institutions[2]	1 088
LONG-TERM DEBT OF THE PUBLIC SECTOR	**181 456**

Note: Data of the annual Form 18-K submitted to the SEC in June 2009.
P: Preliminary results.
1 Represents mainly the debt of Hydro-Québec.
2 Borrowings contracted by institutions in their own name (educational institutions, health and social services institutions and other government enterprises).

Québec provides other regulatory authorities around the world with the same information supplied to the SEC.

2. DEBT COMPARISONS WITH OTHER GOVERNMENTS IN CANADA

It is worthwhile comparing the concepts of debt used by the Québec government with those used by other governments in Canada.

An analysis of the budget papers of the federal and provincial governments shows that the concepts of debt used to assess the financial position vary widely from province to province. Three governments use the concept of debt representing accumulated deficits as a measure of indebtedness in their budget papers: the federal government, the Government of Ontario and the Government of Alberta. British Columbia and Saskatchewan use the concept of direct debt. Ontario, Alberta, New Brunswick, Newfoundland and Labrador, Manitoba and Nova Scotia use the concept of net debt. The recent budget papers of Prince Edward Island make no mention of its debt.

Governments That Use the Concept of Debt Representing Accumulated Deficits

Federal government

"The federal debt-to-GDP ratio (accumulated deficit) stood at 29.8 per cent in 2007–08, down significantly from its peak of 68.4 per cent in 1995–96. The debt ratio is expected to fall to 28.6 per cent in 2008–09, before increasing to 31.6 per cent in 2009–10 and 32.1 per cent in 2010–11. The debt burden is projected to be below its 2008–09 level in 2013–14." (Canada's Economic Action Plan, Budget 2009, p. 218)

"Since 2005–2006, the Government has reduced the federal debt by $37 billion." (Canada's Economic Action Plan, Budget 2009, p. 282)

Ontario

"Second, our government will reduce the size of the deficit in each year subsequent to this. In 2009–10, we will ensure that Ontario's relative deficit and debt are in line with most provinces and our own historical performance. The 2009–10 deficit-to-GDP ratio, deficit-to-revenue ratio and debt-to-GDP ratio are all below those of the United States now and Ontario in the 1990s." (2009 Budget Speech, p. 3)

"Consistent with the Province's fiscal performance and with slower-than-anticipated gross domestic product (GDP) growth this year, the Province's accumulated deficit-to-GDP ratio is forecast at 18.4 per cent in 2008–09, down from 25.2 per cent in 2003–04." (2009 Ontario Budget , p. 50)

Alberta

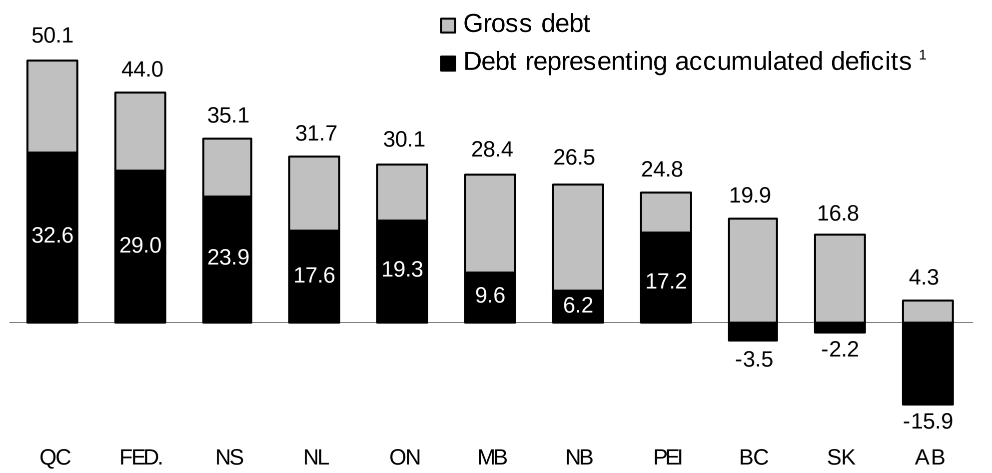
"Alberta is strong because we have been saving money. We have paid off an accumulated debt of nearly $23 billion." (Budget Speech 2009, p. 2)

"The deficits of 1980s and early 1990s that produced the accumulated debt were eliminated in 1994-95. The accumulated debt was paid down by 2004-05." (Fiscal Plan 2009-12, Fiscal overview, p. 21).

Whether it be on the basis of gross debt or debt representing accumulated deficits, Québec is the most heavily indebted province.

CHART 6

Gross debt and debt representing accumulated deficits as at March 31, 2009
(as a percentage of GDP)



1 A negative entry means that the government is in an accumulated surplus position.
Sources: Ministère des Finances du Québec, governments' public accounts and Statistics Canada.

The following table shows, for the federal government and all the provinces, debt figures according to the three concepts described earlier. The figures in boxes refer to the concept used by the government concerned in its budget papers to measure its indebtedness. Some governments use more than one concept.

TABLE 11

Debt as at March 31, 2009 according to various concepts

(millions of dollars)

