

1998-1999  
BUDGET

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# Budget

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# Speech

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Delivered before the National Assembly  
by Mr. Bernard Landry,  
Deputy Prime Minister  
and Minister of State for the Economy and Finance,  
on March 31, 1998.



Gouvernement du Québec  
**Ministère des Finances**

# Budget Speech

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## Introduction

Mr. Speaker,

In the last Budget Speech I reiterated our determination to stringently manage public finances and attain our deficit target. I predicted modest economic growth and consequently announced a vigorous program to stimulate private investment. Moreover, I initiated a substantial reform of the personal taxation system in order to make it simpler, fairer and better adapted to job creation.

I take pleasure in announcing today that we have kept the key promises in the last Budget. Economic growth was brisker than anticipated. In 1997, 48 000 jobs were created, nearly twice what was forecast. We have also achieved our financial objectives and will attain our deficit target of \$2.2 billion. In fact, we will even do a little better. We promised to restore the Québec government's financial credibility. We have done so and after three consecutive years of keeping promises, the vicious circle is becoming a virtuous one.

These achievements in the realm of public finances and employment have not prevented the Québec government from maintaining its progressive stance and focusing on the middle class and the underprivileged. Our social responsibility audit, even in a time of austerity, is impressive indeed:

- In January 1997, the government launched the prescription drug insurance plan, which provides essential coverage to an additional 1.5 million Quebecers. At the same time, the fund to combat poverty through reintegration into the labour market was established, with a \$250-million budget.
- In February, the Minister of Education published a policy statement entitled *A New Direction for Success*, which includes a major reform of the education system. The reform has been well received and is already under way.
- In September, the family policy was initiated. It provides enhanced allowances for children, day care services for \$5 a day for four-year-olds and full-time kindergarten for five-year-olds.
- In October, we introduced a single housing allowance that enhances the living conditions of over 134 000 low-income households.
- In January 1998, the tax reform reduced by 15% the tax payable by taxpayers earning under \$50 000. As a result, 200 000 low-income earners no longer pay any income tax.

The Budget that I am presenting today pursues the same winning combination of economic action and social progress. It is centred on the same major principles:

- rigorous management of public finances;
- an unrelenting concern for job creation;
- the socially fair apportionment of the dividend from sound management of the economy and public finances.

From the outset, I would like to deal with a question of vital interest to all taxpayers. This Budget does not include any tax increases.

Québec is already overtaxed and we must reverse this situation as quickly as possible. Last year, I announced a tax reform that was initially neutral. Starting this year, the reform will work in favour of the taxpayer. Since the beginning of the 1998 fiscal year, even when account is taken of the increase in the sales tax rate, Québec households will benefit from a \$500-million net reduction in taxes.

Tax relief is one of the main reasons we are moving resolutely toward the final stage in the quest for a zero deficit. We will achieve this objective with the same rigour as previous objectives, despite the ice storm and the obstacles that Ottawa continues to devise with an increasingly insulting offhandedness. We will achieve our objectives even in the wake of a sweeping reform of our accounting methods in order to implement the latest recommendations and repeated requests of the Auditor General.

Of course, the elimination of the deficit is not an end in itself. Rather, it is an essential component of the relentless struggle against unemployment, the most pernicious social ill of our time.

For this reason, I am tabling today, along with the Budget, an economic development strategy focusing strictly on job creation, entitled simply *Objective: Focus on Jobs*. This policy statement indicates the government's priorities for intervention in the coming years and proposes for discussion a range of specific targets to mobilize to the utmost Québec's dynamic forces.

However, we are committing ourselves immediately to action. Starting now, we are introducing a number of key components of the strategy being tabled today.

## I. Elimination of the deficit

### (a) 1997-1998 target achieved

Over the past year, our economic and budgetary policies have produced a significant dividend. In early January, we were headed for a surplus and could even contemplate some additional leeway. However, nature had other plans, alas!

January 5 marked the beginning of the worst natural disaster to strike Québec. The ice storm hit us hard, especially in the Montérégie region and central Québec, causing human suffering and anxiety, and major economic upheaval. From a strictly material standpoint, however, a vigorous restoration effort could eventually create a positive side to the catastrophe. From this trying episode, through the solidarity and determination of Quebecers, supported by timely outside reinforcements, we are clearly emerging from this ordeal strengthened. I would like to pay tribute to the courage of those Quebecers who courageously, stoically faced threats. I would also like to remind you of the unanimous approval of the Prime Minister as regards his flawless management of these crucial hours. The vast majority of local elected officials, MNAs and mayors, in particular, also provided a striking example of a sense of duty, efficiency and public service.

Despite these valiant efforts, the ice storm cost the public treasury nearly \$2 billion. The Québec government will absorb most of this impact alone.

Ottawa has taken advantage of this disaster to draw attention to itself in its own way. Even under tragic circumstances, it has sought by and large to achieve visibility instead of efficiency and public service. Until now, it has arbitrarily refused to examine legitimate claims for the reestablishment of electricity by Hydro-Québec, a public utility. We are only asking for fair treatment, such as was accorded Manitoba and Newfoundland under similar circumstances.

In its quest for public exposure, the federal government has duplicated with stunning ineptitude Québec's assistance programs for small and medium-sized businesses. Ultimately, far from footing 90% of the bill, as it claims, Ottawa is covering only 40%. Even in Québec's time of distress, the federal government is maintaining its arrogant unilateralism, and with our money to boot!

Be that as it may, I wish to confirm that, despite the enormous costs that the ice storm has engendered, we will achieve the \$2.2-billion deficit target stipulated for 1997-1998 in the *Act respecting the elimination of the deficit and a balanced budget*. A robust economy will even allow us to do a little better: the 1997-1998 deficit will stand at \$2 069 million.

**GOUVERNEMENT DU QUÉBEC**  
**SUMMARY OF FINANCIAL TRANSACTIONS<sup>1</sup>**  
(in millions of dollars)

	1996-1997	1997-1998		
	Actual results	Budget Speech 1997-03-25	Preliminary results	Changes
<b>Budgetary transactions</b>				
Revenue	37 528	38 076	38 482	406
Expenditure	– 40 745	– 40 276	– 40 551	– 275
<b>Deficit</b>	<b>– 3 217</b>	<b>– 2 200</b>	<b>– 2 069</b>	<b>131</b>
<b>Non-budgetary transactions</b>				
Investments, loans and advances	– 792	– 560	– 420	140
Retirement plans	1 928	1 879	1 789	– 90
Other accounts	– 55	– 519	– 280	239
Surplus	1 081	800	1 089	289
<b>Net financial requirements</b>	<b>– 2 136</b>	<b>– 1 400</b>	<b>– 980</b>	<b>420</b>
<b>Financing transactions</b>				
Change in cash position	1 433	70	—	– 70
Change in direct debt	794	1 415	1 053	– 362
Retirement plans sinking fund	– 91	– 85	– 73	12
<b>Total financing of transactions</b>	<b>2 136</b>	<b>1 400</b>	<b>980</b>	<b>– 420</b>

1 Financial data are presented according to the budgetary structure in effect for the 1997-1998 fiscal year.  
Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

The lengthy quest for a balanced budget is obviously progressing smoothly. From a dizzying peak of \$6 billion on the perilous deficit slope, today's Budget is 80% lower. The verdant valleys of budgetary equilibrium and, indeed, surpluses, are at last in view!

Stringent control over spending, managed artfully by my colleague at the Conseil du trésor and his team, is of course the key to the operation. The measures adopted to eliminate the underground economy have also contributed largely to our success. The initiatives put forward by our government, which has not hesitated to tackle the unreported work denounced by the Auditor General and widespread in entire sectors of the economy, has enabled us to recover substantial amounts under the efficient stewardship of the Minister for Revenue, heading up a valiant team of public servants whose role is as thankless as it is irreplaceable.

