

1999-2000  
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 9, 1999.

# Budget Speech

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## Introduction

Mr. President,

On November 30, 1998, Quebecers elected the Members of the National Assembly, from which emanates the national government of Québec, with a very strong majority of MNAs. The Québec people have entrusted the government with the daunting responsibility of leading it successfully into the third millennium and enabling all Quebecers to enjoy prosperity and the fair distribution of the wealth created.

Quebecers displayed their trust in a group of men and women from all walks of life who combine experience and youth to accomplish three pivotal missions and social tasks that the times demand.

- From the standpoint of public finances, pursue the stringent management implemented in recent years.
- With respect to the economy, vigorously pursue efforts to create even more jobs.
- In the social field, maintain a constant concern for those Quebecers who rely entirely on the government for support and for the users of our health system.

With this Budget, we are not only consolidating the virtuous circle patiently edified in recent years, but are also vigorously, promptly launching various initiatives. We are following up on numerous major commitments made during the election campaign and, indeed, are going beyond them. Let us first examine the six key commitments.

- First commitment: Achieve a zero deficit. I am proud to announce that we are achieving this target one year earlier than anticipated. For the fiscal year just ending, there is no deficit, for the first time in 40 years. I would like to emphasize that we had already achieved a zero deficit before receiving any special equalization payment from the central government.

As for 1999-2000, I take pleasure in announcing that we will also achieve a zero deficit.

In 1998, the Québec economy recorded one of its best years in a decade. We noted surpluses over forecasts totalling \$2.9 billion in 1998-1999 and \$1.1 billion in 1999-2000. We are immediately allocating these surpluses to needs to which Quebecers give high priority: first, achieve a zero deficit this year, then reinvest in health, education and employment.

Such events are stellar achievements in our economic life. For all too long, our predecessors had the regrettable habit of resorting to debt to pay for part of their current consumption, thus bequeathing the burden to future generations. This situation has now come to an end.

Last year, I announced that we were no longer going to borrow to “pay the grocery bill”. We have done even better and have put paid to spiraling public debt. This is good news indeed for all Quebecers, our children and grandchildren. It is, above all, in their interests that Quebecers have made all of these efforts. The results for 1998-1999, like the Budget for 1999-2000, as we will see, no longer represent a growing burden for future generations. It is a question of simple justice and fairness between the generations.

I am especially proud that our government has achieved this result while remaining progressive in its choices and displaying solidarity with the least privileged members of society.

- Second electoral commitment: We promised to give priority to reinvesting in the health care network. The Budget I am tabling today immediately allocates an additional sum of over \$1.7 billion for health care services.
- Third commitment: Reinvest in education. This Budget immediately earmarks an additional \$600 million for education and young people.
- Fourth commitment: Maintain our relentless concern for job creation. As is the case with all Western governments, the Québec government has assumed the role of supporting and bolstering economic development. It is doing so in an original manner and its successes during the year just ended show the effectiveness of what we can proudly call the Québec model for economic development.

I am, therefore, announcing again today major initiatives geared to job creation, to which we will allocate over \$300 million.

With young people in mind, we are devoting substantial means to the acceleration of the development of the knowledge-based economy.

For the benefit of all workers, I am also announcing a whole range of measures to foster investment throughout Québec, significantly and particularly in the regions.

- Fifth commitment: Continue to do everything possible to ensure the burgeoning of Québec culture. At the very heart of our national endeavour, culture continues this year to be a key priority, as it has been since we came to power.

- Sixth commitment: Reduce personal income tax. This Budget takes a first step in this direction. I am announcing today a reduction of \$400 million in income tax, to take effect next year. Moreover, we will submit a discussion paper with a view to reflecting together on the ways of realizing this and subsequent tax reductions.

To summarize, I am tabling today a Budget that satisfies Quebecers' demands, responds to their desire to work for posterity and for prosperity, both fairness and identity, and all that underpins our national ideal.

## **I. Sound economic performance and substantial surpluses over forecasts**

### **(a) Excellent economic performance in 1998**

As we undertake our second mandate, allow me to briefly review Québec's economic progress in recent years.

In November 1992, the unemployment rate peaked at 14.3%. Today, we have several reasons to rejoice: the unemployment rate has declined to less than 10% for several consecutive months, its lowest level since 1990. However, it is still too high and we will have to redouble our efforts and strive to lower it further.

This progress has been achieved under difficult circumstances at a time when we had to put Québec's public finances in order, a task that should have been undertaken much earlier. Our deplorable heritage made the task particularly urgent.

Even the ice storm of January 1998—I encouraged economic agents to practice judo—did not destabilize Québec's robust economy. Despite the Asian crisis, which felled giants like Japan and in the wake of which one third of the world economy faltered, we were able to continue our march forward. Through its special links with the American economy, the Québec economy enjoyed in 1998 one of its best years in the past decade.

Despite strong headwinds, we made striking advances in the battle against unemployment. Over 67 000 jobs were created in 1998, 20 000 more than forecast in the last Budget and 20 000 more than in 1997. Need I draw to your attention the terrible reminder that, between 1990 and 1994, not a single job was created, i.e. zero job creation in Québec in four years, while Canada created 206 000 jobs. During that sombre period, it was not the deficit that reached zero, but job creation.

I would also like to emphasize the striking success achieved with respect to jobs for young people. Over half the jobs created in 1998, i.e. 34 000, were filled by young people. This is the best figure in 25 years!

This progress reflects prosperity that surpasses our projections. We were banking on economic growth of 2.3%, which ultimately reached 2.8%.

In 1998, consumer confidence reached its highest point since the late 1980s and investment continued to surge. It rose by 8%, the biggest increase since 1988 and the third highest figure in Canada. With last year's increase, private investment has risen 42% since 1995. Foreign investors, in particular, have solidly contributed to these excellent results.

**(b) Continued economic growth in 1999**

Economic prospects for 1999 are bright. Of course, uncertainty will continue to overshadow the world economy, affected by the recession which, in all likelihood, will continue to ravage Japan and many emerging economies, notably in Southeast Asia and Eastern Europe. Private-sector economists nonetheless predict that the Québec economy will continue to grow.

Like the American and Canadian economies, the Québec economy should experience moderate growth in 1999, of 2.1%. An additional 54 000 jobs should be created. This forecast obviously does not take into account the vigorous efforts we are going to make once again this year to surpass it.

**(c) Surpluses over forecasts totalling \$2.9 billion in 1998-1999 and \$1.1 billion in 1999-2000**

The brisk economic performance in 1998 and the pursuit of this growth in 1999 will engender substantial budgetary spin-off. In 1998-1999, the government's own-source revenues exceeded our forecasts by \$1.2 billion and are expected to again exceed our forecasts, by \$650 million in 1999-2000.