	QC	FED.	ON	BC	AB	NB	NL	MB	SK	NS	PEI
Consolidated direct debt	**124 629**	**514 020**	**176 825**	**37 562**	**2 064**	**6 755**	**6 595**	**12 446**	**4 796**	**10 225**	**1 092**
Net retirement plans liability	28 649	139 909	– 4 819	3	10 081	– 210	1 704	2 003	5 475	1 788	34
Net employee future benefits liability	59	50 311	5 223	1 908	241	718	1 630	—	418	—	23
Generations Fund	– 1 952										
Gross debt[1]	**151 385**	**704 240**	**177 229**	**39 473**	**12 386**	**7 263**	**9 929**	**14 449**	**10 689**	**12 013**	**1 149**
As a % of GDP	*50.1*	*44.0*	*30.1*	*19.9*	*4.3*	*26.5*	*31.7*	*28.4*	*16.8*	*35.1*	*24.8*
Less:											
Net financial assets[2]	– 22 159	– 179 027	– 23 904	– 14 933	– 42 812	125	– 1 961	– 2 951	– 7 165	311	260
Net debt[3]	**129 226[4]**	**525 213**	**153 325**	**24 540**	**– 30 426**	**7 388**	**7 968**	**11 498**	**3 524**	**12 324**	**1 409**
As a % of GDP	*42.8*	*32.8*	*26.1*	*12.4*	*– 10.4*	*27.0*	*25.5*	*22.6*	*5.5*	*36.0*	*30.5*
Less:											
Non-financial assets	– 30 767	– 61 503	– 40 087	– 31 459	– 15 848	– 5 679	– 2 466	– 6 594	– 4 921	– 4 157	– 616
Debt representing accumulated deficits[3]	**98 459[4]**	**463 710**	**113 238**	**– 6 919**	**– 46 274**	**1 709**	**5 502**	**4 904**	**– 1 397**	**8 167**	**793**
As a % of GDP	*32.6*	*29.0*	*19.3*	*– 3.5*	*– 15.9*	*6.2*	*17.6*	*9.6*	*– 2.2*	*23.9*	*17.2*

Note: The boxes show the debt concept used in the government's budget papers.

1 The gross debt is not shown in most government public accounts. However, the public accounts do show the components of gross debt, i.e. the consolidated direct debt, the net liability regarding the retirement plans and the net liability for employee future benefits. It is therefore possible to deduce the amount of the gross debt.

2 Financial assets, net of other liabilities.

3 A negative entry means that the government is in a net asset or accumulated surplus position.

4 After taking the stabilization reserve into account.

Sources: Ministère des Finances du Québec, governments' public accounts and Statistics Canada.

3. INTERNATIONAL DEBT COMPARISONS

The Organization for Economic Co-operation and Development (OECD) produces statistics enabling comparisons among its member countries.

It can be informative to compare Québec's debt with that of OECD countries. To do so, a number of adjustments must be made to Québec's data for consistency with the methodology developed by the OECD.

3.1 Public debt

Under this methodology, a country's "public debt" corresponds to its total liabilities excluding commitments on account of the retirement plans of government employees. In Québec's case, total liabilities include the gross debt, excluding commitments on account of retirement plans, as well as "other liability items" such as accounts payable.

In addition, the debt must include that of all public sector bodies (i.e. government, municipalities, etc.). In Québec's case, a portion of the federal government's debt must also be included. There are many methods for calculating the share of the federal debt attributable to Québec. The allocation has been made on the basis of population.

Applying the OECD's methodology, Québec's "public debt" as at March 31, 2009, amounted to $285.5 billion, equivalent to 94.5% of GDP.[3]

---

3 If the allocation of the federal debt had been made on the basis of Québec's share of GDP (19.3%) rather than its share of population (23.3%), Québec's public debt would stand at $264.6 billion, or 87.6% of GDP.

TABLE 12

Québec's public debt as at March 31, 2009 – OECD methodology

	$ million	As a % of GDP
Gross debt[1]	**151 385**	**50.1**
Less: Net retirement plans liability	– 28 649	– 9.5
Subtotal[2]	122 736	40.6
Plus:		
Other government liabilities[3]	20 393	6.7
Debt of municipalities	18 639	6.2
Debt of networks issued in their own name	931	0.3
Subtotal	162 699	53.8
Share of the federal government's debt[4]	122 849	40.7
Québec's public debt (OECD methodology)	**285 548**	**94.5**
Gross domestic product (GDP)	302 225	

1 Excludes pre-financing.
2 This amount corresponds to the direct debt ($124 629 million) plus the net liability on account of employee future benefits ($59 million) less the balance of the Generations Fund ($1 952 million).
3 The Québec government's other liabilities as at March 31, 2009 (in millions of dollars) are:

Accounts and expenses payable	14 122
Deferred revenue	3 032
Other liabilities	2 137
Transfers from the federal government to be repaid	1 673
Deferred gain (loss) on foreign exchange	– 571
Total other liabilities	**20 393**

4 The share of the federal government's debt attributed to Québec is calculated as follows:

Federal government's debt to be allocated to Québec (according to the OECD)		528 076
Québec's population	7 753	
Canada's population	33 327	
Québec's %		23.3%
Share of the federal government's debt allocated to Québec		**122 849**

Sources: Ministère des Finances du Québec and Statistics Canada.

Numerous information is analyzed for the purposes of establishing the financial position of a country or province. For example, to establish a credit rating, credit rating agencies analyze a range of economic, financial and social indicators, such as the size, main characteristics and diversification of the economy, budget deficit, debt, vitality of public finances in the medium and long terms, governance, operation of socio-political institutions, inclusion in a larger economic and political community, etc.

As can be seen in the following table, a country's credit rating does not depend solely on its debt/GDP ratio. For example, Moody's has assigned Japan, the OECD country with the highest debt/GDP ratio, at 172.1%, a credit rating of Aa2, the same rating as Portugal, whose debt/GDP ratio of 75.2% ranks 10th among OECD countries. The "AA" credit rating assigned to Japan by Standard and Poor's is higher than the rating assigned to Portugal.

Applying the OECD's methodology, Québec's public debt ranks 5th in relation to OECD countries.