Forging ahead in this same vein, I am announcing today various measures to reduce unreported work in the clothing industry. First, my colleague the Minister of Labour will examine by the end of the year the question of consolidating four decrees into a single one, to eliminate overlapping. A new regulatory framework could gradually apply starting in 1999. At the same time, to facilitate the transition, a tax credit equivalent to 20% of the total payroll in respect of new jobs will be granted in this sector until the end of 2001. We have here a unique opportunity for the partners in this vital industry to pursue cooperation in order to ensure the sector's development, against a backdrop of complete openness.

I must also emphasize the important contribution that the municipalities have made to the attainment of our objectives. Moreover, I would like to take advantage of this opportunity to reiterate the government's willingness to cooperate fully in applying the terms of the agreement reached last fall with the Union des municipalités du Québec, which reduced the level of this contribution and opened the door to a review process pertaining to local taxation.

## **(b) A current account surplus starting this year**

The 1998-1999 Budget also strives to achieve the deficit reduction objectives adopted at the Québec City Summit Conference. The deficit will stand at \$1 127 million, \$73 million lower than anticipated.

### **GOUVERNEMENT DU QUÉBEC SUMMARY OF FINANCIAL TRANSACTIONS 1998-1999 (in millions of dollars)**

<b>Budgetary transactions</b>	
Revenue	40 715
Expenditure	– 41 842
<b>Deficit</b>	<b>– 1 127</b>
<b>Non-budgetary transactions</b>	
Investments, loans and advances	– 1 070
Retirement plans	1 729
Other accounts	268
<b>Surplus</b>	<b>927</b>
<b>Net financial requirements</b>	<b>– 200</b>
<b>Financing transactions</b>	
Change in cash position	—
Change in direct debt	1 300
Retirement plans sinking fund	– 1 100
<b>Total financing of transactions</b>	<b>200</b>

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

As early as this year, the Québec government will record a current account surplus and will thus be able to pay a portion of its capital outlays without borrowing money. For the first time in 20 years, we will no longer borrow to pay “the grocery bill”, as we say. In particular, public sector employees, including MNAs, will at last be able to say, when they receive their first pay cheque in April, that no part of the money has been borrowed.

Another felicitous consequence of our efforts is that the government’s net financial requirements have virtually been eliminated.

We are already in a position to say to Québec young people that we have stopped placing on their shoulders the burden of our collective consumption today. We are turning an important page in the economic and social history of Québec.

### **(c) Zero deficit next year**

Furthermore, our government is still on course to achieve a zero deficit next year. This commitment, agreed upon with our partners at the Québec City Summit Conference in 1996, is an inescapable milestone in the realization of Québec’s other economic and social priorities.

The zero deficit is now within reach. Our forecasts indicate that we can achieve it next year with much less effort than in the past two years, the most difficult ones, which are now behind us.

### **(d) Update old accounting rules and act upon the Auditor General’s recommendations**

We should be grateful to the Québec Auditor General for vigilantly defending for a long time new accounting principles that are more demanding but more appropriate. His unwavering reproaches and repeated demands have at last convinced the government to radically update its accounting policies.

The Auditor General, the ministère des Finances and the Comptroller of Finance have submitted to the government a joint report calling for a sweeping reform of government accounting. I am tabling this report today. The government accepts all of its recommendations. Moreover, the reform advocated is taking effect immediately in today’s Budget. In this way, the government is wiping the slate clean and settling three thorny problems:

- The first issue concerns our commitments with respect to public sector retirement plans, which will henceforth be included in the government's total debt. The \$13 billion in the funds are obviously nothing new to the attentive readers of the copious explanatory notes in the financial statements. However—and it is important to be aware of it—without increasing one iota Québec's real debt, this new way of proceeding will enable us to present the situation clearly to Quebecers and our creditors. The Auditor General has been insistently demanding this correction for 20 years.
- Secondly, we will amortize the cost of the government's capital expenditures in the same way as the private sector, in response to a recommendation formulated in 1997 by the Canadian Institute of Chartered Accountants and adopted in the report of the joint committee of experts. Instead of being included in expenditure, from now capital outlays will be posted to change in the net debt. Only the amortization of such outlays will be posted to expenditure. This method allows us to make more judicious investment choices.
- Thirdly, the government will submit from now on what are called consolidated financial statements. They will include an additional 92 entities, which are to varying degrees the government's responsibility. This consolidation will allow us to normalize the situation of the 34 special funds created by the current and previous governments. We have been accused of resorting to expedients as regards these funds. In fact, the consolidation reveals that the Québec public sector overall is in sound financial health.

The deed is done. After years of hesitation and futile debate, we are radically modernizing our outmoded accounting policies. As indicated in the report of the joint committee of experts, supported by the Auditor General and signed by the Assistant Auditor General, with the reform applied to this Budget, and I quote, "the Québec government became one of the most advanced governments as far as the application of specific public sector accounting policies are concerned."

Gone are the days of retirement plan commitments that do not appear in the government's financial statements. Gone are the days of disparate accounting in respect of specific agencies. Gone are the days of criticism and suspicion regarding the proliferation of special funds.

The unfailing rigour of the Québec Auditor General and his essential technical support in elaborating the reform will long be a guarantee of the accounting credibility of Québec's public finances.

Even if these new principles are more demanding for the government, we are maintaining our \$1.2-billion deficit target this year and the elimination of the deficit next year. Whether new standards or old standards apply, we will nonetheless achieve our targets.

**QUÉBEC GOVERNMENT DEFICIT ACCORDING TO OLD AND  
NEW ACCOUNTING POLICIES**  
(in millions of dollars)

<b>Fiscal year</b>	<b>Old principles</b>	<b>New principles</b>	<b>Deficit ceiling stipulated in the Act</b>
1997-1998	2 069	2 194	2 200
1998-1999	1 127	1 200	1 200
1999-2000	0	0	0

**(e) Lacking vision, Ottawa is investing in  
visibility**

I would now like to place our budgetary policy in a broader perspective. Since we took power in 1994, the federal government has unilaterally deprived us of \$7 billion for health care, \$3 billion for education, and \$1 billion for social assistance. This adds up to \$11 billion. The figure does not include the \$2 billion that Ottawa has refused to pay for the harmonization of the QST and the GST, although the three Atlantic Provinces were granted \$1 billion. Were it not for these depredations, we would already have achieved a zero deficit and avoided many of the painful, sweeping spending cutbacks that some observers are trying to ascribe to our wishes alone. The health and education departments are not located in Ottawa, but it is there, and without our input, that the cutbacks have in the main been decided. That is how absurd the system has become!

Last December, the Prime Minister and I warned Quebecers that the federal government would be tempted to use its surpluses to intervene in Québec's fields of jurisdiction. Our worst fears have proved to be warranted. The public has not been fooled: Ottawa has achieved its zero deficit on the backs of others. For this reason, through divine retribution, it has garnered neither glory nor praise but a chorus of richly deserved disapproval.

We might well have expected Ottawa to stop prejudicing our interests and attempt instead to support us.

To the contrary, the latest budget confirms the federal government's complete insensitivity to a number of our needs, notably in the health sector. Ottawa prefers to distribute cheques to the population, emblazoned with the maple leaf. Lacking vision, Ottawa is investing in visibility. In addition to wasting our money, it is not even safeguarding the last vestiges of federalism. When the federal Finance Minister clumsily intervenes in the realm of education, there is no more federalism. He is invading one of our most inviolable fields of jurisdiction. It is obvious that had this power not been conferred exclusively on Québec, the 1867 Act, which was just barely approved, would never have seen the light of day.

