

2001-2002 BUDGET

FORGING STRONG LINKS

Québec City, March 29, 2001 – Deputy Prime Minister and Minister of State for the Economy and Finance Pauline Marois tabled in the National Assembly a balanced budget for the third consecutive year. She said she was proud to be able to offer Quebecers new income tax reductions of \$3.5 billion while meeting their expectations in terms of improving public, health and education services. The Minister also announced that the government would devote \$300 million to fight poverty, allocate \$800 million over three years to the resource regions and reduce the debt by a half a billion dollars. “These thrusts enable us to continue to strengthen each of the links composing our society”, Ms. Marois said. “Although we must exercise caution as we look to the future, the **2001-2002 Budget Speech** gives us an opportunity to redistribute the prosperity we have regained and to propose a series of concrete actions to ensure that development and growth continue”.

Sustained economic growth

Remarkable economic results have been achieved at the end of 2000-2001. Economic growth has exceeded the 3.3% forecast, and has reached 4.3%. About 80 000 jobs were created in 2000, bringing the unemployment rate to 8.4%, the lowest level in 25 years. No fewer than 140 000 adults and 100 000 children have left the social assistance ranks since 1996.

For 2001, the government anticipates growth that, without achieving the records of 2000, will be an average of 2.7%. “The 2001-2002 Budget”, the Minister said, “demonstrates healthy foresight, given the prospect of a slowing economy, by using two means at the government’s disposal to shore up the economy: increase the purchasing power of taxpayers through reductions in income taxes and increase investments in strategic sectors”.

Offensive against poverty and exclusion: \$300 million

While Québec is distinguished by an income tax system that is more progressive than elsewhere in North America, and a system of protection for low-income earners that is among the most generous, the government acknowledges that still more must be done to improve the situation of the most disadvantaged. This is why \$300 million will be injected into new initiatives to fight poverty.

First, the social assistance benefits of households considered able to work will be increased by 2.5% next June. Then, the Minister announced that, to encourage long-time social assistance recipients to return to work, the government was creating a new program, Action emploi.

Furthermore, \$100 million will be used to meet the most urgent needs, particularly in regard to social housing.

Income tax reduction: \$3.5 billion over three years

Ms. Marois announced a substantial new reduction in personal income tax totalling \$3.5 billion over the next three years. With the income tax reductions this year added to those of last year, Québec taxpayers will enjoy an average income tax reduction of 20% in 2002, i.e. a savings of \$1 410 per household.

All households will benefit from this new income tax reduction, but special emphasis will be placed on the middle class and families. A couple with two children, two employment incomes and a family income of \$50 000 will see their income tax reduced by a cumulative amount of \$2 141 in 2002. That means a reduction of 43% in their income tax.

Ms. Marois indicated that the three rates of 18%, 22.5% and 25% in the taxation table will be reduced to 16%, 20% and 24%, respectively, in July 2001.

Lastly, the Minister added that the automatic indexation of the tax system announced last year for 2003 will go into effect one year earlier, on January 1, 2002.

\$2 billion more for health and social services

One of the chief concerns of Quebecers is access to health services. As Ms. Marois stressed, “the government believes that everyone must have access to the most adequate care, without unduly long waiting periods, regardless of his or her financial situation”. This is why it is injecting \$1.3 billion in health and social services. That amount is added to the very substantial sums earmarked for health since 1997-1998.

In addition, \$600 million is allocated to modernize the network and to begin to implement the recommendations of the Clair Commission, particularly that concerning family medicine units that will serve the public 24 hours a day, seven days a week.

The Minister also announced that special budgets would be granted to strengthen basic services for children and youth, develop new services geared to the needs of older persons losing their autonomy, and prevent gambling from taking its toll on families.

Education and youth: \$730 million more

“We must devote large sums to modernizing our education system to ensure that it remains among the top-ranking systems in industrialized countries, and because education is our best investment in the future”, Ms. Marois said in her **Budget Speech**.

Hence, additional resources of \$730 million are allocated to education for , in particular, enhancing the action plan for school success, improving the loans and bursaries program and creating a reserve of \$200 million. The reserve will help to facilitate the education reform, particularly through better support for personnel, and will make it possible to modernize the network.

