

Section 2

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1. PERSONAL SAFETY PLAN

Since September 11, Quebecers have been more concerned about their individual and collective safety. As a result, the government is implementing an array of measures designed to enhance mitigation and emergency response (police, firefighters, municipalities, etc.), as well as better organized support for Quebecers. A total of \$8.2 million has been allocated for these measures in 2001-2002, and \$35 million in 2002-2003 and subsequent years.

1.1 Intelligence and investigation

Additional resources will be granted in order to reinforce intelligence activities devoted to combating terrorism and enhance response capability throughout the territory.

These measures also include, in particular, establishing a control centre for the coordination of front-line activities, stepping up emergency-response support services, providing training sessions for front-line emergency workers and ensuring the security of Québec delegations and other offices located abroad.

Additional appropriations of \$5 million will be allocated in 2001-2002, and \$27 million in 2002-2003 and subsequent years.

1.2 Immigration and identity control

In matters of immigration, measures have been proposed in order to tighten checks on prospective immigrants, ensure the integrity and security of information systems, reinforce operational controls and enhance coordination with the various partners involved.

In matters of identity control, measures will be taken to make practices in issuing and using Québec acts of civil status more secure.

Additional funds of \$1.2 million will be injected into the 2001-2002 budget of the ministère des Relations avec les citoyens et de l'Immigration, and \$3 million in 2002-2003 and subsequent fiscal years.

1.3 Civil protection and fire prevention

The threat posed by chemical and biological contaminating agents has considerably augmented the workload of civil protection authorities.

Thus, when a threat of this type is reported in a building or public place, it is imperative to mobilize a response team composed of firefighters, police officers, ambulance attendants and other emergency workers, who are

specially equipped and trained to act efficiently, ensure security, provide assistance and perform decontamination, if needed, within the perimeters or buildings evacuated.

The aim of this measure is to set up three multi-disciplinary response teams based in Montréal, Québec City and Hull, which can be mobilized and deployed throughout Québec to provide basic yet adequate protection with regard to potential risks.

Moreover, an integrated monitoring centre will be set up to ensure rapid response and the mobilization of rescue, assistance and communication missions. This centre will have a monitoring, readiness and communication capability and be equipped to provide information consolidation and harmonization services 24 hours a day, 365 days a year.

To fund these measures, additional appropriations of \$1 million will be added to the 2001-2002 budget of the ministère de la Sécurité publique, and \$2.4 million in 2002-2003 and subsequent fiscal years.

1.4 Biofood monitoring

The biofood sector also merits particular attention. Rapid response and accurate diagnoses are priority number one. In 1992, Québec set up an animal health warning and information system (RAIZO). This system detects and monitors the onset of disease or symptoms that could affect human or animal health.

This system will be consolidated to improve surveillance and augment the speed and effectiveness of response and monitoring. This will result in an improved capability for identifying the substances involved thanks to the upgrading of existing equipment and the addition of more sophisticated facilities, including two laboratories that meet operational requirements, one of which comprises a necropsy room.

An additional \$0.5 million will be injected into the budget of the ministère de l'Agriculture, des Pêcheries et de l'Alimentation for fiscal year 2001-2002. For subsequent years, the department's budget will be increased by \$1.3 million annually.

1.5 Actions relating to decontamination

The key issue in the health sector is our response capability when dealing with people who may be infected by chemical or biological agents.

Currently, to respond to a biological incident, the health sector can activate the Québec emergency plan for infection control, which targets extreme surveillance diseases, call on a network of sentinel physicians available throughout Québec 24 hours a day, seven days a week, and rely on a

laboratory analysis capability for the substances involved. Additional measures will be taken, i.e. the development of current laboratory capacity and the capability to decontaminate victims of chemical or biological infection, the purchase of protective equipment and related supplies for ambulance attendants, the pre-positioning of medication and antidote reserves in strategic locations, screening for infectious diseases and improved capability for the identification of the substances involved.

Additional appropriations of \$0.2 million will be injected into the 2001-2002 budget of the ministère de la Santé et des Services sociaux, and \$0.6 million in 2002-2003 and subsequent fiscal years.

1.6 Security of government buildings

The ministère de la Sécurité publique will assess the security risks to buildings that house ministerial suites and major service centres in which several government departments and agencies are grouped.

Over and above the costs assumed by the Société immobilière du Québec, additional appropriations of \$0.3 million will be injected into the 2001-2002 budget of the ministère de la Sécurité publique, and \$0.7 million in 2002-2003 and subsequent fiscal years.

2. INDEXATION OF SOCIAL ASSISTANCE BENEFITS

To improve the situation of recipients, the benefit paid under the employment-assistance program will be indexed by 2.7% beginning January 1, 2002. This indexation will apply to all benefits paid under the program, including those provided for persons who do not have a severely limited capacity for employment. Households receiving employment assistance (currently almost 360 000) will be eligible for an increase in their monthly benefit of up to \$30, depending on their composition.

In order to provide this financial support to persons who do not have a severely limited capacity for employment, the ministère de l'Emploi et de la Solidarité sociale will receive \$12 million for 2001-2002, and \$46 million for subsequent years. For persons who do have a severely limited capacity for employment, the amounts of \$7 million in 2001-2002 and \$29 million in subsequent years have already been taken into account in the budget of the department concerned.