An unforeseen event also gave us some unexpected budgetary leeway. The central government completed its analysis of 1997 income tax returns in January and February of this year. As a result, data pertaining to the equalization program have been significantly altered. By the end of the month, Québec will receive \$1.4 billion more than anticipated. This is not a gift, but a reflection of the normal functioning of the program. Need I point out that this amount only partially offsets the damage caused by federal cutbacks in health and social programs? These cutbacks totalled \$4 billion for 1998-1999 alone and will be constantly recurrent in the coming years. This is obviously not the case with equalization, which rises and falls depending on the vagaries of the economic situation.

All told, at the time of the preparation of this Budget, we had surpluses of \$2.9-billion over the initial forecasts in 1998-1999, and \$1.1 billion in 1999-2000. It has thus been possible to simultaneously reduce the deficit and invest in health, education and job creation.

Mr. President, I am submitting the following table, which indicates the source of the surpluses and their use in 1998-1999 and 1999-2000.



**SOURCE AND USE OF SURPLUSES OVER  
FORECASTS IN THE 1998-1999 BUDGET SPEECH**  
(in millions of dollars)

	1998-1999	1999-2000	Total
<b>Deficit forecast in the 1998-1999 Budget Speech</b>	<b>- 1 200</b>	<b>0</b>	
<b>SOURCE OF SURPLUSES:</b>			
<input type="checkbox"/> Own-source revenue	1 164	651	
<input type="checkbox"/> Federal transfers	1 642 <sup>1</sup>	616	
<input type="checkbox"/> Budgetary expenditure	58	- 107	
<input type="checkbox"/> Measures identified in the 1998-1999 Budget Speech in order to achieve the zero deficit target in 1999-2000	—	- 94	
<b>Surpluses in relation to the 1998-1999 Budget Speech</b>	<b>2 864</b>	<b>1 066</b>	<b>3 930</b>
<b>USE OF SURPLUSES:</b>			
<b>1. Elimination of the deficit in 1998-1999</b>	<b>- 1 200</b>	<b>—</b>	<b>- 1 200</b>
<b>2. Additional investments in the health and social services sector:</b>			
<input type="checkbox"/> Elimination of the network's debt	- 700	—	
<input type="checkbox"/> Additional resources to stabilize the operation of the network	- 300	—	
<input type="checkbox"/> Additional resources to provide and enhance services	- 155	- 592	
	<b>- 1 155</b>	<b>- 592</b>	<b>- 1 747</b>
<b>3. Additional investments for education and young people:</b>			
<input type="checkbox"/> Enhancement of the financial situation of universities	- 170	—	
<input type="checkbox"/> Educational reform and other initiatives	- 7	- 51	
<input type="checkbox"/> Purchase of dictionaries, grammar and other books	- 30	—	
<input type="checkbox"/> Additional funding to preserve and enhance the quality of educational services	—	- 342	
	<b>- 207</b>	<b>- 393</b>	<b>- 600</b>
<b>4. Investment to foster job creation, innovation and other initiatives:</b>			
<input type="checkbox"/> Valorisation-Recherche Québec	- 100	—	
<input type="checkbox"/> Innovation Québec	—	- 32	
<input type="checkbox"/> Other <sup>2</sup>	- 202	- 49	
	<b>- 302</b>	<b>- 81</b>	<b>- 383</b>
<b>Deficit forecast in the 1999-2000 Budget Speech</b>	<b>0</b>	<b>0</b>	

1 Including \$1.4 billion in equalization payments to be paid in March 1999.

2 Including investments to promote regional and local development, cultural development and increases in basic budgets.

## **II. Zero deficit in 1998-1999 and again in 1999-2000**

First, we decided to use the \$1.2 billion in additional own-source revenues to reduce the deficit to zero in 1998-1999, one year ahead of schedule, as I noted earlier.

Allow me to remind the National Assembly that the last time the Québec government ended its fiscal year without a deficit was 40 years ago, in 1958-1959. The Minister of Finance at the time was Sherbrooke MNA John Bourque.

Forty years later was not too soon to open a new chapter in our economic life.

Needless to say, we have achieved this objective in the context of our new accounting policies, which are the most rigorous in Canada. According to a legend of ancient Greece, one of Hercules' tasks was to divert the Alpheus River in order to clean some well-known buildings belonging to King Augeus. Without claiming to engage in such strange works, we have done a spectacular job of putting Québec's public accounts and affairs in order. To adopt a more modern idiom, we gave it all we got.

I have the honour of tabling today not only the financial statements that indicate that we attained a zero deficit in 1998-1999 but also budgetary forecasts for 1999-2000 that also indicate a zero deficit.

# SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS<sup>1, 2</sup>

(in millions of dollars)

	1997-1998	1998-1999	
	Actual results	Budget Speech 1998-03-31	Preliminary results
<b>Budgetary transactions</b>			
Own-source revenue	35 749	36 497	37 661
Government of Canada transfers	5 990	6 360	8 002
<b>Total revenue</b>	<b>41 739</b>	<b>42 857</b>	<b>45 663</b>
Operating expenditure	– 36 556	– 35 993	– 38 405
Debt service	– 7 360	– 8 064	– 7 258
<b>Total expenditure</b>	<b>– 43 916</b>	<b>– 44 057</b>	<b>– 45 663</b>
<b>Deficit</b>	<b>– 2 177</b>	<b>– 1 200</b>	<b>0</b>
<b>Non-budgetary transactions</b>			
Investments, loans and advances	– 1 315	– 1 415	– 1 341
Capital expenditures	– 214	– 453	– 246
Retirement plans	1 888	2 041	919
Other accounts	443	—	1 053
<b>Surplus</b>	<b>802</b>	<b>173</b>	<b>385</b>
<b>Net financial requirements</b>	<b>– 1 375</b>	<b>– 1 027</b>	<b>385</b>
<b>Financing transactions</b>			
Change in cash position	164	—	– 2 300
Change in direct debt	1 295	2 127	2 945
Retirement plans sinking fund	– 84	– 1 100	– 1 030
<b>Total financing of transactions</b>	<b>1 375</b>	<b>1 027</b>	<b>– 385</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 According to the government's new accounting framework introduced in the 1997-1998 fiscal year.

2 According to the budgetary structure in effect in 1998-1999.

**GOUVERNEMENT DU QUÉBEC<sup>1</sup>**  
**SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS**  
**1999-2000 FORECASTS**  
(in millions of dollars)

<b>Budgetary transactions</b>	
Revenue	45 192
Expenditure	– 45 192
<b>Deficit</b>	<b>0</b>
<b>Non-budgetary transactions</b>	
Investments, loans and advances	– 1 258
Capital expenditures	– 300
Retirement plans	1 440
Other accounts	358
<b>Surplus</b>	<b>240</b>
<b>Net financial requirements</b>	<b>240</b>
<b>Financing transactions</b>	
Change in cash position <sup>2</sup>	2 627
Change in direct debt <sup>2</sup>	– 1 740
Retirement plans sinking fund	– 1 127
<b>Total financing of transactions</b>	<b>– 240</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 According to the budgetary structure in effect in 1999-2000.