After changing in 1982 with the support of the other provinces the contract binding our two peoples, against our almost unanimous opposition, maintained since then by Québec's National Assembly, the federal government continues to undermine the Québec government from one budget to the next, from one policy to the next, from one scornful, offhanded gesture to the next.



## **II. A concrete job-creation strategy and initiatives**

### **(a) Striking improvement in the economy**

#### ***1997 witnesses one of the best performances in 10 years***

I would now like to turn to a more heartening topic. In 1997, the Québec economy experienced a significant turnaround, with some of the best results in 10 years. While the last Budget forecast economic growth of 1.5% and the creation of 25 000 jobs, the actual results surpass by far our expectations. Québec's real gross domestic product rose 2.4% and some 48 000 jobs were created.

In late 1997, the unemployment rate fell to a level not seen since the beginning of the decade.

Household confidence rose to a level similar to that noted in the late 1980s. As a result, household spending, and spending on automobiles, home renovations and the purchase of homes was up.

Businesses also benefited from this upturn. Profits climbed markedly, as did investment. With the 9.5% rise in capital expenditures expected for 1998, Québec businesses will have increased such outlays by 31.5% in three years. This increase compares favourably with those noted in Ontario and in Canada as a whole.

Since the Montréal Summit Conference held in November 1996, 88 000 jobs have been created, bringing the annualized employment growth rate since that time to 2.2% in Québec, as against 2.7% in Canada overall. It should be noted that the ice storm accounts for part of this discrepancy. Of course, there is still work to be done to achieve by late 1999 the objective set at the Summit Conference. I am pleased to report that some 20 000 jobs have been created directly by the projects and legislative measures arising from the Summit Conference. I would like to pay tribute to all of our socio-economic partners who have formed the Summit Conference follow-up committee and who have displayed exemplary vitality.

Private investment engendered by the programs that I announced in the last Budget has literally exploded. In mid-March, barely one year after a plan slated to last 18 months was launched, 92% of the objective had been achieved. Projects worth \$3.9 billion have been approved or are in the final negotiation phase, with the result that 15 000 direct jobs have been created. Some \$7 billion in additional projects are still under study.

**1998 should see continued progress**

Experts are forecasting sustained economic growth in 1998. Analysts in the private sector expect the economy to grow by some 3%, which exceeds the 1997 figure.

However, Québec will not entirely escape the repercussions of the Asian crisis, whose impact is hard to accurately assess. Uncertainty continues to prevail on the international scene. Caution is the watchword when making prognostications that affect the government's financial framework. We are never fully protected from unforeseen events, such as ice storms and other hazards.

It is for this reason that I prefer to base this Budget on an economic growth assumption of 2.3%, which is slightly lower than the figure put forward by private-sector experts. Such growth will lead to the creation of nearly 50 000 jobs, a positive result again this year.

**(b) *Objective: Focus on Jobs*, an economic development strategy**

Quebecers in general and the government in particular deem the job-creation results achieved to date to be unsatisfactory. We must do much better.

To this end, I am today unveiling the government's economic strategy, *Objective: Focus on Jobs*. With the year 2000 only 600 days away, Québec is adopting a rigorous, coherent, ambitious economic development strategy, which will enable us, in collaboration with all stakeholders, to provide for a progressive economy and to create jobs.

We adopted a precise objective at the Montréal Summit Conference, i.e. to catch up to and surpass in three years the job-creation rate in Canada as a whole. The economic strategy that we are tabling today rounds out the initiatives already launched to achieve this pressing objective and, on the eve of the 21st century, spells out the government's economic stance for the coming years. We are also initiating reflection on the objectives that will guide us once the deficit has been eliminated. Given the leeway that we will soon enjoy, the government will make public a series of documents that will propose concrete measures to implement the strategy.

### ***General mobilization against unemployment***

The same central concern underpins *Objective: Focus on Jobs*, which proposes a broad framework to create jobs for Quebecers.

The approach and the stance that the government is advocating concern businesses directly, as they are primarily responsible for job creation. However, they also call upon the government, which must create propitious conditions.

The strategy has three main components.

### ***A competitive economy***

First, the economy must be competitive. To this end, the government is proposing clear priorities. Specifically, we must reduce taxes, create a more congenial business environment, offer firm, ongoing support to businesses with regard to worker training, innovation, the penetration of external markets and investment.

The Budget contains several concrete measures geared to these objectives:

- elimination of the deficit, an obvious choice;
- reform of the taxation system as it applies to SMBs in order to create jobs;
- implementation of a plan to encourage \$20 billion in private investment;
- an action plan to accelerate the development of the financial sector in Montréal and Québec as a whole, while promoting the management in Québec of Quebecers' savings.

### ***A caring economy focusing on shared values***

Second, we must promote a caring economy focusing on shared values. Participation in the labour market must be deemed the best way for all who are able to work not only to satisfy their needs but to achieve their dreams and legitimate ambitions.

In order to act immediately in this respect, we are essentially focusing this year on Québec young people. I am joining with my colleague the Minister of Relations with the Citizens and Immigration and announcing today a series of vigorous measures aimed at better integrating young people into the labour market and helping them solve the problems they are facing.

### ***An economy geared to sustainable development***

However, the development we emphasize must be sustainable. Consequently, it must be environmentally friendly, fairly distributed and geared to the needs of future generations. The reduction of the budget deficit clearly illustrates our concern with the upcoming generations.

Sustainable development means respect for the quality of the environment, which my colleague the Minister of the Environment and Wildlife is carefully monitoring. One thing must be abundantly clear: there is no question of the government's economic strategy diminishing environmental requirements. I am convinced that we can reconcile economic growth and environmental protection while avoiding a cumbersome bureaucracy.

### ***Numerical objectives***

With *Objective: Focus on Jobs*, the government is submitting for consultation a series of numerical objectives for the turn of the century. The challenge we are facing is to place the Québec economy among the best in the world, notably from the standpoint of job creation and competitiveness. These objectives will encourage us to surpass ourselves and will serve as a veritable yardstick for excellence.

The strategy that the government is implementing is a long-term strategy, follow-up to and the administration of which we will vigilantly monitor. There is no doubt that the Québec economy has been profoundly altered by the policy statements and action plans found in *Challenges for Québec: The Technology Conversion* and the sectoral advisory committees of the industrial clusters. *Objective: Focus on Jobs* will similarly serve as a guideline, in cooperation with our partners.

Next, it will be incumbent upon the institute for the development of the economy and employment (IDEE), a flexible, streamlined agency, to measure Québec society's progress with respect to each of the targets adopted. The agency's mandate will be defined after consultation with the government's partners.

The economic strategy being tabled today concerns all Quebecers. It is, first and foremost, a stimulating challenge that all Quebecers are invited to meet. I am convinced that this challenge reflects our keenest aspirations and abilities that we must exploit fully.

Through the measures in this Budget, which pave the way for its implementation, *Objective: Focus on Jobs* is taking shape today.

### **III. Streamline personal and corporate taxation**

*Objective: Focus on Jobs* reiterates a message delivered 18 months ago by the Commission on Taxation and the Financing of Public Services, i.e. the Québec government must do everything possible to ensure that the Québec taxation system encourages job creation. We have already begun to address this challenge.