TABLE 13

Public debt in 2008 – OECD methodology
(as a percentage of GDP)

			Credit rating[1] (outlook[2])		
Rank		**Public debt**	**Moody's**	**S&P[3]**	**Fitch**
1	Japan	172.1	Aa2 (stb)	AA (neg)	AA (stb)
2	Italy	114.4	Aa2 (stb)	A+ (stb)	AA- (stb)
3	Greece	102.6	A2 (neg)	BBB+ (neg)	BBB+ (neg)
4	Iceland[4]	96.3	Baa2 (stb)	BBB- (neg)	BB+ (neg)
5	**Québec[5]**	**94.5**	**Aa2 (stb)**	**A+ (stb)**	**AA- (stb)**
6	Belgium	93.5	Aa1 (stb)	AA+ (stb)	AA+ (stb)
7	**Total OECD**	**78.4**			
8	Hungary	77.0	Baa1 (neg)	BBB- (neg)	BBB (neg)
9	France	75.7	Aaa (stb)	AAA (stb)	AAA (stb)
10	Portugal	75.2	Aa2 (neg)	A+ (neg)	AA (neg)
11	Euro zone	73.2			
12	United States	70.0	Aaa (stb)	AAA (stb)	AAA (stb)
13	**Canada**	**69.7**	**Aaa (stb)**	**AAA (stb)**	**AAA (stb)**
14	Germany	68.8	Aaa (stb)	AAA (stb)	AAA (stb)
15	Austria	66.2	Aaa (stb)	AAA (stb)	AAA (stb)
16	Netherlands	65.8	Aaa (stb)	AAA (stb)	AAA (stb)
17	United Kingdom	56.8	Aaa (stb)	AAA (neg)	AAA (stb)
18	Norway	56.0	Aaa (stb)	AAA (stb)	AAA (stb)
19	Poland[4]	54.0	A2 (stb)	A- (stb)	A- (stb)
20	Ireland	48.5	Aa1 (neg)	AA (neg)	AA- (stb)
21	Sweden	47.1	Aaa (stb)	AAA (stb)	AAA (stb)
22	Spain	47.0	Aaa (stb)	AA+ (neg)	AAA (stb)
23	Switzerland	44.0	Aaa (stb)	AAA (stb)	AAA (stb)
24	Czech Republic[4]	40.7	A1 (stb)	A (stb)	A+ (stb)
25	Finland	40.7	Aaa (stb)	AAA (stb)	AAA (stb)
26	Denmark	39.8	Aaa (stb)	AAA (stb)	AAA (stb)
27	Slovakia	30.8	A1 (stb)	A+ (stb)	A+ (stb)
28	Korea[4]	26.8	A2 (stb)	A (stb)	A+ (stb)
29	New Zealand[4]	25.3	Aaa (stb)	AA+ (stb)	AA+ (neg)
30	Luxembourg	16.3	Aaa (stb)	AAA (stb)	AAA (stb)
31	Australia	14.3	Aaa (stb)	AAA (stb)	AA+ (stb)
32	Estonia	8.2	A1 (neg)	A- (stb)	BBB+ (stb)

1 As at March 15, 2010.
2 Neg: negative; stb: stable; pos: positive.
3 Standard and Poor's.
4 The S&P credit rating shown for these countries is for financial securities issued on foreign markets. S&P assigns them a different rating for their financial securities issued on the local market.
5 Gross debt as at March 31, 2009, from which is excluded the net retirement plans liability and to which is added the government's other liabilities (e.g. accounts payable), the debt of the health and social services and the education networks contracted in their own name, the debt of the municipalities and Québec's share of the federal government's debt (according to its share of population).

Sources: OECD for countries' debt (figures at December 31, 2008), Ministère des Finances du Québec for Québec's debt and credit rating agencies.

Credit Rating Scales

The following table presents the rating scales used by credit rating agencies.

Definition	Moody's	S&P	Fitch
Extremely strong capacity to pay interest and repay principal.	Aaa	AAA	AAA
Very strong capacity to pay interest and repay principal.	Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-
Strong capacity to pay interest and repay principal, but more susceptible to adverse economic conditions than levels AAA and AA.	A1 A2 A3	A+ A A-	A+ A A-
Adequate capacity to pay interest and repay principal, but adverse economic conditions are more likely to lead to a weakening capacity.	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-
Uncertain capacity to pay interest and repay principal, particularly under difficult economic conditions.	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-
Very uncertain capacity to pay interest and repay principal, particularly under difficult economic conditions.	B1 B2	B+ B	B+ B

3.2 Net debt

Another indicator calculated by the OECD is the net debt, which is a government's public debt less its financial assets. Since the OECD methodology does not include the liability for the retirement plans of government employees in the public debt, the assets relating to these retirement plans are not taken into account in the net debt.

In the case of Québec, total financial assets include the government's financial assets (e.g. the book value of investments in government enterprises, accounts receivable, etc.), the assets of the Québec Pension Plan and the share of the federal government's financial assets attributable to Québec. The allocation has been made on the basis of population.

Applying the OECD's methodology, Québec's "net debt" as at March 31, 2009, amounted to $169.0 billion, the equivalent of 55.9% of GDP.[4]

TABLE 14

Québec's net debt as at March 31, 2009 – OECD methodology

	$ million	% of GDP
Québec's public debt (OECD methodology)	**285 548**	**94.5**
Less:		
Government's financial assets[1]	– 43 708	– 14.5
Assets of the Québec Pension Plan	– 26 198	– 8.7
Share of the federal government's financial assets[2]	– 46 608	– 15.4
Québec's net debt (OECD methodology)	**169 034**	**55.9**
Gross domestic product (GDP)	302 225	

1 The Québec government's financial assets as at March 31, 2009 (in millions of dollars) are:

Accounts receivable	12 440
Investments in government enterprises	25 867
Long-term investments	5 063
Other	338
Total financial assets	**43 708**

The financial assets of municipalities and networks are not available.

2 The share of the federal government's financial assets attributed to Québec is calculated as follows:

Federal government's financial assets (OECD data)		200 347
Québec's population	7 753	
Canada's population	33 327	
Québec's %		23.3%
Share of the federal government's financial assets allocated to Québec		**46 608**

Sources: Ministère des Finances du Québec and Statistics Canada.

4 If the allocation of the federal government's debt and financial assets had been made on the basis of Québec's share of GDP (19.3%) rather than its share of population (23.3%), Québec's net debt would stand at $156.0 billion, or 51.6% of GDP.