2 Considering the pre-financing of \$2 814 million in borrowings in 1998-1999.

For the fourth consecutive year, the Québec government will achieve and even better its deficit target. We now have a solid reputation for attaining our objectives. In light of the six consecutive failures attributable to the inexplicable laxity of the previous government, it is easier to measure the importance of the successes achieved in the ensuing de-escalation. We have redescended from the treacherous peak without complacency in the choice of our path and have finally reached the valley!

Obviously, the tabling by a Minister of Finance of a balanced budget is a source of some pride. However, this pride belongs, first and foremost, to the Québec people, who have made the necessary sacrifices to achieve it.

Think of the progress that has been made since the Québec City Socio-economic Summit Conference held at the instigation of the Prime Minister and chaired by him in March 1996. Let us remember the feverish hours during which a consensus was reached between employers, the main labour federations, various social groups and the government.

It is through this cooperation, which vividly illustrates the relevance of the Québec model, that we succeeded in turning around Québec's public finances while remaining faithful to the values of solidarity and compassion to which our people is so strongly attached. It is now clear that a society can be progressive while displaying rigour in its choices. Wealth can only be distributed if there is something to distribute and any social-democratic project that ignores this reality is little more than wishful thinking.

Nothing of what I have announced would, obviously, have been possible without the discreet, unrelenting work of my friend and companion in the national struggle, the Chairman of the Conseil du trésor and MNA for Labelle.

A pervasive spirit of solidarity presided over the agreements concluded with public sector employees and the municipalities. Such solidarity is also apparent in the participation by taxpayers in the fund to combat poverty, including the special effort made by financial institutions. Solidarity has also come to the fore in the efforts made by each member of the government, the Prime Minister first and foremost, to reduce spending and ensure more stringent management. Each member has done his or her part and we have also been able to rely on the collaboration of public servants and managers.

This solidarity was also apparent in this very room when deficit-elimination legislation was adopted unanimously by the National Assembly. MNAs also set an example by reducing their salaries by 6%.

That a sovereignist government should strive to successfully carry out such a policy geared to sound public finances and intergenerational fairness does not surprise me and fills me with immense pride. When we are seeking the complete freedom of our people, it is normal to provide it with the economic and financial freedom necessary for its growth. What more basic, tangible way is there to love one's homeland?

The most difficult years are now behind us. However, the period of financial rigour will continue. This is a formal commitment to the upcoming generation.

There is no question of allowing the debt to once again rise to new heights. It is already too high and we must, to the contrary, reduce it.

Before anything else, we must tackle urgent problems in Québec society, as we recognized during the election campaign. We must invest immediately in health, education and job creation.

### **III. Over \$1.7 billion for health**

Of all the public services provided by the Québec government, the health system is undoubtedly the one that directly affects the greatest number of Quebecers. For this reason, it is normal to give priority to health care in the allocation of our new financial resources. I am, therefore, announcing today that our government will invest over \$1.7 billion in the health care network.

#### **(a) \$700 million to eliminate the debt of institutions**

Health care services are delivered by institutions that are financed, by and large, by the government, although they enjoy relative autonomy. Consequently, such institutions are able to better adapt to Quebecers' needs, although this does create a financial drawback: such institutions may, in practice, put the government and Québec society into debt beyond the authority of the National Assembly.

The accumulated deficits in the health and social services network now stand at \$700 million. While 80% of this amount is concentrated in only 10% of the institutions, the situation clearly cannot persist.

We must first relieve the institutions of this financial burden. I am, therefore, announcing that the government will fully eliminate the debt of indebted institutions. The total deficits of such institutions, i.e. \$700 million, will be eliminated this year, according to procedures to be specified by the Minister of Health and Social Services.

This initiative will make it possible, in particular, for hospitals to earmark their revenues for services and care instead of undertaking new cutbacks to eliminate the deficits. Moreover, by acting now, the institutions will be able to allocate to equipment and care the funds that would otherwise go to service their debt.

However, it would be unrealistic to reinvest extensively in the health care network if we cannot rely on the balanced financial management of its components.

#### **(b) \$300 million to stabilize network operations**

To achieve this objective, it is not sufficient to eliminate the debt. We must also take steps to ensure that health and social services institutions fulfill their mission without once again getting into debt.

The Minister of Health and Social Services will unveil shortly details of an action plan designed to stabilize network operations and consolidate the network's financial position. Some \$300 million will be earmarked for the implementation of this plan.

Subsequently, to preserve fiscal balance in the health care network, my colleague the Minister of Health and Social Services will propose new accountability measures for institutions and regional boards, which may include legislative amendments. The new measures will also seek to bolster the efficiency of services and the performance of institutions.

### **(c) \$747 million to provide and enhance services**

During the election campaign, our government committed itself to giving priority to investing in the health care sector as soon as financial leeway became available. Such is the case today.

I take pleasure in announcing that in addition to eliminating the deficits of hospitals and consolidating the financial position of the health care network, the government will invest \$747 million to provide and enhance services offered directly to Quebecers.

My colleague will thus be in a better position to carry out her daunting responsibilities, which, in any event, will continue to be demanding and largely mobilize her talent and courage. Above all, as did her predecessor, she will often bear the brunt of criticism whose true target should be those who, on the west side of the Ottawa River, squander, for political reasons of visibility, enormous, valuable resources, while the genuine needs are to be found here.

We will also make the most of the competence of the Minister and MNA for Berthier in order to improve services pertaining to drug addiction, alcoholism and other social problems that afflict all too many Québec young people. An additional \$15 million a year will be earmarked for these problems.

The Centre hospitalier et universitaire de Montréal (CHUM) is a health institution of vital importance because of its specific vocation and Québec-wide responsibilities. It will obtain the technical equipment and facilities it needs either on its three sites or consolidated on a single site in order to quickly make it one of the most efficient institutions in its category.

This new health care funding includes, of course, funds that are more generally necessary to enhance the working conditions of employees in this sector.

We intend to grant to all employees in the public sector fair remuneration in relation to that received by other Québec workers. Tomorrow, my colleague the Minister of State for Administration and the Public Service and Chairman of the Conseil du trésor will unveil the financial framework for the impending negotiations.

## **(d) Other measures for health and social services**

In this International Year of Older Persons, we will use the taxation system to improve the services offered to them. Most elderly people wish to remain as long as possible in their community, with their families and friends, even when they begin to lose their autonomy.

I am, therefore, announcing the creation of a refundable tax credit of up to \$2 760 to enhance the quality of life of elderly people experiencing a loss of autonomy. The tax credit is, in fact, a subsidy for domestic services and direct personal services, such as housekeeping, meal preparation or support for activities of daily living.

Such services will be paid for by means of a service employment paycheque. The elderly will not have to wait until they file their income tax returns to benefit from the tax credit, nor will they have to fill out the forms and other documents normally demanded of employers.

This measure, in addition to alleviating pressure on the health care network, will also offer respite to family caregivers, create jobs and reduce unreported work in the home services sector.

Under existing legislation, individuals suffering from serious and prolonged physical or mental disabilities are eligible for a \$506 refundable tax credit. However, this measure applies solely to a marked impediments to the accomplishment of normal everyday activities.