3. PUBLIC-SECTOR INVESTMENT ACCELERATION PLAN

Public-sector investments are an important means, for the government, of stimulating the Québec economy without jeopardizing its goal of a zero deficit. The cost of these investments is amortized over several years, which means that their budgetary impact will not be felt until after the economy has recovered. These investments not only contribute to fulfilling the various needs of Québec society, but also provide direct support to the economy and boost job creation in all regions of Québec.

With a view to maintaining Quebecers' confidence in their economy, the government intends to carry out a number of useful, necessary projects earlier than originally scheduled.

3.1 The public-sector investment acceleration plan

The public-sector investment acceleration plan comprises \$2.5 billion worth of investments, a considerable portion of which will be made by July 2002. These investments are over and above the \$7.1 billion in investments already provided for under the government's three-year plan for fiscal years 2001-2002 through 2003-2004, for a total of \$9.6 billion worth of projects to be carried out over the next three years. This 2001-2004 three-year capital expenditure forecast includes three envelopes:

- \$3.3 billion for the maintenance of assets consisting mainly of maintenance and repair work on buildings and equipment owned notably by establishments in the health and social services and education sectors, as well as roadworks;
- \$2.5 billion for the completion of construction or expansion projects already under way;
- \$1.3 billion for the carrying out of new initiatives in various sectors targeted by the three-year capital expenditure forecast.

Québec government corporations have also committed to accelerating a number of investment projects worth \$500 million. All told, the investments of Québec's public and parapublic sectors that will be made earlier than anticipated total \$3.0 billion.

BREAKDOWN OF PUBLIC-SECTOR INVESTMENTS BY SECTOR

(in millions of dollars)

	Investment acceleration plan	Three-year capital expenditure forecast	Total
Health and social services	500	1 750	2 250
Education	400	1 621	2 021
Transport:			
☐ Public transit	—	689	689
☐ Road network	400	2 193	2 593
	400	2 882	3 282
Research, science and technology	100	250	350
Municipal affairs and Greater Montréal:			
☐ Québec-Municipalités infrastructure program	350	267 ¹	617
☐ Affordable housing and social and community housing	457	20	477
	807	287	1 094
Culture	100	262	362
Child and family welfare	50	—	50
Information technology	100	95	195
Total	2 457	7 147	9 604

1 Includes investments of \$104 million earmarked for drinking water and wastewater treatment programs.

Since the cost of these investments will be amortized over several years, the impact on government expenditure is estimated at \$75 million for 2002-2003 and \$150 million for 2003-2004.

3.2 Breakdown of investments by sector

The monies that will be invested in the sectors of health and social services, education, culture, child-care services and affordable housing and social and community housing will enable the various needs of Québécois to be met. As for the investments that will be made in research, the road network and municipal infrastructures, as well as the \$500 million invested by government corporations, they will contribute to enhancing the competitiveness of the Québec economy.

The public-sector investment projects are broken down by sector as follows.

An additional \$500 million for health care

The projects to be carried out in the health and social services sector will account for a substantial portion of the public-sector investment acceleration plan. A total of \$500 million will be invested with a view to improving public services. This amount will be allocated as follows:

- a considerable portion of this \$500-million amount will be used for the construction and renovation of residential and long-term care centres, as well as for the expansion and renovation of hospitals, especially emergency wards;
- additional amounts will be granted to carry out maintenance, upgrading, modernization and security enhancement in the health and social services network. Thus, a project to improve the security, architecture and electrical system of the Centre hospitalier des Vallées de l'Outaouais will be carried out;
- certain buildings will be retrofitted with additional equipment, such as digital X-ray devices. The information processing and interchange systems will be upgraded with a view to improving diagnoses, the treatment given to patients and the efficiency of the health-care system in general, and especially to facilitate the creation of family medicine units. Furthermore, this plan will allow the automation of the clientele systems in the youth centres of Québec to be completed.

An additional \$400 million for education

Under the public-sector investment acceleration plan, \$400 million will be allocated to the education sector to improve and upgrade the technological and capital assets of the education network, as well as the two agricultural technology institutes. Teachers will thus be better equipped to educate our young people, as shown by the examples below:

- educational institutions at the elementary, secondary, college and university levels will receive an increase in their budgets for asset maintenance, which will allow the quality of instructional premises to be improved;
- part of the envelope will be used to support the development, in rural communities, of a broadband fibre-optic telecommunications network for all public institutions;
- part of the available envelope will be used for the construction of university and school buildings in order to better serve the student clientele and increase the enrolment capacity of our educational institutions. For example, the government will contribute to the construction of a pharmacy building and administrative premises for Technopole-Montréal at the Université de Montréal, and the renovation of

the two agricultural technology institutes in La Pocatière and Saint-Hyacinthe;

- lastly, a specific envelope will be earmarked for the construction of new buildings and laboratories and the refurbishing of premises for vocational and technical education.