Applying the OECD's methodology, Québec's net debt ranks 5th in relation to OECD countries.

TABLE 15

Net debt in 2008 – OECD methodology

(as a percentage of GDP)

Rank		Net debt	Credit rating[1] (outlook[2]) Moody's	S&P[3]	Fitch
1	Italy	89.6	Aa2 (stb)	A+ (stb)	AA- (stb)
2	Japan	84.4	Aa2 (stb)	AA (neg)	AA (stb)
3	Belgium	74.1	Aa1 (stb)	AA+ (stb)	AA+ (stb)
4	Greece	73.9	A2 (neg)	BBB+ (neg)	BBB+ (neg)
5	**Québec[4]**	**55.9**	**Aa2 (stb)**	**A+ (stb)**	**AA- (stb)**
6	Hungary	51.9	Baa1 (neg)	BBB- (neg)	BBB (neg)
7	Portugal	47.8	Aa2 (neg)	A+ (neg)	AA (neg)
8	United States	47.2	Aaa (stb)	AAA (stb)	AAA (stb)
9	Germany	45.0	Aaa (stb)	AAA (stb)	AAA (stb)
10	Euro zone	44.8			
11	France	44.3	Aaa (stb)	AAA (stb)	AAA (stb)
12	**Total OECD**	**41.9**			
13	United Kingdom	33.1	Aaa (stb)	AAA (neg)	AAA (stb)
14	Austria	32.7	Aaa (stb)	AAA (stb)	AAA (stb)
15	Netherlands	25.2	Aaa (stb)	AAA (stb)	AAA (stb)
16	Spain	22.8	Aaa (stb)	AA+ (neg)	AAA (stb)
17	**Canada**	**22.4**	**Aaa (stb)**	**AAA (stb)**	**AAA (stb)**
18	Poland[5]	20.3	A2 (stb)	A- (stb)	A- (stb)
19	Iceland[5]	19.9	Baa2 (stb)	BBB- (neg)	BB+ (neg)
20	Ireland	11.4	Aa1 (neg)	AA (neg)	AA- (stb)
21	Switzerland	9.0	Aaa (stb)	AAA (stb)	AAA (stb)
22	Slovakia	1.2	A1 (stb)	A+ (stb)	A+ (stb)
23	Czech Republic[5]	– 5.9	A1 (stb)	A (stb)	A+ (stb)
24	Denmark	– 6.1	Aaa (stb)	AAA (stb)	AAA (stb)
25	Australia	– 7.3	Aaa (stb)	AAA (stb)	AA+ (stb)
26	New Zealand[5]	– 16.2	Aaa (stb)	AA+ (stb)	AA+ (neg)
27	Sweden	– 18.2	Aaa (stb)	AAA (stb)	AAA (stb)
28	Korea[5]	– 37.4	A2 (stb)	A (stb)	A+ (stb)
29	Luxembourg	– 44.5	Aaa (stb)	AAA (stb)	AAA (stb)
30	Finland	– 51.1	Aaa (stb)	AAA (stb)	AAA (stb)
31	Norway	– 124.6	Aaa (stb)	AAA (stb)	AAA (stb)
32	Estonia	n.a.	A1 (neg)	A- (stb)	BBB+ (stb)

n.a.: Not available.

1 As at March 15, 2010.

2 Neg: negative; stb: stable; pos: positive.

3 Standard and Poor's.

4 Public debt as at March 31, 2009, from which is subtracted the government's financial assets (e.g. book value of investments in government enterprises, accounts receivable), the assets of the Québec Pension Plan and Québec's share of the federal government's financial assets (according to its share of population).

5 The S&P credit rating shown for these countries is for financial securities issued on foreign markets. S&P assigns them a different rating for their financial securities issued on the local market.

Sources: OECD for countries' debt (figures at December 31, 2008), Ministère des Finances du Québec for Québec's debt and credit rating agencies.

CONCLUSION

This document presented and defined the concepts relating to a government's indebtedness.

Two fundamental concepts for measuring the Québec government's indebtedness emerge: the gross debt and the debt representing accumulated deficits.

The gross debt corresponds to the debt that has been contracted on financial markets and the net commitments of the government regarding the retirement plans and employee future benefits, from which the balance of the Generations Fund is subtracted. As at March 31, 2010, the Québec government's gross debt is projected to be $160.1 billion, equivalent to 53.2% of GDP.

The debt representing accumulated deficits represents the difference between the government's liabilities and all its assets, both financial and non-financial. As at March 31, 2010, the Québec government's accumulated deficits are projected to be $106.6 billion, equivalent to 35.4% of GDP.

APPENDIX 1: GLOSSARY

Consolidated direct debt

The consolidated direct debt corresponds to the debt that has been contracted on financial markets. It consists of the debt contracted for the Consolidated Revenue Fund needs and the debt of consolidated entities. The debt of consolidated entities does not include the debt contracted by the institutions in the health and social services and the education networks in their own name.

Total debt for the purposes of the *Act to reduce the debt and establish the Generations Fund*

The total debt for the purposes of the *Act to reduce the debt and establish the Generations Fund* includes the direct debt and the net retirement plans liability, from which the balance of the Generations Fund is subtracted.

For the purposes of monitoring the objectives set out in the *Act to reduce the debt and establish the Generations Fund*, the concept of total debt corresponds to the reporting entity that was in force at the time the Generations Fund was created.

Gross debt

The gross debt corresponds to the total of the consolidated direct debt, the net retirement plans liability and the net employee future benefits liability. The balance of the Generations Fund is subtracted from this amount.

Net debt

The concept of net debt represents the debt that was used to fund non-financial assets (fixed assets, net investment in networks and inventories and prepaid expenses) and the accumulated deficits. It is obtained by subtracting all the government's financial assets from its liabilities.