Some individuals suffering from serious illnesses such as cystic fibrosis are not eligible for this tax credit because they are able, despite the extent and duration of the care they receive, to engage in all facets of everyday life.

I am announcing that we will rectify this anomaly, starting this year. Some 10 000 additional Quebecers will be able to take advantage of this tax credit, using the simplified tax return.

This Budget restores funding to adapted work centres by granting \$2.3 million more per year to the Office des personnes handicapées. Enterprises providing adapted work will thus be able to create 500 jobs for disabled individuals who cannot otherwise integrate the labour market.

Allow me to note in passing that, if Québec has displayed exemplary solidarity with the disabled, it is through the lucid, courageous, tenacious initiatives of the Office des personnes handicapées, which is celebrating its 20th anniversary this year. The government of René Lévesque established the OPH, in particular through the unflagging zeal of Dr. Denis Lazure, one of his ministers. Québec can be proud of its constant, sustained concern for those individuals to whom fate has been less than kind.



## **IV. \$600 million for education and young people**

During the election campaign, our government committed itself, notably with respect to young people, to increase funding for education, without increasing tuition fees. This Budget confirms our commitment: an additional \$600 million will be allocated to education and young people.

First, as we did in the health sector, we must put a halt to the indebtedness of educational institutions.

I am, therefore, announcing today that we will earmark \$170 million to help put in order the finances of Québec universities, especially in respect of their share of the cost of retirement incentive programs. In exchange, these institutions will have to submit to rigorous control of their spending and provide a financial turnaround plan.

Furthermore, in order for the universities, Cegeps and school boards to preserve and bolster the quality of teaching and the services offered to students, I take pleasure in announcing that the government will allocate an additional \$342 million to them.

Aside from the foregoing measures, we will also earmark an additional \$30 million for the purchase of textbooks and other school books.

It is important to complete the reform of the elementary and secondary education system. The reform, entitled *A New Direction for Success*, is the first and necessary step to be taken to ensure that Québec young people are prepared to face the challenges of the 21st century. Second, we must help and support those young people who are preparing to join the labour market so that they can occupy all of the employment niches in our rapidly changing economy. We will allocate an additional \$51 million to these initiatives this year.

Of this amount, \$32.5 million will be used by the schools to promptly, efficiently implement the measures stipulated under the educational reform. My colleague the Minister of Education will announce details of this investment shortly.

Moreover, we will allocate \$14 million for the purpose of increasing enrolments and boosting the success rate in programs leading to scientific and technical careers. In particular, the funds will make possible the awarding of bursaries of up to \$3 000 for graduates in the information technologies who complete their studies within the prescribed period of time. The funds will also make possible the purchase of the computer equipment needed to provide training, the enhancement of short-term training in cutting-edge sectors, and the implementation of a student tutorial system to encourage academic success.

We are all aware of the importance of internships and summer jobs in facilitating integration by young people into the labour market. The government intends to pursue its efforts to encourage growing numbers of businesses to offer such possibilities to young people. We are going to renew for another year the measure adopted to create internships and summer jobs in the Québec public service, which will require an additional \$4.5 million in funding. Some 2 350 students will benefit from this measure.

I believe that it is important to point out that our government invests nearly \$10 billion in education each year, which represents one of the highest proportions of educational funding to GDP in the world. Compared with students in Canada, Québec students receive highly advantageous financial assistance. Given the freeze on university tuition fees, Québec students pay nearly \$2 000 less than their Ontario counterparts.

It should be noted in passing that our efforts to help Québec young people highlight the absurd waste of the Millennium Scholarships of the central government. The Board of Trade of Metropolitan Montreal recently denounced yet again this waste, which epitomizes the drift away from constitutional, administrative and democratic principles. Indeed, it is especially distressing to think that the central government sought to oblige the Québec Minister of Education, an elected representative of the people, to negotiate our tax dollars with a non-elected official in one of our most sacred fields of jurisdiction.

## **V. Further bolster our job-creation initiatives**

Our government has strongly committed itself to fully develop—might I say in an almost obsessive manner—Québec's economic potential and to create jobs. All governments are seeking to do as much, in various ways. As I indicated in my first Budget Speech, the modern State must neither be overly interventionist nor derelict in its duty, but provide guidance and coordinate development while respecting individual freedoms. The government must not supplant other economic stakeholders but work with them instead. Moreover, as it has a broader perspective on events, it disposes of more time to react and it sets the pace.

This Budget pursues this productive synergy between the State and the various economic agents. The Québec model is already producing some of the anticipated results. The measures announced today will enable us to go even further.

### **(a) Accelerate the transition to the knowledge-based economy**

In recent years, our government has adopted an array of measures that have placed Québec at the forefront of the development of the knowledge-based economy.

The results obtained until now speak for themselves. Over the past 10 years, half of all the jobs created in Québec are attributable to the advanced-knowledge sectors.

However, these eloquent results must not make us forget that the race to the knowledge-based economy is universal. We can, and must, win it.

For this reason, during his speech at the swearing-in of the new Cabinet, the Prime Minister confirmed his determination to make Québec a world hub of innovation. He assigned to the MNA for Charlesbourg and the Minister responsible for Research, Science and Technology the mandate to promptly define a new Québec scientific research policy.

The Minister has already pinpointed a number of priorities, which he will make public shortly in a paper entitled *Accelerating Research and Innovation*. The policy contains the following two initiatives, in particular.

***\$32 million to boost research and innovation***

The first initiative calls for the establishment of Innovation Québec, a fund to be administered by the Minister responsible for Research, Science and Technology. Innovation Québec will have at its disposal \$32 million in 1999-2000 to:

- develop and maintain in Québec a scientific research base of international calibre;
- contribute to the training of the scientific and technical workers required by enterprises, universities and research centres to bolster scientific research and innovation in Québec;
- promote and support partnerships between government departments and organizations, the universities and business;
- capitalize on research, development and innovation.

***\$100 million to develop discoveries***

The second major initiative concerns the granting of \$100 million to a new agency, Valorisation-Recherche Québec, which will be responsible for strengthening partnerships between private-sector enterprises and educational and research institutions. It will subsidize, in particular, university research projects and commercialization initiatives devoted to the results of such research.

***Additional tax assistance for R&D and technological adaptation***

Since the publication of *The Technology Conversion*, which I had the honour to oversee in 1982 as a minister in the Lévesque government, Québec has resolutely relied on taxation to encourage innovation.

Every year, the government allocates roughly \$475 million to research, development and innovation in the form of tax assistance. From the standpoint of support for R&D, the Québec taxation system is one of the most advantageous in the world and the results obtained are worthy of our efforts in this respect.

This Budget bolsters the fiscal measures applicable to R&D and technological adaptation. Such measures will cost an additional \$5 million in 1999-2000 and \$33 million when they are fully implemented.

From now on, our government will offer enterprises the possibility of claiming a super-deduction for their R&D expenses, as an alternative to the existing tax credit. Through this measure, Québec enterprises will be able to claim the full amount of federal tax assistance and thus benefit from an additional \$54 million over a full year.