\$400 million for the improvement of the Québec road network

The road network is an essential tool in the economic development of Québec as a whole, and particularly the regions. Many roads in Québec require major repairs, but it is also important that their preventive maintenance not be neglected, to obviate the need for even more costly repairs in a few years' time.

The public-sector investment acceleration plan devotes \$400 million to improvement of the road network, which is the first phase of the \$3-billion, ten-year action plan set out by the Minister of Transport, who will be announcing the details of this plan shortly. It will be recalled that in 2002-2003, the ministère des Transports was scheduled to make investments of \$990 million, which allowed work to be begun on the Greater Montréal Area Transportation Management Plan, the Capitale Nationale transportation plan and the regional action plans announced in the last Budget. With the injection of \$400 million under the new plan, the ministère des Transports will perform work worth \$1 390 million in 2002-2003.

An additional \$350 million for a Québec-Municipalités infrastructure program

A new Québec-Municipalités infrastructure program will be established to allow for the carrying out of infrastructure work in the areas of drinking water supply, wastewater collection and treatment, and local road networks. It will also allow for the implementation of numerous projects with economic, urban or regional repercussions (notably the capital expenditure required for the creation of the new amalgamated cities). The Québec government will inject \$350 million into this new program, \$150 million of which will be set aside for local road networks and work with economic repercussions. The municipalities will be encouraged to invest a matching sum, which will enable \$700 million worth of work to be performed. The government will contribute, among other projects, to the first phase of the construction of catchments on the Saint-Charles river.

If the federal government responds favourably to the invitation to make a financial contribution equivalent to that of Québec, i.e. \$350 million, the projects that have been launched at the municipal level will total \$1 050 million.

These investments are over and above the work valued at more than \$1.9 billion that public and private partners have already committed to carrying out in the municipal sector, under the Canada-Québec Infrastructure Program and the Infrastructures-Québec program.

\$100 million for research, science and technology

For several years, the Québec government has encouraged the development of the knowledge-based economy. One of the ways to achieve this is to accelerate the implementation of the science policy and support major strategic initiatives in the research and innovation field.

The current public-sector investment acceleration plan devotes \$100 million, in addition to the three-year envelope of \$250 million allocated in the 2001-2002 Budget Speech, to the implementation of various projects in the research and innovation field, under the authority of the ministère de la Recherche, de la Science et de la Technologie, the ministère de l'Éducation and the ministère de la Santé et des Services sociaux.

Among other things, this additional envelope will allow for:

- the construction of an optics and photonics research centre at Université Laval;
- the expansion of the Clinical Research Institute of Montreal;
- the construction of a test bed for three wind turbines in the Gaspésie region.

\$457 million for affordable housing and social and community housing

The Société d'habitation du Québec will participate in a new Canada-Québec shared-cost program designed to stimulate the supply of affordable housing to ease the housing crisis. An agreement with the federal government is being prepared and should be signed by the end of the year. Originally, this program provided for the construction of 6500 housing units over the next four years. Under the public-sector investment acceleration plan, the timeline will be reduced to two years if the federal government agrees to participate in the acceleration effort sought by Québec. A total of \$485 million will be invested in this new program by all partners, including the \$105-million contribution made by the Société d'habitation du Québec.

The government is also increasing, by \$7 million in 2001-2002, the current envelope of \$43 million allocated to the AccèsLogis program. Moreover, the program will be prolonged for five years, with funding of \$50 million annually.

The budget envelope for the Revitalizing Older Neighbourhoods Program will be increased to \$57.5 million per year for two years, which means that the Québec government will contribute an additional \$95 million over two years. Furthermore, this program, in addition to revitalizing older urban neighbourhoods, will be extended to rural communities.

All told, over the next two years, the government will invest \$307 million in the affordable housing sector, and \$150 million in subsequent years.

\$100 million for cultural facilities

The public-sector investment acceleration plan provides for investments of \$100 million in the cultural sector for the following initiatives:

- contribution to the building or renovation of cultural venues – including libraries, museums, performance halls, and training, production and dissemination centres – and to the upgrading of the specialized facilities used in training, programming, dissemination and conservation activities in the various networks, including the those used by Québec's national institutions;
- contribution to restoration work to ensure the safeguard, protection and enhancement of our national heritage, including places of worship;
- as part of the book and reading policy, one of the major focuses of which is the development of the population's reading habits from a young age, contribution to the enrichment of book collections, multimedia documents and other sources of learning, in close partnership with all municipalities and their public library networks and with early childhood centres;
- as part of the continued implementation of Québec's museum policy, contribution to accelerating the renewal of exhibitions in museums throughout Québec.

\$50 million for early childhood centres

Under the public-sector investment acceleration plan, a budget of \$50 million has been earmarked for the construction of early childhood centres.

\$100 million for information technology

The public-sector investment acceleration plan will allocate \$100 million for the information technology systems of certain departments in order to improve the quality of the services delivered to the public. The projects to be carried out will provide for, among other things:

- the development and upgrading of the information technology systems of the ministère du Revenu;
- the implementation of an integrated judicial information system, designed for the electronic interchange of reliable information among all those involved in the administration of justice in criminal, penal, civil and youth matters, throughout Québec;
- the modernization of the government's business register, to enable enterprises to transact business with the government more easily and rapidly.