Debt representing accumulated deficits

The debt representing accumulated deficits represents the difference between the government's liabilities and its assets (financial and non-financial). It constitutes the debt that does not correspond to any asset.

Debt of the public sector

The debt of the public sector corresponds to the total of all the debts of organizations in Québec's public sector.

Borrowings made in advance (pre-financing)

Borrowings made by the Consolidated Revenue Fund during a fiscal year that will be used to meet the financial requirements of the next fiscal year.

Retirement Plans Sinking Fund (RPSF)

The Retirement Plans Sinking Fund is an asset constituted by the government that may be used to pay the benefits of public and para-public sector employees. This asset is subtracted from the retirement plans liability to obtain the net retirement plans liability.

Retirement plans liability

The retirement plans liability represents the present value of the retirement benefits the government will pay to public and para-public sector employees, taking into account the conditions of their plans and their years of service.

Net retirement plans liability

The net retirement plans liability is calculated by subtracting the balance of the Retirement Plans Sinking Fund from the retirement plans liability.

Net employee future benefits liability

The net employee future benefits liability represents the present value of obligations regarding sick leave and the survivor’s pension plan, reduced by the balance of the Accumulated Sick Leave Fund and the Survivor's Pension Plan Fund.

APPENDIX 2: RETIREMENT PLANS

The Québec government participates financially in the retirement plans of its employees. As at December 31, 2008, these plans had 541 930 participants and 270 934 beneficiaries.

TABLE 16

Retirement plans of public and para-public sector employees as at December 31, 2008

	Active participants	Beneficiaries
Government and Public Employees Retirement Plan (RREGOP)	505 000	172 294
Pension Plan of Management Personnel (PPMP)	27 400	20 408
Other plans:		
– Teachers Pension Plan (TPP) and Pension Plan of Certain Teachers (PPCT)[1]	330	48 160
– Civil Service Superannuation Plan (CSSP)[1]	175	23 354
– Pension Plan for the Members of the Sureté du Québec (PPMSQ)	5 300	4 507
– Pension Plan of Peace Officers in Correctional Services (PPPOCS)	3 100	1 452
– Pension Plan of the Judges of the Court of Québec and of Certain Municipal Courts (PPJCQM)	270	324
– Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFEQ)	230	112
– Pension Plan of the Members of the National Assembly (PPMNA)	125	323
Total for other plans	9 530	78 232
TOTAL	**541 930**	**270 934**

1 Since July 1, 1973, these plans have stopped accepting new participants.
Source: Commission administrative des régimes de retraite et d'assurances.

These are defined benefit pension plans, meaning they guarantee a level of income to participants upon retirement. Benefits are calculated on the basis of participants' average income for the best paid years (generally five) and their number of years of service. The retirement pension generally represents 2% of the employee's average income per year of service, to a maximum of 70%. Benefits are partially indexed to inflation.

The Commission administrative des régimes de retraite et d'assurances (CARRA) administers the retirement plans. In 2009-2010, the government is projected to pay $4.1 billion to fund its share of the benefits paid to its retired employees.

❑ Retirement plans liability

The government presents in its financial statements the present value of the retirement benefits it will pay to its employees, taking into account the conditions of their retirement plans and their years of service. This value is called the retirement plans liability.

The actuarial valuations of the liability of the various retirement plans are carried out by the CARRA, following the rules of the Canadian Institute of Actuaries (CIA) and the Canadian Institute of Chartered Accountants (CICA) for the public sector.

As at March 31, 2010, the liability for the government's retirement plans is projected to be $67.0 billion, an amount that is included in the government's gross debt.

TABLE 17

Retirement plans liability

(millions of dollars)

	March 31, 2010[P]
Government and Public Employees Retirement Plan (RREGOP)	37 332
Pension Plan of Management Personnel (PPMP)	8 458
Other plans:	
– Teachers Pension Plan (TPP) and Pension Plan of Certain Teachers (PPCT)	12 374
– Civil Service Superannuation Plan (CSSP)	4 242
– Pension Plan for the Members of the Sûreté du Québec (PPMSQ)	3 260
– Pension Plan of Peace Officers in Correctional Services (PPPOCS)	791
– Pension Plan of the Judges of the Court of Québec and of Certain Municipal Courts (PPJCQM)	481
– Pension credits under supplemental pension plans	376
– Supplemental pension plan arising from the transfer of the pension plan for non-teaching personnel of the Commission des écoles catholiques de Montréal (SPP of the CECM) to RREGOP	282
– Pension Plan of the Members of the National Assembly (PPMNA)	171
– Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFEQ)	106
– Supplemental pension plan arising from the transfer of the pension plan for certain employees of the Commission scolaire de la Capitale (SPP of the CSC) to RREGOP	46
– Plans assets	– 958
Total for other plans	21 171
RETIREMENT PLANS LIABILITY	**66 961**

P: Preliminary results.

❑ Annual retirement plans expenditure

Every year, the government records its expenditure as an employer with regard to the retirement plans.

In 2009-2010, this expenditure is expected to total $2.0 billion. It comprises two components:

— the net cost of vested benefits, that is, the present value of retirement benefits that employees have accumulated for work performed during the year, i.e. $1.5 billion;

— the amortization of revisions to the government's actuarial obligations that arise from the updating of actuarial valuations, for a cost of $486 million.

TABLE 18

Retirement plans expenditure
(millions of dollars)

	2009-2010P
Net cost of vested benefits	1 529
Amortization of revisions arising from actuarial valuations	486
RETIREMENT PLANS EXPENDITURE	**2 015**

P: Preliminary results.

❑ Retirement Plans Sinking Fund

The Retirement Plans Sinking Fund was created in 1993. The RPSF is an asset that may be used to pay the retirement benefits of public and parapublic sector employees.

As at March 31, 2010, the book value of the RPSF should amount to $38.2 billion.