In order to ameliorate R&D tax assistance, I am announcing an increase from 40% to 55% of the tax credit for small and medium-sized enterprises (SMEs), from which 1 500 enterprises will benefit. Over a full year, the measure will represent an injection of \$24 million.

Small businesses do not always have the means to obtain the services of consultants to help them carry out innovative projects. To enable such businesses to engage in the transfer and adaptation of new technologies, we will introduce a new tax credit and a supplementary program designed to support innovation in SMEs.

We will extend from two to five years the tax holiday for foreign researchers and will implement a similar holiday for certain foreign experts.

## **(b) Enhanced support for business investments**

Among the challenges to be met that were pinpointed in *Focus on Jobs*, the economic strategy made public last year, an increase in private investment was a key concern. The government is working unstintingly in this respect and it has never wavered in its efforts.

Our policies and work have made Québec a remarkably sound place to make investments that create jobs. Our policies governing tax relief and the turnaround of public finances have clearly improved the investment climate. The strategy put forward in the last Budget to promote private investment has produced extensive, concrete spin-off.

Over the past year, government-owned economic corporations such as Investissement-Québec, the new SGF, the Innovatech corporations and SODEC, have displayed renewed vitality. All told, projects worth \$2.7 billion have been approved or are in the final stages of negotiation and will create more than 17 000 direct jobs. Projects worth over \$8 billion are on the drawing board. The new SGF alone has already signed 58 agreements with partners for projects totaling \$5.6 billion.

### ***Investissement-Québec expands its programs***

This Budget capitalizes on these successes in two ways. First, we will increase by \$50 million the funds earmarked in 1999-2000 for the Private Investment and Job Creation Promotion Fund, managed by Investissement-Québec. Over the coming year, the program could engender \$2 billion in investments and, ultimately, create nearly 15 000 jobs.

Second, we will add a new form of assistance under the program to support investor-exporters, i.e. an exchange rate guarantee pertaining to foreign sales. A number of investment projects centred on export markets are highly vulnerable to fluctuations in a weak, volatile Canadian dollar. In several instances, an exchange rate guarantee will enable the government to reduce the cost of intervention and increase its overall ability to support investment projects. This is another step in the conquest of external markets.

### ***Tax assistance for investment and technological adaptation***

In order to foster private investment in Québec and accelerate investment by business enterprises and their adaptation to the new technologies, I announced two years ago the introduction of two temporary measures. I am referring to the 125% capital cost allowance and a two-year capital-tax holiday in respect of new investments carried out in sectors such as manufacturing and processing, computer equipment and tourism.

I am convinced that this panoply of measures has contributed to the tremendous growth in private investment noted in Québec over the past year. In order to give new impetus to economic growth and job creation, I am announcing the extension of these measures until March 31, 2000. This initiative will represent additional tax assistance of \$59 million in 1999-2000.

### ***The management of savings in Québec***

We cannot optimize the level of investment in Québec without also optimizing the management of savings. Analyses reveal that the mutual funds of certain banks or specialized managers hold few if any Québec government or public sector bonds.

For this reason, in 1997 the ministère des Finances implemented a strategy aimed at encouraging a maximum of Canadian, Québec and other investors to purchase more of our securities.

Our strategy has produced conclusive results. Over the past two fiscal years, Québec has sold, on average, on the domestic market, two and a half times as many bonds as it did between 1990 and 1997.

We intend to step up our efforts to convince fund managers that they are depriving their clients of appreciable returns by not buying more Québec public sector securities.

In the coming weeks, I will engage in a series of meetings with the senior executives of the leading Canadian banks and mutual funds. Officials from the ministère des Finances will pursue their meetings of a more technical nature with the fund managers of these institutions.

In this respect, I would like to pay tribute to the team from *L'Action nationale* magazine, notably Rosaire Morin, which has been working tirelessly for several years to inform Quebecers about the type of investments made by those who manage Quebecers' savings. The dissemination of this information, often relayed by Richard Johnson of *Le Journal de Montréal*, of which every Quebecer should take account before entrusting his funds to a financial institution, is a concrete, useful initiative for our society. It is already producing results and significant flows of capital toward Québec are resulting from these painstaking investigations. The government will continue to assist this research by emphasizing openness and incentives while repudiating all forms of coercion, which would undoubtedly produce the opposite of the desired effect.

To optimize the management of savings in Québec, our government will also ensure that the rights of small shareholders are strengthened. From now on, legislation governing Québec financial institutions and the *Companies Act* will grant them the right to submit a proposal, make such a proposal known beforehand to other shareholders, and to discuss such proposals during a meeting.

### **(c) Creation of the Montréal Foreign Trade Zone in Mirabel**

I would now like to turn to Mirabel, which is already an important growth hub and a dynamic economic milieu that is present on international markets, but which continues to be the seat of a profound malaise resulting from the central government's tragic planning mistakes. Mirabel is a deep rent in the fabric of the Basses-Laurentides. Mirabel has an unprecedented history of upheaval and uprooting.

#### ***Regrettable federal intervention***

Imagine, if you will, the expropriation of 97 000 acres of land, equivalent to three quarters of Montréal Island, of which only 17 000 have been kept today. The 3 000 expropriated families, totalling 10 000 people, still recall the arrogance with which they were treated. People still wonder why it was necessary to build such an airport, then allow it to decline by neglecting to invest in the infrastructure necessary for its full development and then letting the air carriers that were initially slated to serve it to shift their operations to Toronto.

Even recently, the central government still appeared not to have fully gauged the scope of its enormous mistake and would not even condescend to participate in the deliberations of the Tardif Commission, which our more responsible government set up to find solutions to the problems engendered by the transfer of flights to Dorval. Guy Tardif and the members of his commission have done a fine job and their deliberations felicitously underpin the policy that I am announcing to put a halt to these years of turmoil and hesitation.

### ***A policy geared to the future***

Today, I am inviting residents of the Mirabel, Basses-Laurentides and Greater Montréal areas to put their shoulder to the wheel in order to develop Mirabel's facilities so that they become a source of pride in modern Québec.

I am announcing the establishment of the Montréal Foreign Trade Zone in Mirabel, which will be located on part of the territory administered by Aéroports de Montréal in Mirabel. As of today, enterprises that carry out eligible projects in this zone will enjoy substantial benefits.

### ***Eligible enterprises***

Such enterprises must submit start-up or expansion projects in obviously highly specialized, targeted fields to avoid hampering other regions of Québec.

Eligible operations include, in particular, three sectors specifically linked to the realm of transportation and aviation:

- international logistics, which encompasses, notably, continental distribution centres;
- aircraft maintenance and repair;
- supplementary occupational training for navigational and airport staff.

Of course, I will do everything to ensure that the development of the airport facilities will not cause a shift in economic activities carried out elsewhere in Québec. To this end, several guidelines have been adopted to ensure a rigorous approval process for projects. First, several criteria will restrict access to the foreign trade zone. Moreover, representatives of the Greater Montréal area will sit on the board of directors of the zone's development corporation. Before we issue the certificate of eligibility required, we will make sure that the project submitted does not compete with enterprises already established elsewhere in Québec, especially in the Montréal area.