3.3 Invitation to partners

The recovery of the Québec economy will be even more vigorous if all economic players agree to participate in this far-reaching collective effort.

The Québec government's partners, namely, the federal government, the municipalities, public, parapublic and private organizations, and private enterprise, also have vast financial resources at their disposal. The financial participation of a greater number of partners would multiply the leverage that the \$2.5 billion invested by the Québec government will give to our economy. These partners are thus encouraged to take part in the investment projects presented as part of this public-sector investment acceleration plan.

A special invitation goes out to the federal government, which has even more substantial financial resources at its disposal than those of the government of Québec.

4. FINANCIAL SUPPORT FOR BUSINESSES

4.1 FAIRE program

FAIRE envelope increased

Increasing private investment is a powerful component of the government's strategy to promote growth in the economy and in employment. One of the ways the government has used to stimulate private investment is the Private Investment and Job Creation Promotion Fund (FAIRE).

Since 1998-1999, the FAIRE program has helped initiate investment projects worth \$11.3 billion that will help create and preserve over 56 000 jobs. The marked downturn in the world economy, exacerbated by the tragic events of September 11, is having an effect on the economic situation in Québec.

Accordingly, to foster a rapid economic recovery and step up the pace of private investment in Québec, the envelope of the FAIRE program is being increased and the program will be extended until 2004-2005.

The commitment envelope is raised by \$850 million for the period 2001-2002 to 2004-2005, enabling additional commitments in the amount of \$150 million in 2001-2002, \$200 million in 2002-2003 and \$250 million respectively for 2003-2004 and 2004-2005.

For the current fiscal year, the cost of this measure will be borne by the ministère des Finances. The budgetary envelope will be increased by additional funding of \$57.5 million in 2002-2003 and \$140.5 million in 2003-2004.

Furthermore, La Financière du Québec will henceforth administer the FAIRE program.

FAIRE program broadened

The financial assistance available under the FAIRE program is for an investment project that totals more than \$10 million or create at least 100 jobs in the business that carries it out. For some types of project, the minimum investment can be lower, in particular for an initial establishment in Québec, or for mining sector, multimedia, call centres and distribution centres projects.

The minimum threshold for eligible investment projects is lowered from \$10 million to \$5 million until March 31, 2003. In addition, the minimum threshold of 100 jobs is lowered to 50 jobs for the same period. This broadening of opportunity will help accelerate investment and help stem the potential slowdown resulting from the economic situation. There is no change to the program's other eligibility conditions.

Henceforth, eligible activities under the FAIRE program will include the wind-power production sector. Furthermore, the government intends to examine the situation of the growth of private companies in the high-technology sector and, more specifically, those in the biotechnology sector. In this regard, innovative financing solutions will be studied and, if need be, changes may be made to the FAIRE program, in particular.

Adjustment to the terms of the FAIRE program governing its interaction with certain fiscal measures

As the FAIRE program currently stands, financial contributions may not be made, or may be made only subject to certain restrictions, to businesses if they decide to avail themselves of certain fiscal measures the government has implemented in recent years.

For instance, businesses must forego the benefits of the tax holiday for major investment projects if they wish to obtain a contribution under the FAIRE program. Businesses must pay a penalty if they receive benefits under this fiscal measure after having obtained a contribution under the FAIRE program.

Furthermore, expenditures that give rise to tax credits, as well as the expenditures associated with them, are not eligible under the FAIRE program. This restriction prevents businesses from benefiting from the FAIRE program if they receive tax credits for the resource regions that were introduced in the last Budget Speech.

These restrictions were designed to ensure that the financial support granted directly or indirectly to businesses by the government remained reasonable in relation to the financial contributions of the other partners involved in the financing of eligible projects.

However, the impossibility or difficulty for businesses to gain access both to the FAIRE program and to these fiscal measures prevents them from benefiting from the distinct advantages of each of these tools and thus does not maximize their potential for accelerating the completion of investment projects in Québec. The financial contributions provided under the FAIRE program help businesses obtain the financing they need to carry out their projects, while the funds obtained through fiscal measures improve the expected return of the project. Access to both these government financial tools would accordingly help provide the financial conditions needed to

carry out their projects. The restrictions of the FAIRE program affect more specifically projects eligible for the ten-year tax holiday for major investment projects and the tax credits granted since the last Budget Speech to businesses located in the resource regions.

The terms and conditions of the FAIRE program will therefore be changed to allow businesses to access the program even if they decide to avail themselves of the ten-year tax holiday or the tax credits for the resource regions. In the latter case, the expenditures giving rise to tax credits and the expenditures associated with them may be considered eligible for the program, and the provisions relating to the accumulation of assistance will be adjusted accordingly.

However, in order to maintain the direct and indirect government contributions provided for each project at a reasonable level, businesses will pay a premium to La Financière du Québec that is less than the amount currently stipulated under existing terms and conditions. This premium will correspond to 100% of the amount of non-repayable contributions, including waivers of interest, 15% of the amount of repayable contributions and 10% of the amount at risk attached to a guaranteed loan.