TABLE 19

Change in the Retirement Plans Sinking Fund
(millions of dollars)

	Book value, beginning of year	Deposits	Investment income imputed	Book value, end of year
1993-1994	—	850	4	854
1994-1995	854	—	– 5	849
1995-1996	849	—	74	923
1996-1997	923	—	91	1 014
1997-1998	1 095 [1]	—	84	1 179
1998-1999	1 179	944	86	2 209
1999-2000	2 209	2 612	219	5 040
2000-2001	5 040	1 607	412	7 059
2001-2002	7 059	2 535	605	10 199
2002-2003	10 199	900	741	11 840
2003-2004	11 840	1 502	862	14 204
2004-2005	14 204	3 202	927	18 333
2005-2006	18 333	3 000	1 230	22 563
2006-2007	22 437 [1]	3 000	1 440	26 877
2007-2008	26 877	3 000	1 887	31 764
2008-2009	31 749 [2]	2 100	2 176	36 025
2009-2010[P]	36 025	—	2 173	38 198

P: Preliminary results.
1 Taking into account restatements arising from the government accounting reforms of 1997-1998 and 2006-2007.
2 Taking into account an adjustment arising from consideration of the expected average remaining service life (EARSL) of participants under the PPMP (9 years instead of 14 years).

❑ Deposits to the RPSF have no impact on the gross debt

To make deposits to the RPSF, the government issues bonds on financial markets. However, deposits to the RPSF do not affect the government's gross debt.

The amount of the borrowings carried out to make the deposits increases the direct debt. However, the deposits to the RPSF reduce, simultaneously and by the same amount, the net liability for the retirement plans. Therefore, the net impact on the gross debt is nil.

TABLE 20

Illustration of the impact on the government's gross debt of borrowing $1 billion on financial markets and depositing it in the RPSF[1]
(millions of dollars)

		Before deposit	After deposit	Change
(A)	Consolidated direct debt	134 021	135 021	1 000
	Retirement plans liability	66 961	66 961	—
	Less: Book value of RPSF	– 38 198	– 39 198	– 1 000
(B)	Net retirement plans liability	28 763	27 763	– 1 000
(C)	Net employee future benefits liability	—	—	—
(D)	Less: Generations Fund	– 2 667	– 2 667	—
(E)	**GROSS DEBT (E=A+B+C+D)**	**160 117**	**160 117**	—

1 Illustration based on preliminary results as at March 31, 2010.

❑ A reduction in debt service

Deposits to the RPSF cause the government's debt service to decrease. The rates of return obtained on funds managed by the Caisse de dépôt et placement du Québec are generally higher than the interest rates on Québec government bonds issued to fund deposits to the RPSF. Accordingly, the revenue of the RPSF, which is recorded as a decrease in the government's debt service, is generally higher than the additional interest expense arising from the new borrowings. The result is a net reduction in the government's debt service.

Since the RPSF was created, the return obtained has been higher than the cost of the government's new long-term borrowings in 12 out of 16 years.

❑ A flexible deposit policy

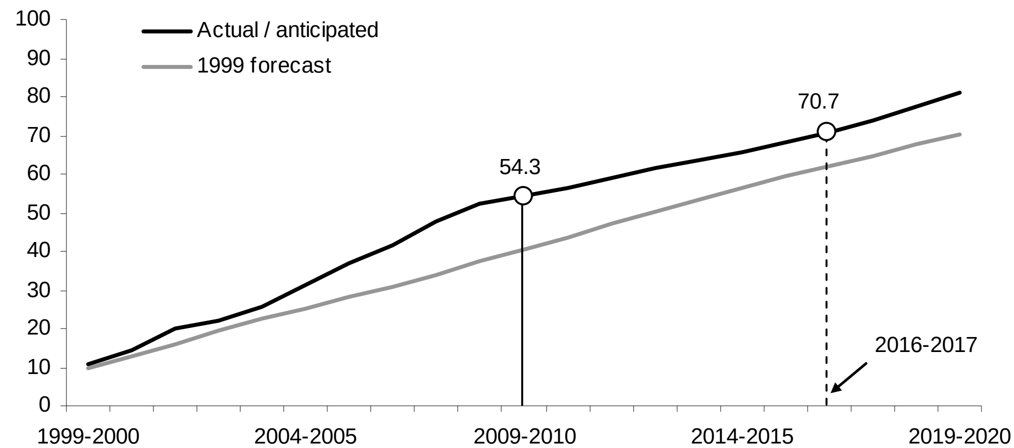
In December 1999, as part of an understanding for the renewal of the collective agreements of state employees, the government set as an objective that the amounts accumulated in the RPSF be equal, in 2020, to 70% of its actuarial obligations for the retirement plans of public and para-public sector employees.

However, the government has the flexibility it needs in applying this policy. Deposits are made to the RPSF only when conditions on financial markets are favourable, in particular regarding interest rates and market receptivity to bond issues.

The assets of the RPSF are expected to represent roughly 54% of the government's actuarial obligations for the retirement plans of public and para-public sector employees in 2009-2010. The 70% target should be reached three years earlier than planned, i.e. in 2016-2017.

CHART 7

RPSF as a proportion of the government's actuarial obligations with regard to the retirement plans of public and para-public sector employees
(per cent)



❑ Investment policy

The RPSF's assets are managed by the Caisse de dépôt et placement du Québec according to an investment policy set by the Ministère des Finances.

This investment policy stipulates a diversified investment portfolio that includes, in particular, fixed-income securities (e.g. bonds), stocks and investments in other categories (e.g. real estate, private equity, infrastructures).

TABLE 21

Investment policy of the RPSF as at January 1, 2010
(per cent)

	Benchmark portfolio of the RPSF	Average benchmark portfolio of all depositors[1]
Fixed-income securities	30.75	31.1
Equities	36.25	34.5
Other investments	33.00	34.4
TOTAL	**100.0**	**100.0**

1 Figures for 2008. Source: *2008 Annual Report*, Caisse de dépôt et placement du Québec. The annual report for 2009 is not yet available.