#### **(a) Individuals are already benefiting from \$500 million in tax relief**

Last year, barely five months after the Commission on Taxation and the Financing of Public Services submitted its report, I announced the first phase of a major reform of the personal taxation system. The key components of the reform are:

- an \$841-million reduction in personal income tax, equivalent to 15% in the case of households with incomes under \$50 000;
- the exemption in 1998 of an additional 200 000 taxpayers from paying income tax.

All told, even when account is taken of the increase in the sales tax rate, Québec households will benefit from a \$500-million net reduction in their tax burden in the 1998 fiscal year.

#### **(b) Small and medium-sized businesses to receive \$300 million in tax relief**

Today, we are undertaking the second phase of the tax reform, focusing on businesses.

Québec is neither a tax haven nor a fiscal gulag, as some naysayers have described it. Overall, the Québec corporate taxation system is entirely competitive with the taxation systems of our main competitors. However, the Québec corporate taxation system relies more heavily on the payroll tax, which does not depend directly on the level of profitability of an enterprise.

I therefore take pleasure in announcing today a reform of the taxation system as it applies to small and medium-sized businesses. This reform will be implemented in keeping with our commitment to eliminate the budget deficit by the year 2000. In 1999-2000, the reform is neutral as regards the government's financial framework. It will lead to a reduction of nearly \$225 million in the tax burden of SMBs in 2000-2001, and \$300 million the following year.

I am therefore announcing a 37% reduction in the payroll tax borne by SMBs. This substantial reduction will be effected in two stages:

- On July 1, 1999, the tax will be reduced by 12%. To ensure that the reform is neutral in 1999-2000, the small business deduction and the refundable tax credit for losses will be eliminated.
- On July 1, 2000, the payroll tax will once again be reduced, this time by 25%, for a total of 37%. At that time, a net reduction will be achieved in the tax burden of SMBs.

I am also announcing that SMBs will benefit as of July 1, 1999 from a \$23-million reduction in the sales tax paid on their purchases.

### ***Tax rates guaranteed for 10 years in respect of major investment projects***

Large companies often have to make key decisions whose impact will be felt for several years. The stability of taxes is a crucial factor when businesses decide where to invest. To encourage investment, I am announcing that as of July 1, 1999, the government is willing to guarantee in respect of major investment projects that businesses will not be subject for a period of 10 years to increases in tax rates on profits, the payroll tax or the tax on capital.

### ***Impact***

The main advantage of this reform is that it will make the Québec corporate taxation system even more competitive, thus bolstering potential for economic growth. At the same time, the reform will better gear the corporate taxation system to job creation.

Over the past year, we have significantly lightened the tax burden for individuals and businesses. All told, individual Quebecers are benefiting from a \$500-million reduction in their tax burden, and businesses, from a reduction of nearly \$300 million.

## **(c) A commitment for the future**

This is just a first step. Once we have eliminated the deficit, we will be in a position to do even more to lighten the tax burden in Québec.

For this reason, in order to achieve a progressive economy in Québec and meet Quebecers' expectations, the government is undertaking, once it has eliminated the deficit, to ensure that most of its leeway is used to reduce the tax burden.

## **IV. Help young people to succeed**

One of the greatest challenges facing our society in the coming years will be to make room on the labour market for young people and foster their success.

Before I proceed, I would first like to point out that during the Quiet Revolution, people said to members of my generation, "The road to wealth passes through school." This was certainly true, above all if you look beyond the purely material side of the question. Today, the same proverb can be restated more prosaically: "The more you learn, the more employable you will be", as all studies show. The solid arguments of my colleague the Minister of Employment and Solidarity should cause young people who are prone to discouragement to reflect.

A cursory analysis of the situation in Québec reveals that a diploma is still the best guarantee of a job. In 1996, the unemployment rate for young people between the ages of 18 and 29 who had not obtained a Secondary V diploma was 26.8%. Among those with such a diploma, the unemployment rate was 12.7%, or one half that of their counterparts and more or less equivalent to the rate for the rest of the population, which stood at 11.8%. What is perfectly clear is that it is essential to get an education in order to succeed.

Our concern for young people is not new. The funds earmarked last year and the \$232 million in funding that I am announcing today bring to nearly \$350 million the allocation set aside to bolster the hopes of Québec young people.

### **(a) Broaden ties between training and the labour market**

#### ***Foster broader access to on-the-job training***

First, I am announcing today the allocation over two years of \$33 million to enable roughly 20 000 young people to benefit each year from on-the-job training in order to better familiarize themselves with the labour market.

I am also announcing the establishment, in collaboration with the Fonds de solidarité des travailleurs du Québec and the Fédération des travailleurs du Québec (FTQ), of a \$20-million fund financed in equal measure with the government. The annual revenue from this fund will enable us to finance each year about 550 remunerated internships for high school, Cegep and university students. Details of the program will be announced shortly, in cooperation with officials of the FTQ and the Fonds, who, once again, are displaying an exemplary social solidarity.

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### ***Encourage training in sectors that create jobs***

Quebecers are keenly aware of the tragedy of unemployment. However, a less known but equally tragic situation, in my view, is the continued unemployment of individuals whom our society has failed to train to fill the tens of thousands of jobs available that remain vacant. We must reduce these labour shortages.

To this end, a \$4-million budget over two years will be allocated to support public educational institutions that quickly propose short-term training programs. Moreover, such programs must focus on career shifts for individuals who already have a diploma or satisfy the specific needs of businesses in sectors that are experiencing recruiting problems.

In addition, the government is assigning to the Fonds pour la formation des chercheurs et l'aide à la recherche the mandate to develop, in partnership with industry, a program of doctoral excellence fellowships in priority sectors for industry. Students will be able to take advantage of up to \$4.5 million in fellowships under this program over the next two years. Here is a genuine fellowship program that is at once useful and carefully targeted.

### **(b) Support the creation of jobs for young people**

If adequate training has become a prerequisite for meaningful employment, it is not always sufficient. The economy must also offer sufficient openings for qualified young people. Unfortunately, young people continue all too often to face the vicious circle of “no experience-no job/no job-no experience”.

The Québec government wishes today to bolster the support it is making available to create jobs for young people. I am therefore announcing the allocation of \$67 million to create over two years nearly 5 000 jobs through the following initiatives:

- The Science and Technology Skills Improvement Program, established in the last Budget, has been such a success that requests from businesses exceed the available candidates. The program budget will be doubled with the addition of \$21 million in new funding. As a result, it will be possible to offer roughly 2 000 more young people an opportunity to acquire work experience and theoretical training in thriving sectors of the economy.
- Furthermore, in conjunction with the Impact-SMB program, we will invest \$22 million to create 1 500 strategic jobs in small and medium-sized businesses over the next two years. SMBs will thus be able to bolster their management and production teams by hiring new staff, mainly young graduates.

- Government departments and agencies will receive additional funding to hire over 1 000 additional students and offer longer internships to several hundred recent graduates. One example is young attorneys working in various government departments.
- The development of the Québec economy depends largely on its ability to penetrate foreign markets. Work experience abroad offers an excellent opportunity to develop the new skills that the globalization of markets demands. To facilitate access to such experience, I am announcing the implementation of a financial support program for businesses operating in Québec that engage in international operations and which offer internships abroad. The funding will make it possible to offer 325 internships, 125 of them this year.
- This Budget also proposes assigning to the Société des établissements de plein air du Québec the mandate to undertake a program focusing on land use planning and development and wildlife habitats, the consolidation of accommodation and the training of guides and escorts in natural environments. This project will make it possible to create some 150 jobs for young people in the regions.

### **(c) Offer first-rate job placement services**

Helping young people to find jobs also means making available to them first-rate job placement services. The Minister of State for Employment and Solidarity, whose keen social conscience is recognized, is working relentlessly in this vast domain.