These payments will be made each year from the profits generated by the fiscal measures and the annual amount of such payments may not exceed 50% of the annual profits generated by both fiscal measures. Furthermore, in the case of the tax credits for the resource regions, the premium will be payable only for the portion of the budget impact exceeding the maximum threshold of 15% of eligible expenditures or 15% of eligible payroll.

4.2 SMB Guarantee program

Access to loans broadened

The SMB Guarantee program guarantees repayment of losses on loans provided by financial institutions. In view of the difficulties small and medium-sized businesses encounter in obtaining loans for certain projects, the terms and conditions of the SMB Guarantee program were changed in the last Budget Speech to make it easier for businesses located in the resource regions to obtain loans under the SMB Guarantee program.

Given the economic slowdown in Québec, the terms and conditions of the SMB Guarantee program will be changed yet again to allow loans to be provided for businesses throughout Québec when this vehicle is considered more appropriate than a loan loss repayment guarantee.

A loan may be provided if a business in need of such financing receives no offers from financial institutions after it has exhausted the possibilities available on the market. In addition, La Financière du Québec may provide a loan if the conditions offered by financial institutions are such that the survival of the project could be jeopardized. La Financière du Québec will

provide such loans on a business basis while taking care not to take the place of players on the business financing market.

The notion of last resort is still reserved for initiatives tied to the acquisition of capital stock or cooperative shares of a business.

Program broadened to provide working capital assistance

A number of businesses operating in various economic sectors are contending with financial difficulties because of the current economic situation. Their production and employment levels are temporarily at risk because of liquidity problems. This situation threatens the survival of businesses that are well-managed and have reasonable prospects of a return to profitability.

In this context, working capital assistance will be set up for all activities eligible for the SMB Guarantee program. Financial assistance under this component will consist of a loan or loan repayment guarantee covering up to 80% of the net loss. Eligible businesses must not be part of a conglomerate.

Furthermore, the assistance may not be used to consolidate or refinance any existing loans. Interest payments and principal repayment may be deferred for up to one year from the date of the first loan disbursement. Deferred interest will be capitalized. The capital and the capitalized interest must be paid back over a maximum period of five years from the first loan disbursement or from the end of the moratorium.

This measure should help provide \$100 million in loans or loan guarantees. Loan loss provisions have been estimated at 45%. La Financière du Québec will cover 7.5% of the eventual losses incurred.

The terms and conditions will be adjusted to enable La Financière du Québec to assume, on an interim basis, loans associated with an eligible project upon the withdrawal of the lending institution. This provision will apply exclusively when a new lender, a new source of financing or both have undertaken to assume these loans. The government, by means of this measure, wants to ensure that the survival of businesses is not threatened because of the time needed to reach a refinancing agreement that may include a change to the financial structure of the business. The measure will expire on March 31, 2003.

4.3 SMB Spark program

The funding program for small businesses, SMB Spark, was introduced in 2000-2001 for new businesses and those active for less than three years with sales of less than \$1 million. This program is currently administered by

Investissement Québec and offers an 80% repayment guarantee for the net loss on a loan provided by a lender.

In the current economic situation, many eligible businesses are encountering problems obtaining loans from financial institutions to finance their investments.

Accordingly, the SMB Spark program will be changed to allow La Financière du Québec to provide loans of last resort to eligible businesses. The government will continue to fully cover any losses that may arise from the contributions provided under this program.

Additional funding of \$13.2 million will be added to the 2002-2003 budget envelope of the ministère des Finances for all these extra measures designed to help small and medium-sized businesses through the current economic downturn.

4.4 Modernization of the pulp and paper industry

The pulp and paper industry is a pillar of Québec's economy and plays an important role in the regions. With the industry in a rationalization phase, the survival of some plants is threatened because of outdated machinery or manufacturing processes. The 2000-2001 Budget Speech recognized the need to modernize these plants so they could face the competition and it announced the creation of INNO-PAP along with funding of \$100 million for this non-profit organization. INNO-PAP could thus make a financial contribution to major investment projects designed to modernize less productive plants in Québec and, in so doing, help maintain regional employment.

INNO-PAP has already committed its initial \$100 million in funding. The industry continues to rationalize and the economic downturn makes it necessary for INNO-PAP to continue its investment activities. The commitment envelope of INNO-PAP will therefore be raised by \$30 million for the period ending March 31, 2003 to accelerate investment projects in the pulp and paper sector. The financing will be provided from the envelope of the FAIRE program.

4.5 Business competitiveness

The Minister of Industry and Commerce will soon announce temporary measures to prompt businesses to maintain or create jobs in promising fields and to prepare for the recovery by hastening the realization of projects designed to improve their competitiveness.

These measures will consist of a temporary improvement to three components of the Impact PME program. The Aide à la concrétisation des projets industriels (PACPI) program will also be temporarily improved to encourage businesses to develop new products. The financial impacts of these measures will be covered from available funds of the ministère de l'Industrie et du Commerce.

5. SUPPORT FOR THE SOCIAL ECONOMY

The social economy sector in Québec represents nearly 5 000 businesses and approximately 50 000 jobs. It contributes to the development of the Québec economy and also enables social needs to be met.