Under its investment policy, the RPSF should generate, on average, a long-term (10 years or longer) annual return of 7.0%. This return is comparable to the forecast return of most pension plans in Canada. According to a recent study by Morneau Sobeco[5], two out of three pension plans in Canada have a forecast long-term return on assets equal to or greater than 7.0%.

Under its investment policy, the RPSF seeks a long-term horizon and is the benchmark portfolio for the Caisse. However, the latter makes adjustments to the allocation of assets of the RPSF, through active management, in particular to take fluctuations in the economic and financial situation into account.

5 Morneau Sobeco (2009), *2009 Survey of Economic Assumptions in Accounting for Pensions and Other Post-Retirement Benefits.*

APPENDIX 3: GENERATIONS FUND

The Generations Fund was established in June 2006 to accumulate amounts that will be dedicated exclusively to retiring the debt. The Fund derives its revenue from a number of sources. The largest are water-power royalties and a portion of the additional profits made by Hydro-Québec.

The assets of the Generations Fund are managed by the Caisse de dépôt et placement du Québec according to an investment policy set by the Ministère des Finances.

The investment policy of the Generations Fund calls for 37.0% fixed income (bonds, etc.), 35.0% stock market securities and 28.0% other investments (real estate, private equity, etc.).

TABLE 22

Investment policy of the Generations Fund as at January 1, 2010
(per cent)

	Benchmark portfolio of the Generations Fund	Average benchmark portfolio of all depositors [1]
Fixed-income securities	37.0	31.1
Equities	35.0	34.5
Other investments	28.0	34.4
TOTAL	**100.0**	**100.0**

1 Figures for 2008. Source: *2008 Annual Report*, Caisse de dépôt et placement du Québec. The annual report for 2009 is not yet available.

Under its investment policy, the Generations Fund seeks a long-term (10 years or longer) annual return of 6.8%. It is important to note that the investment policy of the Generations Fund is based on a long-term horizon and is the benchmark portfolio for the Caisse. However, the latter makes adjustments to the allocation of assets of the Generations Fund, through active management, in particular to take fluctuations in the economic and financial situation into account.

APPENDIX 4: HISTORICAL DATA

TABLE 23

Debt of Québec government

	Consolidated direct debt[2]		Retirement plans: Retirement plans liability[3]	Retirement plans: Less: Retirement Plans Sinking Fund	Retirement plans: Net retirement plans liability		Employee future benefits: Employee future benefits liability	Employee future benefits: Less: Funds dedicated to employee future benefits	Employee future benefits: Net employee future benefits liability	Less: Generations Fund	Debt[1]	
	$million	As a % of GDP	$ million	$ million	$ million	As a % of GDP	$ million	$ million	$ million		$ million	As a % of GDP
Before government accounting reforms											**Total debt – Figures not restated to reflect the impacts of the accounting reforms in 1997-1998 and 2006-2007**	
1970-1971	2 478	10.9									2 478	10.9
1971-1972	2 920	11.9									2 920	11.9
1972-1973	3 309	12.0									3 309	12.0
1973-1974	3 679	11.8									3 679	11.8
1974-1975	4 030	11.0			67	0.2					4 097	11.2
1975-1976	4 955	12.0			179	0.4					5 134	12.4
1976-1977	6 035	12.5			354	0.7					6 389	13.2
1977-1978	7 111	13.4			620	1.2					7 731	14.6
1978-1979	8 325	14.1			915	1.6					9 240	15.7
1979-1980	9 472	14.4			1 598	2.4					11 070	16.8
1980-1981	12 247	16.8			2 420	3.3					14 667	20.1
1981-1982	14 184	17.6			3 428	4.3					17 612	21.9
1982-1983	16 485	19.3			4 489	5.3					20 974	24.6
1983-1984	18 880	20.6			5 545	6.0					24 425	26.6
1984-1985	21 216	21.2			6 729	6.7					27 945	27.9
1985-1986	23 633	22.0			7 998	7.4					31 631	29.4
1986-1987	25 606	21.9			9 353	8.0					34 959	29.9
1987-1988	26 819	20.9			10 883	8.5					37 702	29.4
1988-1989	27 091	19.2			12 597	8.9					39 688	28.1
1989-1990	27 699	18.7			14 320	9.6					42 019	28.3
1990-1991	29 637	19.3			16 227	10.6					45 864	29.9
1991-1992	33 106	21.3			18 143	11.7					51 249	33.0
1992-1993	39 231	24.8			19 668	12.4					58 899	37.2
1993-1994	45 160	27.8	21 337	– 854	20 483	12.6					65 643	40.4
1994-1995	52 468	30.8	22 846	– 849	21 997	12.9					74 465	43.7
1995-1996	52 886	29.8	24 547	– 923	23 624	13.3					76 510	43.1
1996-1997	52 625	29.2	26 475	– 1 014	25 461	14.1					78 086	43.3
Figures restated to reflect the impacts of the accounting reforms in 2006-2007											**Gross debt**	
1997-1998	69 995	37.1	41 617	– 1 179	40 438	21.5	759	– 292	467		110 900	58.9
1998-1999	73 803	37.6	42 637	– 2 209	40 428	20.6	805	– 317	488		114 719	58.5
1999-2000	76 166	36.1	44 377	– 5 040	39 337	18.7	867	– 361	506		116 009	55.0
2000-2001	80 108	35.6	46 170	– 7 059	39 111	17.4	894	– 382	512		119 731	53.2
2001-2002	84 451	36.5	48 259	– 10 199	38 060	16.4	938	– 384	554		123 065	53.1
2002-2003	89 083	36.9	50 266	– 11 840	38 426	15.9	1 083	– 358	725		128 234	53.1
2003-2004	93 325	37.2	52 485	– 14 204	38 281	15.3	1 034	– 338	696		132 302	52.8
2004-2005	98 842	37.6	54 619	– 18 333	36 286	13.8	1 086	– 335	751		135 879	51.7
2005-2006	103 339	38.0	57 193	– 22 563	34 630	12.7	1 095	– 357	738		138 707	51.0
2006-2007	110 412	39.1	59 721	– 26 877	32 844	11.6	1 176	– 424	752	– 584	143 424	50.8
2007-2008	118 032	39.7	62 368	– 31 749	30 619	10.3	1 166	– 433	733	– 1 233	148 151	49.8
2008-2009	124 629	41.2	64 674	– 36 025	28 649	9.5	1 114	– 1 055	59	– 1 952	151 385	50.1
2009-2010P	134 021	44.5	66 961	– 38 198	28 763	9.6	1 108	– 1 108	—	– 2 667	160 117	53.2
2010-2011P	144 861	46.3	69 574	– 40 277	29 297	9.4	1 162	– 1 162	—	– 3 559	170 599	54.5
2011-2012P	154 945	47.4	71 838	– 42 168	29 670	9.1	1 221	– 1 221	—	– 4 531	180 084	55.1
2112-2013P	162 060	47.5	73 822	– 43 800	30 022	8.8	1 282	– 1 282	—	– 5 592	186 490	54.6
2013-2014P	165 465	46.5	75 896	– 45 218	30 678	8.6	1 346	– 1 346	—	– 6 715	189 428	53.3
2014-2015P	169 376	45.8	77 865	– 46 815	31 050	8.4	1 414	– 1 414	—	– 8 257	192 169	52.0