I have the pleasure of announcing today that the ministère de l'Emploi et de la Solidarité intends to set up as many as 3 000 computerized information outlets through Québec in the coming two years. These self-service outlets will enable Emploi-Québec to offer placement services accessible to Quebecers in every region.

### **(d) Reduce the indebtedness of students**

Indebtedness among some students has reached alarming proportions. Québec already has a deferred repayment program, applicable to those with insufficient income. The Minister of Education is proposing to enhance the program, as recommended in the *Rapport du Comité d'experts sur les modalités de remboursement de la dette d'études*.

Today, we are implementing another recommendation from the report. We want to help young graduates facing substantial installments on their student loans. I am therefore announcing that such students will now be entitled to a tax credit equivalent to 23% of the interest on the loans.

Moreover, taxpayers wishing to go back to school will from now on be allowed to withdraw funds from their registered retirement savings plans without being taxed.

Child care expenses incurred by individuals engaged in part-time study will from now on be eligible for the tax credit in respect of child care expenses.

All told, these fiscal measures intended to encourage the success and reduce the indebtedness of students at the post-secondary level will cost the government \$41 million a year.

### **(e) Help young people experiencing difficulties**

In order to achieve its full development potential, Québec needs all of its young people. The government is concerned about certain young people grappling with dramatic situations that occasionally draw them to drug addiction and even suicide.

The heart-rending message in filmmaker Anne-Claire Poirier's film *Tu as crié « Let me go »* clearly illustrates the urgency of helping young people overcome this type of distress. Some young people are discouraged and say that life is worth nothing. The truth of the matter is that nothing matters more than life and no young person in Québec should lose hope.

For this reason, I am announcing \$20 million in additional funding over two years to support the initiatives of my colleague the Minister of Health and Social Services to help young people and their families, mainly in the realms of suicide prevention and the fight against drug addiction.

### **(f) Provide day care services for three-year-olds**

I noted earlier that the government has just implemented a family policy firmly centred on the needs of Québec families, which my colleague the Minister of Education is skillfully, energetically introducing.

The family policy is a basic priority for our government. Every family in Québec is benefiting from it. The response to new child care services at \$5 a day for four-years-olds has been so enthusiastic that we must allocate new funding to ensure the full application of the policy by September 1, 1998. I take pleasure consolidating this policy by adding \$25 million for day care places at \$5 day for our children and grandchildren who are three years of age.

## **V. New tools to bolster private investment**

Investment by businesses is a decisive component of job creation, competitiveness and the standard of living. The strategy that I have just submitted rightly singles out investment as a key priority for intervention.

For this reason, the Budget I am presenting today makes provision for a series of new tools to increase investment in Québec.

The plan's objectives are ambitious since they call for private investment totalling \$20 billion over the next five years:

- \$12 billion in collaboration with government corporations; and
- \$7 billion through Investissement-Québec, a new organization.

Other investments will be added to the foregoing amounts, notably in respect of public sector projects.

### **(a) \$12 billion in private investments with government corporations**

The cornerstone of the government's initiative is an all-out drive to use to the utmost the strategic leverage afforded by government corporations with an economic vocation. Through a partnership with the private sector, such corporations will initiate \$11.7 billion in private investment over the next five years.

#### ***The SGF is working in partnership with the private sector***

Without affecting its spending levels or the deficit, the government will invest on average \$400 million a year over the next five years in the capital stock of a revitalized Société générale de financement (SGF), whose dynamic management team will focus resolutely on investment and job creation.

Three key principles will guide its initiatives. First, investment projects must be carried out on an economic and business basis. Second, the agency must never acquire a majority or permanent interest. Third, it must focus on initiating and guiding new investment projects.

The SGF must urgently realize its ambitious strategic plan, which calls for \$10 billion in investment over five years, in partnership with the private sector, and the creation of 75 000 jobs throughout Québec.

The SGF intends to carry out 125 projects in the following sectors:

- technology;
- transportation;
- machinery;
- recreation and tourism.

In order to enhance the cohesiveness and synergy of the initiatives of government corporations, SOQUEM, SOQUIA, SOQUIP and REXFOR will be consolidated with the SGF in a single consortium, while preserving their identities. In this way, the SGF will be in a position to intervene more intensively in the following sectors:

- metals and minerals;
- chemicals, petrochemicals and plastics processing;
- forest products;
- agri-food.

I would like to thank the task force chaired by the Parliamentary Assistant to the Prime Minister and MNA for Fabre and composed of his colleagues the MNAs for Bourget, Crémazie, La Peltre, Roberval and Terrebonne for resolutely pointing us in the right direction. I would also like to thank the Minister of State for Natural Resources and the Minister of Agriculture, Fisheries and Food for their valuable collaboration. I intend to work closely with them to ensure that the policy directions of their respective departments are integrated into the SGF's strategic plan and annual business plan.

The involvement of the government corporations concerned in a large group will make it possible to increase the potential of investment projects. Through this reorganization, they will be in a better position to fully play their role as catalysts and initiators of developmental projects that create jobs. The revitalized SGF will have the required size to engage in discussions with the major multinational groups that make up the global economy. It will also be in a good position to launch joint projects and participate therein relying on its know-how and financial resources.

The SGF will continue to act as the powerful regional development tool that it has always been and pursue its collaboration with SMBs.

***The Innovatech corporations, technological partners***

Since their inception, the Innovatech corporations, managed by individuals who are extensively involved in their community, have enjoyed considerable success in the field of technological innovation and venture capital. For this reason, we wish today to build on this success and ensure their continued existence.

The corporations will be turned into capital stock corporations, which will provide them with a broader financial base in order to carry out their projects. They will have at their disposal \$250 million to invest in projects that create jobs. Such an investment should enable them to initiate investment projects worth up to \$1.3 billion within five years.

***An Innovatech corporation for the resource-rich regions***

I am announcing today the creation of a fourth Innovatech corporation to cover the resource-rich regions, i.e. the Bas-Saint-Laurent, Gaspésie—Îles-de-la-Madeleine, Saguenay—Lac-Saint-Jean, Abitibi-Témiscamingue, Côte-Nord and Nord-du-Québec regions.

It is important that these regions dispose of adequate tools to participate fully in the technology conversion. Innovatech Régions ressources will have capital of \$50 million, which will enable it to participate in projects worth \$250 million in these regions. Given the need to centralize administrative functions, its headquarters will be located in Québec City.

***An SDBJ better adapted to the needs of the James Bay region***

Our regional partners have indicated to us that the mandate of the Société de développement de la Baie James must be modified to better reflect current conditions in this region and help draw different communities closer together. We have listened to them. I am therefore announcing that the SDBJ may from now on act as a partner in economic development projects. The government will allocate to it the necessary funds so that it can acquire an interest in the capital stock of enterprises that could effect \$40 million in private investment.

**(b) Hydro-Québec, a profitable enterprise and a source of financing**

I cannot overlook Hydro-Québec, the largest government corporation. In the coming years, the electrical utility will have to meet two major challenges.

First, last January's ice storm highlighted a number of areas that demand improvement. Hydro-Québec will have to make the necessary investments to bolster the reliability of its power distribution system.

Second, the utility is pursuing the objective of making its performance one of the best of enterprises of its kind in North America. The growth and profitability strategies included in its strategic plan will lead to an appreciable improvement in its financial position in the coming years. We expect it to achieve an 11.8% rate of return in five years, i.e. markedly higher profitability than in the past but that similar to other public utilities of its kind.