The Minister added that this envelope would also make it possible to meet all the commitments made at the Québec Youth Summit.

Economic development of the resource regions: \$800 million over three years

“For Québec to be strong, each link must be strong as well”, Ms. Marois said when tabling the resource regions economic development strategy. An \$800-million budget is earmarked for the strategy over the next three years. The Minister also indicated that the government would present in each region details of the five series of major measures placed at the regions’ disposal, i.e.:

- an income tax, capital tax and payroll tax holiday for manufacturing SMEs in remote resource regions, applicable immediately and for 10 years;
- a tax credit of 40% on salaries for jobs created in secondary and tertiary resource processing businesses;
- \$145 million for diversification of the economy and the development of niches of excellence in emerging and promising sectors, including aluminum, hydrogen and resources, sciences and marine technologies;
- \$265 million for the development of natural resources;
- initiatives to facilitate financing of SMEs and the creation of businesses.

The knowledge-based economy: key links in our growth

Ms. Marois indicated that she intended to devote considerable energy to job creation. To that end, she announced an increase in the envelope for the FAIRE program from \$100 to \$250 million. That program, which targets support for private investment and employment recovery, has met with great success, considering that 41 000 jobs have already been created or maintained, instead of the 28 000 anticipated by 2003.

A total of \$370 million will be devoted to various initiatives aimed at reinforcing Québec advantageous position in the knowledge-based economy. The government will provide \$250 million for developmental projects in the areas of research and innovation, \$35 million to finance the Institut national d’optique and \$15 million to increase the number of graduates in that field. Québec will set up a biotechnology development centre in Laval, supported by tax credits for the new economy. Lastly, a budget of \$50 million will be used to finance various research initiatives.

The Minister also announced that the amounts assigned to improving the road network will be increased to \$865 million, which will make it possible, in particular, to further the implementation of Montréal's and Québec City's transportation plans.

Underscoring the fact that Quebecers want to live in a milieu that is as respectful as possible of the environment, Ms. Marois announced that the government would invest in a joint power line burial program, and would allocate \$40 million that will be used particularly to implement a water management policy, support the reduction of agricultural pollution, bolster the program to reduce greenhouse gases and facilitate the rehabilitation of contaminated land and waste management. Lastly, she indicated that the government would provide \$15 million to improve food safety through a system for tracing foods from the farm to the table.

Investing in the vitality of our culture

In her speech, the Minister stressed: "The arts and culture constitute a sector where jobs can be created but, more particularly, they play a role in the identity of our people. Québec culture reveals us to ourselves and to the world at large, and that is why our government will continue to support the creation, production and dissemination of Québec culture".

To this end, the government is granting an additional \$33 million over four years to the Conseil des arts et des lettres du Québec, \$23 million for initiatives to support cultural development, \$12 million over five years to enable Télé-Québec to strengthen its cultural mandate, an additional \$30 million for programs to support cultural facilities and restore heritage property, and, lastly, a \$16-million envelope to establish two museum repositories for our collective heritage, one in Montréal and the other in the National Capital.

Zero deficit and debt reduction

The Minister concluded by underlining that the 2001-2002 Budget is characterized by fairness, discipline and foresight:

- fairness in the redistribution of budgets among everyone but also among the regions that compose Québec;
- discipline in managing public finances;
- foresight, particularly in establishing a four-pronged reserve to meet needs in health and social services, education, research and social solidarity.

Ms. Marois said in that regard: “In order to manage excess amounts in a disciplined and transparent manner, with a concern for meeting the needs of the people, the government decided to equip itself with an adapted tool enabling it at the same time to exercise rigorous control over the management of these funds”.

She added: “We have eliminated the deficit, reduced income taxes and improved the financing of public services, but we will do even more. We will reduce the debt by a half a billion dollars”. “I am part of a government that is determined to build a promising future for the generations to come. Managing with discipline and reducing the debt are excellent ways to leave for future generations a heritage of which we can be proud”, she concluded.

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