### ***Financial assistance granted***

To facilitate the rapid start-up of the zone, powerful incentives will be offered for 10 years:

- a tax holiday for enterprises on income tax, the tax on capital and the contribution to the Health Services Fund;
- a refundable tax credit for salaries paid to eligible employees, except in the case of manufacturing concerns;



- a refundable tax credit for the purchase of equipment;
- assistance in the construction of buildings;
- assistance for enterprises wishing to operate in a “customs-free zone”;
- exemption from personal income tax for specialized foreign employees.

In order to mobilize the stakeholders concerned and ensure dynamic, concerted development in the zone, the government will establish the Société de développement de la Zone de commerce international de Montréal à Mirabel. The streamlined body will coordinate the partners’ promotional initiatives and will provide investors with reception and other services.

Mirabel Airport ranks among the world’s top 10 airports in terms of the quality of its infrastructure. With this Budget, we believe that the airport will finally be able to fulfil its promise for the Basses-Laurentides region, the Greater Montréal area and Québec as a whole, and become a formidable growth centre in the eastern portion of the North American continent.

#### **(d) Broader support for exports**

The decade now drawing to a close witnessed Québec’s commercial success in the United States, since the coming into force of the free-trade agreements allowed us to benefit from the natural North-South alignment. The coming decade should be “Québec’s Decade of the Americas” and will enable us to push even farther south. We want Québec to become a key player in the future free-trade zone of the three Americas. Our objective is to triple the number of enterprises exporting to Latin America and the Caribbean countries. To attain this objective, we will earmark \$5 million in 1999-2000 for the promotion of Québec exports to Latin America and broaden Québec’s representation in this territory.

We also want to enable Québec young people to become more familiar with the Americas. To this end, we will establish the Office Québec-Amériques pour la jeunesse.

The Asian countries are also becoming major markets for Québec exports. We must not make the mistake of ignoring them. For this reason, we plan to open a Québec government office in Shanghai in the near future.

Some \$1.5 million will be allocated in 1999-2000 to step up the pace at which small and medium-sized enterprises penetrate foreign markets.

## VI. Foster local and regional development

Québec's territory is immense and varied, and we cannot build a country without doing everything possible to consolidate economic development in each of its regions. This Budget devotes substantial financial resources to this objective.

### (a) Carrefours de la nouvelle économie in all regions

Québec is playing the role of a trailblazer in the realm of support for the new economy. Our five Centres de développement des technologies de l'information (CDTIs), or information technology development centres, have already confirmed the creation of 1 500 jobs. In the same spirit, the Cité du multimédia was launched in Montréal on June 15, 1998, and has enjoyed spectacular success. It should accommodate 10 000 jobs in 10 years. Some 4 000 have already been confirmed.

Our government hopes to extend to all regions of Québec this model of support for advanced-knowledge enterprises in designated areas.

I am announcing today the impending creation of 12 Carrefours de la nouvelle économie (CNEs), or new economy centres, based on the Cité du multimédia model. Our objective is to open one such centre in each region of Québec that does not have a CDTI. This initiative will create a critical development mass for the new economy in each region of Québec.

Enterprises that set up operations in a CNE will enjoy tax benefits equivalent to those stipulated in conjunction with the Cité du multimédia. The paper entitled *Integrated Fiscal Strategy for the Knowledge-Based Economy* spells out in detail the government's overall approach in this respect.

The regions will play a key role in the implementation of the CNEs. They will recommend the priority sectors and the territorial configuration of these instruments of economic development.

The tax assistance provided in conjunction with the CNEs will ultimately reach \$30 million a year.

The establishment of the CNEs fulfils an electoral promise, one that I am indeed proud to carry out in the first Budget of our second mandate.

## **(b) Support for Québec's national capital**

In recent years, the Québec government has emphasized the importance it attaches to the harmonious development of Québec's national capital and the diversification of its economy. I take pleasure in confirming today our attachment to the future of our capital.

The Québec City area already possesses solid expertise in fields such as fibre optics, lasers, imaging, and optical data processing. Internationally renowned establishments such as the National Optics Institute or dynamic enterprises such as Exfo Télécom immediately come to mind.

We want to make the Québec City area a Québec-wide centre in the optoelectronics sector, defined as the science of light in all its forms. To this end, the Québec government will provide financial assistance for the consolidation of the partnership between the universities, research centres and enterprises, and the realization of technology commercialization projects.

The new program, which will have an initial budget of \$3 million, will assist enterprises and research centres operating in this sector in setting up or expanding their operations in the Québec City area. Our objective is to create a veritable Cité de l'optique, just as Montréal has its Cité du multimédia.

I am also announcing the establishment, again in Québec City, of the Centre national des nouvelles technologies, made up of enterprises active in the information technologies sector. The creation of this centre confirms the role of Québec's national capital in the development of technologies applied to the arts and culture sector. It will spur the revitalization of downtown Québec City, which was successfully initiated several years ago.

By establishing this specialized centre, our government is implementing one component of the policy respecting Québec's national capital unveiled in June 1998.

I am also announcing that we will extend the Québec City area tourism development fund for another five years and allocate \$2 million a year to it.

## **(c) Support for Centres locaux de développement**

Our government recognizes the key role played by the Centres locaux de développement (CLDs), or local development centres, in supporting job creation and fostering entrepreneurship and will increase its contribution to these organizations by \$7.5 million a year. The funds will enable the CLDs operating in less privileged areas to broaden their initiatives and make it possible to increase the budgets allocated by the CLDs for young entrepreneurs.

## **(d) Support for sustainable development**

We hope to leave to the upcoming generation a physical environment in which it can develop fully.

I am announcing today a range of measures that have in common the desire to preserve, develop or restore our environment, while fostering investment that creates jobs in all regions of Québec.

First, the urban contaminated site restoration program, now accessible only to Montréal and Québec City, will be extended to all municipalities. Additional work worth \$100 million can be carried out.

Moreover, \$2 million will be made available in 1999-2000 to pursue the restoration of abandoned mining sites, especially in the Abitibi-Témiscamingue region.

We will provide \$3 million a year to encourage the start-up of community enterprises dedicated to the recovery and recycling of waste materials. This new initiative rounds out various government programs aimed at supporting employment in the social economy.

We are also adding \$15 million to upgrade Québec parks, in order to enhance the revitalization program announced last year. Over five years, Québec parks will receive \$50 million. In future, the Société des établissements de plein air du Québec will be responsible for the activities and services offered in Québec parks. We will thus be in a better position to offer Québec outdoor enthusiasts a competitive product worthy of a network of State parks.

## **(e) Investment in transportation**

To develop Québec's vast territory as we see fit, we must have at our disposal quality transportation infrastructure. At present, we devote nearly \$1.6 billion a year to such infrastructure.

I am announcing today additional developmental investments totalling \$72 million in the transportation sector.

First, funding for the road network will be increased from \$644 million to \$679 million in 1999-2000, notably to cover additional road improvement work and preparatory studies in anticipation of the reconfiguration of the autoroute Métropolitaine.