### ***Hydro-Québec dividends will spur economic development***

The appreciable increase in Hydro-Québec's future profitability will result in the payment of dividends to the government. A portion of the dividends that Hydro-Québec pays will finance in its entirety the investment of nearly \$2.4 billion that the government is making in government corporations, mentioned earlier. Thus, the utility's dividends, like its very operations, will spur economic development in Québec. Indeed, Hydro-Québec has just paid its shareholder a \$357-million dividend for 1997, the first since 1989.

## **(c) \$7 billion in private investment with Investissement-Québec**

Multinational firms invest some US\$300 billion internationally year in, year out. Competition is very keen between jurisdictions to attract such investment.

Québec offers numerous advantages to draw private investors. However, such advantages alone do not suffice. We must promote these advantages more vigorously and set up a reception structure that simplifies the task of businesses and helps facilitate investment decisions.

### ***Establishment of Investissement-Québec***

I am therefore announcing the establishment of Investissement-Québec, a government corporation that will focus solely on encouraging more extensive investment in Québec by local and foreign businesses. The organization will be made up of staff from the ministère de l'Industrie, du Commerce, de la Science et de la Technologie and the Société de développement industriel du Québec (SDI). No additional agency will be created since the SDI as we now know it will be incorporated into the new government corporation.

Investissement-Québec will act as a single Québec government information centre for investors, offering reception and financial support services for investment projects.

I am therefore announcing that this agency will have access to a \$500-million budget over the next five years. As a result, it will be able to foster \$5 billion in private investment.

Furthermore, Investissement-Québec will establish a subsidiary devoted specifically to financing SMBs and cooperatives, as the SDI did. The subsidiary will seek to support \$1.3 billion in investment over the next five years.

Investissement-Québec will be mandated to present as quickly as possible to investors a comprehensive offer from the government. Thus, investors will rapidly gain access to all of the forms of assistance offered in Québec, not to mention the tax credits available.

In addition, Investissement-Québec will seek local and foreign investments, large numbers of which must continue to be promoted in Québec.

It will obviously carry out its mandates in close collaboration with all of the sectoral government departments and with Québec's general delegations, offices and volunteer representatives outside Québec. We will continue to rely on their solid expertise and effectiveness in all phases of the development of these projects.

### ***New support for worker training***

It is also important to broaden the means at Québec's disposal to enhance the ability of workers to adapt in conjunction with investment projects. Over the next five years, \$40 million a year will be earmarked by Emploi-Québec to cover worker training related to investment projects. As a result, projects worth \$800 million will be initiated.

Requests for financial assistance will be submitted for approval to the Commission des partenaires du marché de travail, which will determine Emploi-Québec's contribution in light of the impact of the proposed investment on employment.

## **(d) Additional developmental investments**

To round out this array of investments spurred by government assistance, I am announcing, at the suggestion of my colleague the Minister of State for Natural Resources, two measures in the mines and energy sector.

### ***Mines and energy***

First, we will allocate \$6 million a year in each of the next three years, i.e. \$18 million all told, to the program to finance studies and exploratory work related to mining development, which should lead to investments of at least \$200 million.

Second, I am announcing the granting of \$8 million over the next two years to encourage the expansion of the natural gas distribution system. This move will engender \$50 million in investment.

Other investment projects warrant government support.

### ***Municipal infrastructure***

A number of Québec municipalities are still poorly served with respect to water supply and sewage systems, and water purification. To ensure the health of the residents concerned, I am therefore announcing today the establishment of a new municipal assistance program, elaborated by my colleague the Minister of Municipal Affairs, with a budget of \$180 million. The five-year program will be aimed at municipalities with fewer than 5 000 inhabitants. It will give priority to those with no water supply or sewage infrastructures and those that are experiencing problems in obtaining water supplies.

### ***Private forests***

Since 1995, the partners in the Summit Conference on Private Forests have been striving to enhance the development of private forests and, as a result, the economic development of their rural communities. It is in this perspective that the Budget I am tabling today is adding \$5 million a year to the forest resource development assistance program, bringing funding to \$34.5 million a year for the next five years.

### ***Agriculture and the agri-food sector***

In early March, during the Québec agriculture and agri-food conference, held in Saint-Hyacinthe, an outstanding agri-food technocity, the participants agreed to create 15 000 jobs, double exports and invest \$7.5 billion by the year 2005. This Budget follows up on several commitments made by our government and my colleague the Minister of Agriculture, Fisheries and Food at the conference. I am therefore announcing today:

- The budget of the Agro-environmental Investment Assistance Program will be raised from \$319 million to \$400 million.
- The Agri-food and Agricultural Exports Development Fund will receive \$4 million.
- A total of \$2 million will be earmarked for the joint financial support of research and development projects in the sector.
- A sum of \$750 000 will be allocated to the development and processing of traditional Québec foods.
- An agro-environmental research and development institute will be established in Saint-Hyacinthe, which will collaborate with interested universities. I would like to pay tribute to the Union des producteurs agricoles, which has decided to contribute to the institute in a manner that has yet to be clarified.

Allow me to digress briefly concerning an achievement that is modest in macroeconomic terms but important to the enterprises and individuals concerned. For the third consecutive year, and without claiming that Québec is a major wine-producing region, the government will launch an additional initiative in favour of Québec's talented, hard-working wine growers, who are producing increasingly noteworthy wines, which was not obvious at the outset.

I am therefore announcing that, as of midnight tonight, the specific duty and tax applicable to the first 1 500 hectolitres of alcoholic beverages sold in Québec by a small-scale producer will be eliminated.

### ***Québec City***

In the wake of consultations conducted by the Minister responsible for the Québec region and Minister of Health and Social Services, various partners in the Québec City region have agreed that it should reduce its economic dependency on government operations. The government wishes to help the region consolidate its assets and more strongly develop the manufacturing sector, the tertiary sector, high technology, the cultural industries and tourism. I am therefore announcing the establishment of a Québec City Economy Diversification Fund, to which we will contribute \$20 million.

The National Optics Institute (NOI) is a major research centre and a high technology gem in the Québec City region. It has a world-wide reputation. In the coming years, its operations are set to expand. I therefore take pleasure in announcing that the government will contribute \$2.5 million to the expansion of the research centre. Moreover, through this contribution, the government is enhancing the subsidy it grants the Institute by adding \$3 million over the next three years. The NOI can and must be the instigator of a veritable economic revolution in Québec City. The government has the utmost confidence in it.

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Additional information on the measures announced today can be found in *Additional Information on the Budgetary Measures and Increasing Private Investment* which are an integral part of this Budget Speech.

## **VI. Foster the development of the financial sector**

The financial sector is of vital importance to the Québec economy for two strategic reasons. First, it now employs 170 000 people. Second, it plays a decisive role in channeling savings to economic agents, individuals, businesses and governments.

Recent, thorough research, notably that conducted by the Action nationale, has revealed that a large portion of our savings are managed outside Québec. The MNA for Crémazie has also contributed significantly to our analysis through his work and experience in the field. Various reflections have led to a change in attitude and instilled greater awareness among certain financial decision-makers, who have already begun to repatriate to Québec capital managed elsewhere for no apparent reason.

The government is aware of the challenges facing the Québec financial community. For several months, it has been implementing concrete measures to develop this sector. At the fall session of the National Assembly, I included on the Order Paper three bills dealing with the financial sector. The ministère des Finances has introduced a number of incentives and research focusing on the sector. One research project reveals in particular the excellent results obtained by Québec portfolio managers and the incongruity of certain decisions to have savings managed elsewhere.

With this Budget, we wish to give new momentum to our earlier initiatives. We must manage in Québec a larger portion of our savings and a larger portion of other people's savings, while maintaining the principle of the free circulation of capital and the free choice of investors and consumers.