P: Preliminary results for 2009-2010 and forecasts for subsequent years.
1 Excludes deferred foreign exchange gains or losses and pre-financing.
2 Does not take into account the debt contracted by institutions in the health and social services and the education networks in their name.
3 Gross retirement plans liability minus assets related to retirement plans, other than the Retirement Plans Sinking Fund.

TABLE 24

Debt representing accumulated deficits of Québec government

	Debt representing accumulated deficits for the purposes of the Public Accounts[1, 2]		Plus: balance of the stabilization reserve	Debt representing accumulated deficits after taking into account the stabilization reserve	
	$ million	As a % of GDP	$ million	$ million	As a % of GDP
Before government accounting reforms				**The figures from 1970-1971 to 1996-1997 are not comparable with those from 1997-1998 to 2014-2015**	
1970-1971	2 290	10.1		2 290	10.1
1971-1972	2 645	10.8		2 645	10.8
1972-1973	2 992	10.9		2 992	10.9
1973-1974	3 651	11.7		3 651	11.7
1974-1975	4 093	11.2		4 093	11.2
1975-1976	5 044	12.2		5 044	12.2
1976-1977	6 353	13.2		6 353	13.2
1977-1978	7 058	13.3		7 058	13.3
1978-1979	8 460	14.4		8 460	14.4
1979-1980	10 836	16.5		10 836	16.5
1980-1981	14 326	19.6		14 326	19.6
1981-1982	12 569	15.6		12 569	15.6
1982-1983	15 038	17.6		15 038	17.6
1983-1984	17 298	18.8		17 298	18.8
1984-1985	21 455	21.4		21 455	21.4
1985-1986	25 735	24.0		25 735	24.0
1986-1987	28 716	24.5		28 716	24.5
1987-1988	31 115	24.2		31 115	24.2
1988-1989	32 819	23.3		32 819	23.3
1989-1990	34 583	23.3		34 583	23.3
1990-1991	37 558	24.5		37 558	24.5
1991-1992	41 885	27.0		41 885	27.0
1992-1993	46 914	29.6		46 914	29.6
1993-1994	51 837	32.0		51 837	32.0
1994-1995	57 677	33.8		57 677	33.8
1995-1996	61 624	34.8		61 624	34.8
1996-1997	64 833	35.9		64 833	35.9
After government accounting reform of 1997-1998				**The figures from 1997-1998 to 2005-2006 are not comparable with those from 1970-1971 to 1996-1997 and those from 2006-2007 to 2014-2015**	
1997-1998	82 581	43.8		82 581	43.8
1998-1999	82 577	42.1		82 577	42.1
1999-2000	82 469	39.1		82 469	39.1
2000-2001	81 042	36.0	950	81 992	36.5
2001-2002	84 538	36.5		84 538	36.5
2002-2003	85 885	35.6		85 885	35.6
2003-2004	86 290	34.4		86 290	34.4
2004-2005	87 224	33.2		87 224	33.2
2005-2006	91 699[3]	33.7		91 699[3]	33.7
After government accounting reform of 2006-2007				**The figures from 2006-2007 to 2014-2015 are not comparable with earlier figures**	
2006-2007	96 124	34.1	1 300	97 424	34.5
2007-2008	94 824	31.9	2 301	97 125	32.7
2008-2009	98 026	32.4	433	98 459	32.6
2009-2010[P]	106 628[4]	35.4	—	106 628[4]	35.4
2010-2011[P]	110 242	35.2	—	110 242	35.2
2011-2012[P]	112 170	34.3	—	112 170	34.3
2012-2013[P]	112 309	32.9	—	112 309	32.9
2013-2014[P]	111 186	31.3	—	111 186	31.3
2014-2015[P]	109 644	29.7	—	109 644	29.7

P: Preliminary results for 2009-2010 and forecasts for subsequent years.
1 Before taking into account amounts deposited in the stabilization reserve.
2 Includes various accounting restatements that have not undergone a surplus (deficit) adjustment for previous years.
3 The increase observed in 2005-2006 is mainly attributable to the implementation of accrual accounting for federal transfers.
4 Includes the restatement arising from the change in Hydro-Québec's accounting policies to comply with International Financial Reporting Standards (IFRS) and the restatement arising from the implementation of line-by-line accounting of the results of institutions in the health and social services and the education networks required by the new CICA accounting standards in 2009-2010.