Second, we will allocate \$19 million over five years to support railway companies of local interest (RCLIs) in order to encourage their restructuring and the upgrading of their infrastructure. These funds will make possible, among other things, the reestablishment of the Québec Central rail link.

Third, we will invest an additional \$18 million over five years to complete the Greenway, a Québec-wide network of cycling paths. I would like to mention in passing the key role played by Vélo-Québec in the promotion of this concept, which combines recreation, tourism and economic activity.

#### **(f) Investment in the wake of the ice storm**

We all have indelibly etched in our memories the haunting spectre of the January 1998 ice storm, which struck over 600 municipalities in southern Québec, especially in the Montérégie region. Farmers and forest producers were among those hardest hit.

At that time, we adopted exceptional measures. However, our partners in the farming and forestry sectors have made us aware of needs not covered by existing programs. We intend to do more.

For this reason, we are making available the funds needed to adequately assist farmers and part-time private woodlot operators. I am announcing today the granting of \$8.9 million for farmers and \$8.4 million for woodlot owners.

## VII. Invest in culture

During periods of austerity, a number of governments have first cut back in the realm of culture. Our government has always done the opposite: resources in this sector have been increased. In the land of Céline Dion, Luc Plamondon, Robert Lepage, Jean-Paul Riopelle, the Cirque du soleil, La la la Human Steps and the Orchestre symphonique de Montréal, culture is a key component of everyday life.

The central government's refusal to acknowledge our existence as a people and a nation, something that England would not dare to do to Scotland, nor democratic Spain to Catalonia, makes even more pressing our duty to support and defend our national culture. We will pursue our efforts in this regard during the coming year.

Québec television viewers have noticed the impact of the tax credit for Québec film and television production. The consolidation of Montréal as a North American film production centre also reflects the measure's impact.

In keeping with the Prime Minister's commitment during the last election campaign, we will foster the development of two other forms of artistic expression. I am, therefore, announcing the introduction of two new tax credits, one to promote music productions and the other, sound recordings.

These measures, under which one third of eligible labour costs will be reimbursed, will cost the public treasury roughly \$4 million a year.

A number of artistic and cultural organizations will benefit from our support this year. To provide them with adequate assistance, I am announcing that \$35 million in additional funding will be made available to them in this Budget.

Furthermore, two great institutions will receive special assistance, i.e. the Montréal Museum of Fine Arts and the Orchestre symphonique de Montréal. Both organizations are contributing significantly to the vitality and influence of our culture and it is important to ensure that they continue to do so for a long time. I am announcing that \$6 million will be granted this year to the MMFA and \$5 million to the OSM.

In order to preserve the priceless religious heritage that is an integral part of our cultural heritage, a restoration assistance program was set up four years ago. Despite the \$60 million invested to date, a number of very valuable buildings have yet to be restored, such as the Mary Queen of the World Cathedral. An additional \$20 million has been set aside for this program.

No financial assistance is now available to preserve heritage buildings that are no longer used for religious purposes, with the result that demolition all too often becomes the only alternative. For this reason, a new assistance component must be set up, with a budget of \$20 million, earmarked specifically for the transformation of religious buildings as a means of saving them from the wrecker's ball.

## VIII. Reduce taxes

Our government clearly indicated that it would give priority to eliminating the deficit and reinvesting in health and education. We also committed ourselves to subsequently reducing significantly the tax burden borne by Quebecers throughout our new mandate. This Budget confirms today the realization of the first part of the commitment to reduce the tax burden.

### **(a) Seeking maximum competitiveness in the realm of corporate taxation**

In the realm of corporate taxation, our government adopted last year important measures to bolster the system's competitiveness. Having noted that the high level of fixed expenses was causing problems primarily for small and medium-sized enterprises, we announced a 37% reduction in the payroll taxes of SMEs.

The first portion of the reduction was to apply as of July 1, 1999. Just before Christmas, in light of economic performance, we announced that it was being moved up to January 1 of this year. The second portion will come into effect on January 1, 2000.

This Budget pursues the process initiated last year and includes several additional enhancements to the corporate taxation system. I have already announced a number of the measures. Details of the other measures can be found in the document entitled *Additional Information on the Budgetary Measures*. It and the other documents being tabled today are an integral part of this Budget Speech.

Allow me to add that the appropriateness of granting businesses other tax reductions will be assessed periodically in the future in order to constantly maintain the competitiveness of Québec businesses.

### **(b) Personal income tax to be reduced by an initial \$400 million in July 2000**

Québec's personal taxation system is one of the most burdensome in North America. As long as our public finances were not in order, our ability to alter this state of affairs was virtually nil. Things are beginning to change.

The zero deficit is now a *fait accompli*, one year sooner than anticipated. We were able to be in advance of our schedule because of budgetary revenues that, as you know, will not be fully reflected in subsequent years. Thus, it is only starting next year that we will have at our disposal the resources needed to reduce personal income tax.



With this Budget, we are initiating the first part of our commitment to reduce taxes by \$1.3 billion. We are doing so through two complementary measures.

First, I am announcing that, as of July 1, 2000, we will introduce a first \$400-million reduction over a full taxation year. Our commitment to achieve this reduction will be reflected in draft legislation that the Minister of Revenue will table in the coming months in the National Assembly. We will announce details of the reduction in the next Budget.

### **(c) Consultation on future tax reductions**

Second, our government wishes to consult Quebecers on the best means of carrying out this initial and subsequent tax reductions. In light of the public's effort, at the very least we should listen to Quebecers on how to apportion the dividends.

For this reason, I am tabling today a discussion paper that proposes a number of personal-tax-reduction scenarios and describes their impact.

Québec has North America's most progressive taxation system, which reflects our values of solidarity and sharing and is a good thing. However, we must also take into account the growing mobility of workers, the impact of taxes on growth and employment, and the competition we are facing from our economic partners.

The adoption of a tax-reduction scenario is a crucial social choice. The government intends to convene a parliamentary committee to examine the issue over the coming year and to invite Quebecers to express their viewpoints before the committee.

The parliamentary committee's deliberations and its hearings will help us establish guidelines governing initial and future tax reductions.

### **(d) Other tax reductions**

Quebecers want the least privileged members of our society to be treated with compassion. Today, we are going to introduce several new initiatives in this respect.

At present, individuals must contribute to the Health Services Fund on incomes in excess of \$5 000. Consequently, the self-employed and retirees are subject to this contribution on income that falls below the subsistence threshold or which scarcely exceeds it.

To remedy this situation, I am announcing that the basic exemption used to calculate the contribution to the Health Services Fund will be increased this year from \$5 000 to \$11 000. This measure will reduce by \$44 million the taxes paid by 1 million Quebecers.

The State of Québec must continue to offer families solid support and seek to constantly improve its family policy. In order to take into account the changing cost of child care, the ceiling on eligible expenses for a child under the age of 7 will be raised from \$5 000 to \$7 000 starting in the 1999 taxation year, and the ceiling applicable to children 7 years of age or over will be raised from \$3 000 to \$4 000.