5.1 Development fund for social economy businesses

Since the 1996 Summit on the Economy and Employment, more than 15 000 jobs and approximately 1 000 new businesses have been created in the social economy.

Local development centres (CLDs) provide support for the creation of businesses in the social economy, through their development fund for social economy businesses. To continue developing businesses and enable projects to be carried out in this sector, \$12 million will be allocated over three years, as of 2001-2002.

To carry through on these commitments, the budgets of the ministère des Régions and the ministère des Affaires municipales et de la Métropole will be increased by \$2.7 million and \$1.3 million, respectively, in 2002-2003 and 2003-2004. The funds already allocated will cover spending for 2001-2002.

5.2 Financial assistance program for domestic help services (PEFSAD)

Created in 1997, the financial assistance program for domestic help services (PEFSAD) has provided households with financial support ranging from \$4 to \$10 an hour, on the basis of their financial situation, so that they can afford housekeeping services. Each year, close to three million hours of services are provided to over 35 000 persons by the 103 domestic help businesses in the social economy.

With a view to acting on commitments made in June, the annual budget for the PEFSAD program will be increased from \$32 million to \$36 million. Accordingly, \$4 million in additional funding will be granted to the ministère de la Santé et des Services sociaux each year, as of 2002-2003. The funds already allocated will cover spending for 2001-2002.

5.3 Garantie COOP and Garantie OBNL programs

Investissement Québec administers programs for social economy businesses. Under these programs, Investissement Québec grants loans and loan guarantees to cooperatives and non-profit organizations.

The Garantie COOP and Garantie OBNL programs facilitate access to credit through financial institutions. Financial products that could improve the capitalization or equity of such businesses are not a major component of the programs.

To compensate for this shortcoming, changes will be made to the terms and conditions of the Garantie COOP and Garantie OBNL programs to allow La Financière du Québec to increase the support it provides to eligible businesses in the form of capitalization products or quasi-equity loans. A financial interventions envelope of \$15 million will be made available to La Financière du Québec for this purpose.

The new capitalization products will be made available to balance the financial structure of the businesses as an adjunct to other sources of capitalization. Assistance may also be granted to capital-deficient businesses that do not receive proposals from capitalization companies. La Financière du Québec will assist its eligible clientele on a business basis, without seeking to replace the various market players.

Businesses will be able to defer capital repayment and remuneration for a maximum of five years after the first disbursement is made. Deferred capital remuneration will be capitalized, except in the case of an exemption. An envelope of \$1.25 million will be made available to La Financière du Québec for the purpose of authorizing exemptions. The financial interventions covered by this measure will be backed by the recommendations of a committee composed of representatives of the business clienteles concerned.

A 25% loss reserve will be set up respecting these interventions. Five million dollars—\$3.75 million for the reserve and \$1.25 million for the capital remuneration exemption—will be required for the application of this measure. The additional cost of the measure will be funded out of the appropriations of the ministère des Finances for financing Investissement Québec.

Other changes will be made to the terms and conditions of the two programs. The costs will be defrayed under Investissement Québec's regular envelopes. The changes are intended to offer the possibility of credit line guarantees to all eligible sectors.

Lastly, the process for managing guarantees granted by La Financière du Québec to the Réseau d'investissement social du Québec (RISQ) will be

simplified to speed up processing of financial assistance applications submitted to RISQ.

5.4 Financial support for adapted work centres (CTAs)

The Conseil québécois des entreprises adaptées (CQEA) groups 41 adapted businesses in 15 regions of Québec. These businesses, or adapted work centres (CTAs), are non-profit enterprises accredited under the *Act to secure handicapped persons in the exercise of their rights*. Their mission consists in integrating as many handicapped persons as possible into the labour market. This network of SMEs has 3 300 employees, 2 300 of whom are handicapped persons, and annual revenue in excess of \$110 million. Thousands of businesses, distributors and wholesalers in Québec, Canada and outside the country have forged economic ties with adapted businesses, which supply over 175 products and services in different fields, including packaging, box-making, sorting of recyclables, printing and housekeeping.

Beginning in 2002-2003, the Office des personnes handicapées du Québec will take over from the Fonds de lutte contre la pauvreté par la réinsertion au travail, which was responsible this year for funding the entry of approximately 250 unemployed handicapped persons into the labour market.

Employment integration is a good way for handicapped persons to leave poverty and exclusion behind them. By doing useful work for society, they can enjoy greater autonomy and take their rightful place within the community.

Funds of \$2.9 million have been allocated for 2002-2003 and subsequent years.

6. ECONOMIC RECOVERY MEASURES

6.1 Economic project support program (PSPE)

Initially created for the Gaspésie-Îles-de-la-Madeleine region under its recovery plan, the PSPE was extended to the resource regions and the 20 less affluent RCMs of Québec's central regions through the *Resource Regions Economic Development Strategy* announced in the 2001-2002 Budget Speech.

Under this program, investment projects of between \$500 000 and \$2 million that do not qualify for the Private Investment and Job Creation Promotion Fund (FAIRE) program are eligible for financial assistance of up to 15% of eligible expenses.