First, the government wishes to support the start-up of mutual funds that are managed and administered in Québec. Special financial assistance will be granted to companies that set up new funds. In addition, such funds will be exempt from income tax on profits for the first five years.

The government also wishes to support training for young people to enable them to acquire the skills demanded by the Québec portfolio management industry. For this reason, I am announcing today that the enterprises concerned will from now on be entitled to a new refundable tax credit equivalent to 40% of the wages paid to young graduates. All young graduates in this field are eligible.

The financial sector is of particular importance to Montréal's economy. In the early 1980s, the government and the Montréal business community adopted means to promote Montréal's international vocation. Significant tax relief was granted to what are called international financial centres (IFCs), which carry out various international operations that would otherwise be conducted elsewhere were an attempt made to tax them as heavily as other economic activities. You will recall that the federal government refused to cooperate and offered tax relief in respect of a highly limited array of operations.

Some 50 IFCs and 400 jobs have nonetheless been created in Montréal over the past 10 years. We can do better and make the best possible use of Montréal's advantages in this niche. For this reason, we are proposing additional measures.

I am announcing today a major overhaul of the IFC program. First, to facilitate the promotion of this tax feature, we will regroup under a separate statute the provisions now dispersed in the *Taxation Act*. We will significantly broaden the array of operations eligible under the program. We want first and foremost to attract to Montréal a broader range of so-called back office operations. I am therefore announcing that such operations focusing on international transactions will from now on be eligible for the tax benefits offered to IFCs, along with the promotion, administration and management of certain mutual funds. Certain cash management and financial engineering operations will also be eligible for the program, along with financial leasing, factoring, letters of credit for import-export operations, and fiduciary services.

Furthermore, I am announcing four improvements in respect of international financial centres:

- tax assistance equivalent to 40% of the wages of young employees for a period of three years will be offered while such employees are being trained;
- the benefits granted IFCs will be guaranteed for a minimum period of 10 years, i.e. until at least 2008;
- the tax exemption granted to foreign specialists working in Montréal is being extended from two to four years;
- the work time that an employee must devote to the operations of an IFC is being reduced from 90% to 75%.

The foregoing measures will apply as of midnight tonight.

Montréal also has universities that excel in fields allied with modern finance, such as mathematics, operational research, computer science and statistics. Consequently, Montréal can become a centre of excellence in North America in the realms of training and research in modern finance. Our financial sector can only benefit from such a situation.

Consequently, the government is today mandating the Université du Québec à Montréal (UQAM) to set up an international training and research institute in mathematical finance and financial intermediation. An annual budget of \$1.1 million will be allocated to the institute's activities. UQAM will carry out its mandate in collaboration with other university institutions and organizations with recognized expertise in the field.



## VII. Support culture and the cultural industries

Culture is the very essence of our collective identity and is much more than just an industry. Was it not Fernand Dumont who scrutinized our culture throughout his career and described it “as a veritable network through which we spontaneously recognize ourselves in the world and in our own homes”.

Some 70 000 Quebecers, including 20 000 artists, work in the cultural field, which is also an industry.

The products of this industry reflect our identity, while helping to shape it. That is why the Minister of Culture and Communications refuses to abandon such a decisive industry to market forces alone.

Through this Budget, the Québec government is seeking to bolster its essential support for Québec culture. Such support is intended for an industry that creates jobs, expresses the Québec soul and serves as a mirror for our society.

The Minister of Culture and Communications has just unveiled a draft government policy pertaining to reading. It is apparent that we will have to enable public and school libraries to acquire greater numbers of books. The government must also commit itself to an array of promotional and awareness initiatives. For this reason, I am announcing today a \$25-million allocation for this purpose, spread over the next three years.

My colleague is also formulating a Québec policy on the information highway. Quebecers must be able to benefit to the utmost from this highly promising tool. Moreover, we must also build a section of the highway in our own image. To this end, I am announcing \$4 million in additional funding a year in the coming years, to which will be added \$2 million in respect of projects accepted by the Fonds de développement de la Métropole.

The Société de développement des entreprises culturelles (SODEC) plays a decisive role in promoting and supporting Québec cultural enterprises. It actively finances the industry, in collaboration with various financial institutions, notably the Fonds de solidarité des travailleurs du Québec.

SODEC must be able to play its role even more flexibly and efficiently and in a manner better geared to the needs of the cultural industries. Consequently, it will be given the means to act and will receive a \$20-million advance to develop these new financial tools. To this end, the government will authorize SODEC to create a subsidiary in which share ownership will be open to the private sector. Already, financial institutions have expressed interest in investing in the subsidiary. These measures will give Québec cultural enterprises access to marketing tools similar to those available in the leading countries that export cultural products.

The film and television industry now plays a decisive role in the cultural production of our societies. We want Québec to participate fully in this movement. For this reason, I am announcing the introduction of a tax credit to encourage the filming in Québec of foreign productions. This tax credit will be available to independent producers and television broadcasters.

Furthermore, I am announcing an enhancement to the Québec tax credit for film and television productions with respect to special effects and computer animation, along with the renewal for an additional year of the tax credit for variety and magazine programs. In other jurisdictions, including Ontario, TV broadcasters are entitled to this tax credit under certain conditions. A working committee under the aegis of the Minister of Culture and Communications will examine this question and submit a report before the end of June.

As you know, our government has adopted the objective of seeing that 2 000 new small and medium-sized businesses export by the year 2000. I am relying on the cultural enterprises to figure among them. However, to this end, there is every reason to support them financially, through market studies, the elaboration of marketing strategies, the prospecting of external markets, or in the organization of trade missions. Last year, \$2 million was earmarked for this purpose. This funding will be renewed for an additional two years.

We also want to facilitate the enrichment of the collections of the numerous private museums in Québec. With this in mind, the tax treatment of charitable gifts will be enhanced. A donor may from now on deduct up to 75% of such gifts from his income.

The financial health of a number of cultural organizations is of the utmost concern to me. We cannot allow such organizations as the Théâtre Trident, the Orchestre symphonique de Québec or Les Grands Ballets Canadiens to collapse under the weight of their debt. To help them turn around their finances, I am announcing that \$3 million from Loto-Québec will be given prioritarily to these three organizations.

This Budget also makes provision for \$30 million in additional spending for public libraries, cultural facilities and the restoration of Québec's religious heritage.

## Conclusion

Mr. Speaker, this is the budgetary, economic and social stance that the government is proposing to the National Assembly and the Québec people. It is drawing us methodically, step by step, toward a zero deficit next year, as decided jointly by the participants in the Québec City Summit Conference. Furthermore, these policy directions faithfully reflect the efforts deployed since the Montréal Summit Conference to attain our job-creation objectives by the end of 1999.

With *Objective: Focus on Jobs*, the government's economic development strategy unveiled today, we must adopt objectives to enhance our lives and organize the post-deficit era, which coincides with the new millennium.

However, one thing is certain: our efforts must put paid to the perennial Québec paradox whereby Québec has at its disposal all the tools needed to achieve spectacular economic growth, without bringing unemployment down to an acceptable level. An unemployment rate that has persistently remained, year in, year out, two percentage points above the Canadian average since economic statistics have been kept, i.e. since the early 1950s, is inconceivable and no longer tolerable.

Consider Québec's highly qualified workers, wealth of natural resources, highly developed agricultural sector, abundant capital for investment, dynamic private sector and entrepreneurs, labour unions that are thoroughly conversant with social and economic conditions, government corporations firmly focused on economic return and development, modern associations and cooperatives, and our economy centred largely on high technology and exporting. Given all of the foregoing assets, nothing should prevent us from quickly eliminating this annoying paradox.