International adoption expenses are extremely onerous. We must adequately assist parents who resort to this solution. To this end, I am announcing the enhancement of the tax credit for adoption. The ceiling on eligible expenses will be raised from \$10 000 to \$15 000 to facilitate the initiative of the adoptive parents, while contributing to the growth of the population and the diversity of its roots.

## Conclusion

Over the past four years, the Québec people has taken decisive steps in its long march toward the destiny it deserves.

From the standpoint of public finances, the national government of Québec has restored a balance and, in so doing, a capacity to act, which have not been seen in 40 years.

Québec has succeeded in developing advantages and a strategic expertise in several sectors of the knowledge-based economy, i.e. aerospace, information technologies, pharmacology and biotechnology, multimedia, and so on. Unemployment has fallen below 10% for the first time since 1990. We cannot fail to be gladdened by this figure, although this level is still too high.

More than ever, the Québec economy is open to the world. Its structure, which combines high technology and more conventional activities, is the envy of other nations.

In the social sphere, we have made significant progress in deploying solidarity. Specifically, we have recognized the social economy, introduced places at \$5 a day in day care centres and adhered to a zero poverty guarantee for the least privileged members of society. In particular, it is noteworthy that, over the last three years, more than 75 000 households have relinquished social aid and are now integrated into the labour market.

Our cultural life is attaining remarkable levels of refinement, from the standpoint of both originality and variety. Moreover, it is being enriched by women and men who have come from outside Québec and been welcomed with open arms to become part of our national life.

Many foreigners residing for some time in Québec say that to live here is like living simultaneously in Europe and North America. This is a wonderful compliment and a model worthy of development.

We must pursue even more diligently our quest to improve our lifestyle and the art of living in general.

On the eve of the third millennium, the Québec people can contemplate with satisfaction the progress it has made throughout its long history fraught with numerous obstacles. Above all, it must ask itself about the new steps that it wishes to take to better realize its ambitions and dreams. Given what we have accomplished within the tight confines of our status as a province, we can readily imagine what we would do with our full national freedom.

This is why I believe that, before long, our people will choose the future that suits it, as Robert Bourassa put it in this chamber on June 23, 1990, in the manner of a society that is free to assume its destiny and development. By that time, we will have fulfilled the promise of these beautiful lines by the great Pauline Julien, who passed away recently:

“It is for love that we change our story  
It is for love that we change history.”

Mr. President, I wish to assure you that it is love for our homeland that has guided and motivated the many devoted women and men who helped me prepare this Budget that I proudly submit to the scrutiny of the National Assembly.

**GOVERNEMENT DU QUÉBEC**  
**BUDGETARY REVENUE**  
**1999-2000 FORECAST**  
(in millions of dollars)

<b>Own-source revenue</b>	
Income and property taxes	
Personal income tax	15 293
Contributions to Health Services Fund	4 083
Corporate taxes <sup>1</sup>	3 325
	22 701
Consumption taxes	
Retail sales	6 369
Fuel	1 618
Tobacco	468
	8 455
Duties and permits	
Motor vehicles	659
Alcoholic beverages	136
Natural resources <sup>2</sup>	291
Other	165
	1 251
Miscellaneous	
Sales of goods and services	503
Interest	310
Fines, forfeitures and recoveries	348
	1 161
Revenue from government enterprises <sup>3</sup>	
Société des alcools du Québec	431
Loto-Québec	1 118
Hydro-Québec	1 233
Other	155
	2 937
Consolidated organizations	1 779
<b>Total own-source revenue</b>	<b>38 284</b>
<b>Government of Canada transfers</b>	
Programs:	
Equalization	4 385
Canada Health and Social Transfer	1 682
EPF and other programs related to fiscal arrangements	15
Other programs	577
Consolidated organizations	249
<b>Total Government of Canada transfers</b>	<b>6 908</b>
<b>Total budgetary revenue</b>	<b>45 192</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.

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**GOUVERNEMENT DU QUÉBEC**  
**BUDGETARY EXPENDITURE**  
**1999-2000 FORECAST**  
(in millions of dollars)

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**Operating expenditure**

Program spending – 36 238

Consolidated organizations – 1 355

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**Total operating expenditure – 37 593**

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**Debt service**

Consolidated Revenue Fund – 6 934

Consolidated organizations – 665

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**Total debt service – 7 599**

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**Budgetary expenditure – 45 192**

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**GOUVERNEMENT DU QUÉBEC**  
**NON-BUDGETARY TRANSACTIONS**  
**1999-2000 FORECAST**  
(in millions of dollars)

<b>Investments, loans and advances</b>	
<input type="checkbox"/> <b>Consolidated Revenue Fund</b>	
GOVERNMENT ENTERPRISES	
Shares and investments	– 361
Change in the equity value of investments <sup>1</sup>	– 916
Loans and advances	1
	<b>– 1 276</b>
INDIVIDUALS, CORPORATIONS AND OTHERS	– 22
MUNICIPALITIES AND MUNICIPAL BODIES	2
	<b>– 1 296</b>
<input type="checkbox"/> <b>Consolidated organizations</b>	<b>38</b>
<b>Total investments, loans and advances</b>	<b>– 1 258</b>
<b>Capital expenditures</b>	
<input type="checkbox"/> <b>Consolidated Revenue Fund</b>	
Net investment	– 107
Amortization	367
	<b>260</b>
<input type="checkbox"/> <b>Consolidated organizations</b>	<b>– 560</b>
<b>Total capital expenditures</b>	<b>– 300</b>
<b>Retirement plans</b>	
Employer and employee contributions	3 871
Benefits and other payments	– 2 431
<b>Total retirement plans</b>	<b>1 440</b>
<b>Other accounts</b>	
<input type="checkbox"/> <b>Consolidated Revenue Fund</b>	<b>354</b>
<input type="checkbox"/> <b>Consolidated organizations</b>	<b>4</b>
<b>Total other accounts</b>	<b>358</b>
<b>Total non-budgetary transactions</b>	<b>240</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**  
**1999-2000 FORECAST**  
(in millions of dollars)

<b>Change in cash position</b>	
<input type="checkbox"/> Consolidated Revenue Fund <sup>1</sup>	<b>2 814</b>
<input type="checkbox"/> Consolidated organizations	<b>– 187</b>
<b>Total change in cash position</b>	<b>2 627</b>
<b>Change in direct debt</b>	
<input type="checkbox"/> Consolidated Revenue Fund <sup>1</sup>	
New borrowings	2 758
Repayment of borrowings	– 5 195
	<b>– 2 437</b>
<input type="checkbox"/> Consolidated organizations	
New borrowings	1 299
Repayment of borrowings	– 602
	<b>697</b>
<b>Total change in direct debt</b>	<b>– 1 740</b>
<b>Retirement plans sinking fund</b>	<b>– 1 127</b>
<b>Total financing of transactions</b>	<b>– 240</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 Considering the pre-financing of \$2 814 million in borrowings in 1998-1999.