Due to the success of this program with small and medium-sized enterprises, the government is increasing the envelope of the PSPE so that more projects are initiated.

To that end, the ministère des Régions will receive additional funding of \$2.2 million in 2001-2002.

6.2 Support for the Inno-centre project in the Greater Québec City area

In recent years, the Québec government has demonstrated its commitment to creating the most conducive environment possible for the start-up of technology businesses. Various venture capital and corporate financing studies currently show that, despite an abundance of available funding, there is not enough management mentoring support for new technology businesses.

Inno-centre is a non-profit, business mentoring organization that has been highly successful in sponsoring new technology businesses. In addition to offering these businesses ready access to capital through previously approved financing agreements, Inno-centre offers its client companies access to an experienced multidisciplinary team as well as to an extensive business network. The organization thereby fosters the promotion of high-potential technology-oriented products by enabling start-up businesses to complete the pre-commercialization phases.

The Inno-centre project consists in establishing this business mentoring formula in the Greater Québec City area. To give this area access to Inno-centre's specialized services and allow it to promote its technologies at the local level, the government intends to support this project and contribute \$3 million over three years. To that end, the ministère des Finances will be allocated appropriations of \$1 million per year in 2002-2003, 2003-2004 and 2004-2005.

6.3 Support for the implementation of HACCP-based quality assurance systems

Food quality and safety are of growing concern to Québec consumers and the global population in general. The various outbreaks observed around the world, in both the food industry and the area of animal health, have helped make consumers more careful and more demanding with regard to food quality. The government therefore introduced assistance measures in its last Budget Speech to support the implementation of tracing systems to enable Québec to monitor production.

Today, the government is taking this initiative even further by supporting the implementation of quality assurance systems based on the principles of HACCP (Hazard Analysis Critical Control Point). HACCP systems are designed to improve food safety through the implementation of internal control measures in businesses operating in the food production and processing, restaurant and retail sectors.

The program, which will be administered by the ministère de l'Agriculture, des Pêcheries et de l'Alimentation, aims to support businesses throughout the bio-food chain in the development, implementation and certification of food safety standards or programs that integrate HACCP principles. The Bureau de la normalisation du Québec (BNQ) will be responsible for system certification.

The appropriations allocated to the ministère de l'Agriculture, des Pêcheries et de l'Alimentation will be raised by \$5 million in 2002-2003 for that purpose.

6.4 Other measures

Promotion and management of e-business support measures

The present Budget Speech provides for the creation of a new refundable tax credit designed to stimulate the development of e-business activities. This tax credit will be granted to eligible corporations that move into the designated e-commerce premises in downtown Montréal or into the Centre national des nouvelles technologies de Québec.

When E-Commerce Place was established, the Bureau du commerce électronique (BCE) was created to set up the project, promote it to businesses and administer the applicable tax measures. To that same end, the BCE will also be responsible for administering the refundable tax credit for e-business activities carried out in certain designated sites. Thus, in addition to its current responsibilities, the BCE will, among other things, promote the new measure, study application files submitted by interested

businesses, issue the required certificates and implement the necessary control measures under its mandate.

To enable the BCE to assume these new responsibilities, it will be granted an annual budget of \$1 million beginning in fiscal year 2002-2003. Consequently, the appropriations allocated to the ministère des Finances will be raised accordingly.

Collaboration with the Centre interuniversitaire de recherche en analyse des organisations (CIRANO)

By the nature of its mandates, the ministère des Finances must have rapid access to superior, university-quality analyses that enable it to formulate the economic policies required of it. These analyses deal with a wide range of activity sectors, from health and education to the labour market and economic development as a whole.

The Centre interuniversitaire de recherche en analyse des organisations (CIRANO) is a multidisciplinary, multisectoral network of Québec university researchers specialized in economic studies in various fields in which the ministère des Finances wants to be involved. The international contacts that have been forged will provide CIRANO with access to cutting-edge knowledge relating to its research projects.

To meet analysis needs in the above-mentioned areas, appropriations of \$1 million in 2002-2003 and \$1 million in 2003-2004 will be allocated to the ministère des Finances to finance the work carried out by CIRANO.

7. OTHER MEASURES

7.1 Support for mining exploration

The global mining industry has been going through a particularly difficult period since the mid-1990s, marked by a collapse in the price of several metals. This situation has affected Québec's regions through the closing of several mines, which has resulted in major job losses.

At the same time, investments in mining exploration have also plummeted, owing both to the lower profit margins and to the difficulty raising funds on financial markets. The minimum amount of exploration spending required in Québec to ensure the renewal of known reserves is estimated at \$150 million a year, whereas the annual investment has been below \$100 million for several years now.

SOQUEM, a subsidiary of the Société générale de financement du Québec, is a major player in exploration activities in Québec. To increase the amount of exploration that could lead to the discovery of new deposits or to new mining camps, the government will grant SOQUEM an envelope of \$12 million over the next two years. This sum, coupled with the funding received from its private partners, will enable the investment of \$20 million in mining exploration. These investments will aim to accelerate the development of identified sites and the discovery of new, promising indicators.