We are going to do everything to achieve this objective, using the appreciable means at the disposal of the Québec government, which for the time being is incomplete. Soon, when the Québec people so desire, we will have the more solid, powerful and universal tools of the sovereign nation that we deserve.

In the meantime, we are advancing toward our destiny with ardent hope. Last year, to conclude the Budget Speech, I quoted this immortal verse by Gaston Miron, which admirably encapsulates our objective: "I have never travelled toward another country but you, my country." Today, in light of the abundant projects and initiatives that we are proposing, I would like to turn to a splendid phrase in the great and powerful work of Fernand Dumont, who died last spring. He wrote: "Only a country can measure up to our plans."

Thank you, Mr. Speaker.

**GOUVERNEMENT DU QUÉBEC**  
**BUDGETARY REVENUE**  
**1998-1999 FORECAST**  
(in millions of dollars)

<b>Income and property taxes</b>	
Personal income tax	14 588
Contributions to Health Services Fund	4 010
Corporate taxes <sup>1</sup>	3 046
	21 644
<b>Consumption taxes</b>	
Retail sales	6 264
Fuel	1 506
Tobacco	395
	8 165
<b>Duties and permits</b>	
Motor vehicles	650
Alcoholic beverages	134
Natural resources <sup>2</sup>	261
Other	164
	1 209
<b>Miscellaneous</b>	
Sales of goods and services	511
Interest	282
Fines, forfeitures and recoveries	391
	1 184
<b>Revenue from government enterprises<sup>3</sup></b>	
Société des alcools du Québec	389
Loto-Québec	1 005
Hydro-Québec	992
Other	30
	2 416
<b>Total own-source revenue</b>	<b>34 618</b>
<b>Government of Canada transfers</b>	
Equalization	3 726
EPF and other programs related to fiscal arrangements	98
Canada Health and Social Transfer	1 778
Other programs	495
<b>Total Government of Canada transfers</b>	<b>6 097</b>
<b>Total budgetary revenue</b>	<b>40 715</b>

1 Includes tax on corporate profits, tax on capital and tax on premiums in lieu of corporate taxes for insurance companies.

2 Includes forest, mining and hydraulic resources.

3 Includes the dividends declared and the change in surpluses or deficits accumulated by government enterprises, which are consolidated with a corresponding reevaluation of the investment held by the government.

**GOUVERNEMENT DU QUÉBEC**  
**BUDGETARY EXPENDITURE**  
**1998-1999 FORECAST**  
(in millions of dollars)

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**Estimates by department and agency**

Assemblée nationale	67
Persons appointed by the National Assembly	38
Affaires municipales	1 006
Agriculture, Pêcheries et Alimentation	525
Conseil du trésor, Administration and Fonction publique	885
Conseil exécutif	36
Culture et Communications	423
Éducation	9 676
Emploi, Solidarité and Condition féminine	4 249
Environnement et Faune	218
Famille et Enfance	1 251
Finances (excluding debt service)	168
Industrie, Commerce, Science et Technologie	287
Justice	448
Métropole	70
Régions and Affaires autochtones	125
Relations avec les citoyens et Immigration	134
Relations internationales	82
Ressources naturelles	333
Revenu	689
Santé et Services sociaux	12 994
Sécurité publique	644
Tourisme	57
Transports	1 071
Travail	68
Items not included in respect of departments or agencies:	
Change in the allowance for loss on share investments <sup>1</sup>	- 10
Streamlining of the operating expenses of departments and agencies	- 90

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**Program spending announced in the Estimates<sup>2</sup>** **35 444**

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**Debt service (ministère des Finances)** **6 398**

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**Total probable expenditure** **41 842**

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1 Allowance created when the accumulated deficit of a government enterprise exceeds the cost of investment in shares held by the government.

2 Including \$37 million attributable to the ice storm and \$519 million in respect of the Canada-Québec agreement on the labour market.

**GOUVERNEMENT DU QUÉBEC**  
**NON-BUDGETARY TRANSACTIONS**  
**1998-1999 FORECAST**  
(in millions of dollars)

<b>Investments, loans and advances</b>	
GOVERNMENT ENTERPRISES	
Shares and investments	– 455
Change in the equity value of investments <sup>1</sup>	– 768
Loans and advances	69
<b>Total government enterprises</b>	<b>– 1 154</b>
INDIVIDUALS, CORPORATIONS AND OTHERS	82
MUNICIPALITIES AND MUNICIPAL BODIES	2
<b>Total investments, loans and advances</b>	<b>– 1 070</b>
<b>Retirement plans</b>	
Employer and employee contributions	3 923
Benefits and other payments	– 2 194
<b>Total retirement plans</b>	<b>1 729</b>
<b>Other accounts</b>	<b>268</b>
<b>Total non-budgetary transactions</b>	<b>927</b>

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

1 Net amount including the change in the allowance for loss on share investments.

**GOUVERNEMENT DU QUÉBEC**  
**FINANCING TRANSACTIONS**  
**1998-1999 FORECAST**  
(in millions of dollars)

<b>Change in cash position</b>	<b>0</b>
<b>Change in direct debt</b>	
New borrowings	7 148
Repayment of borrowings <sup>1</sup>	– 5 848
<b>Total change in direct debt</b>	<b>1 300</b>
<b>Retirement plans sinking fund</b>	<b>– 1 100</b>
<b>Total financing of transactions<sup>2</sup></b>	<b>200</b>

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 Including \$1 709 million for the repayment prior to maturity of certain borrowings.

2 Excluding transactions carried out for the Financing Fund.

**FINANCIAL IMPACT OF FISCAL AND BUDGETARY MEASURES****1998-1999 BUDGET SPEECH**

(in millions of dollars)

	Financial impact for the government	
	1998-1999	1999-2000
<b>A. REVENUE MEASURES</b>		
1. Corporate taxation reform	— <sup>1</sup>	— <sup>1</sup>
2. New tools to bolster investment	– 0.5	– 0.6
3. Help young people to succeed	– 1.0	– 68.0
4. Foster the development of the financial sector	– 6.2	– 16.6
5. Support culture and the cultural industries	—	– 19.0
6. Other revenue measures	– 17.3	– 24.8
<b>TOTAL IMPACT OF MEASURES ON REVENUE</b>	<b>– 25.0</b>	<b>– 129.0</b>
<b>B. EXPENDITURE MEASURES</b>		
1. New tools to bolster investment		
Enhanced promotional and financial assistance measures	– 46.0	– 79.5
Reorganization of government investment corporations	4.2	5.3
Additional developmental investments	– 34.3	– 44.7
Sub-total	– 76.1	– 118.9
2. Help young people to succeed		
Broaden ties between training and the labour market	– 15.4	– 10.7
Support the creation of jobs for young people	– 28.1	– 38.1
Help young people experiencing difficulties	– 10.0	– 10.0
Quality services for young children: educational and child care services at reduced cost	– 25.0	– 25.0
Sub-total	– 78.5	– 83.8
3. Foster the development of the financial sector	– 1.2	– 1.2
4. Support culture and the cultural industries	– 14.8	– 15.4
5. Other expenditure measures	– 17.9	– 14.3
<b>TOTAL IMPACT OF MEASURES ON EXPENDITURE</b>	<b>– 188.5</b>	<b>– 233.6</b>
<b>TOTAL IMPACT OF FISCAL AND BUDGETARY MEASURES</b>	<b>– 213.5</b>	<b>– 362.6</b>

Note: A negative entry indicates a cost for the government.

<sup>1</sup> In 2000-2001, this reform will reduce government revenue by \$225 million.