SOQUEM will obtain the government contribution through borrowings, for which the debt service will be assumed by the ministère des Ressources naturelles. To that end, the appropriations allocated to this department will be raised by \$0.5 million in 2002-2003 and \$2 million in 2003-2004.

7.2 RénoVillage

Many owner-occupied rural dwellings are in a state of major disrepair. Due to the lack of financial resources and a poor housing market, it is difficult for the occupants concerned to find suitable and affordable housing elsewhere. To assist them, the government established the RénoVillage program under its 1997-2000 action plan on housing. The regional county municipalities (RCMs) are responsible for program delivery.

Despite the allocation of some \$65 million to this program over the past four fiscal years, from 1998-1999 to 2001-2002, there is still a tremendous need. Several RCMs bemoan the low percentage of eligible cases that can be financed with the current budget.

RénoVillage is intended to provide assistance to low-income owner-occupants in rural areas. The amount of financial assistance is based on household income and may cover as much as 90% of the cost of eligible work, up to a maximum of \$6 500.

This program will receive a budgetary envelope of \$16 million. Accordingly, the appropriations of the Société d'habitation du Québec will be increased by \$5 million in 2002-2003, \$7 million in 2003-2004 and \$4 million in 2004-2005.

7.3 Umbrella program for urban renewal in Québec's older neighbourhoods

This program, whose purpose is to improve and revitalize neighbourhoods in Québec municipalities, is part of the government's policy directions aimed at concerted land use planning. Among other things, it includes a series of measures designed to enhance urban development and general housing conditions, renovate facilities and public services, increase green space, rehabilitate contaminated sites, revitalize commercial streets and centres, bury and upgrade electrical power systems, and develop urban and architectural heritage.

The program has three goals: to foster the physical and spatial revitalization of neighbourhoods, ensure their socio-economic development, and support and encourage residents to take responsibility for restoring their neighbourhood. Through interdepartmental coordination and municipal/community consultation, the urban renewal program will foster greater integration of public, private and community initiatives.

Total investments of \$150 million, to be equally split between the Québec government and municipalities, will be made between now and 2003-2004. Two thirds of these investments, or \$100 million, will be in the Greater Montréal area.

Additional appropriations of \$2 million in 2003-2004 and \$3 million in 2004-2005 will be allocated to the ministère des Affaires municipales et de la Métropole.

Section 3

Financial Impact of Fiscal and Budgetary Measures

FINANCIAL IMPACT OF FISCAL AND BUDGETARY MEASURES**2002-2003 BUDGET SPEECH**

(In millions of dollars)

	Financial impact for the government	
	2001-2002	2002-2003
A. REVENUE MEASURES		
1. Measures concerning individuals		
Injection of \$250 million through the QST credit to help consumers	- 250.0	—
Increase in the indexation rate of the taxation system from 1.8% to 2.7% in 2002	- 9.0	- 50.0
Sub-total	- 259.0	- 50.0
2. Measures concerning businesses		
Additional \$525 million for the working capital of SMEs: 6-month interest-free deferral of tax instalments for the fourth quarter of 2001	- 525.0	525.0
Planned reduction of 50% in tax on capital by 2007 and introduction of a basic exemption of \$1 million for SMEs	—	- 40.0
Tax measures for the regions		
– Improvement of the tax credit for processing activities in the resource regions to encourage job preservation	—	—
– Broadening of eligibility for the tax holiday for small and medium-sized manufacturing enterprises	- 5.0	- 6.0
– Eligibility of cut stone for the refundable tax credit for resources	—	—
Sub-total	- 530.0	479.0
3. Other measures		
Intensification of the fight against tax evasion	—	100.0
Increase in the tobacco tax	30.0	125.0
Sub-total	30.0	225.0
TOTAL IMPACT OF REVENUE MEASURES	- 759.0	654.0

FINANCIAL IMPACT OF FISCAL AND BUDGETARY MEASURES**2002-2003 BUDGET SPEECH (cont.)**

(In millions of dollars)

	Financial impact for the government	
	2001-2002	2002-2003
B. EXPENDITURE MEASURES		
1. Personal safety plan		
Intelligence and investigation	- 5.0	- 27.0
Other measures	- 3.2	- 8.0
Sub-total	- 8.2	- 35.0
2. Indexation of social assistance benefits	- 12.0	- 46.0
3. Public-sector investment acceleration plan	—	- 75.0
4. Financial support for businesses		
Increase in FAIRE program envelope	—	- 57.5
Improvement of the other programs administered by La Financière du Québec	—	- 13.2
Support for modernization of the pulp and paper industry (INNO-PAP)	—	—
Sub-total	—	- 70.7
5. Support for the social economy		
Development fund for social economy businesses	—	- 4.0
Improvement of the financial assistance program for domestic help services	—	- 4.0
Garantie COOP and Garantie OBNL programs ²	—	—
Financial support for adapted work centres (CTAs)	—	—
Sub-total	—	- 8.0
6. Economic recovery measures		
Economic project support program	- 2.2	—
Inno-centre Québec	—	- 1.0
Food health and safety program	—	- 5.0
Other measures	—	- 2.0
Sub-total	- 2.2	- 8.0
7. Other measures		
RénoVillage	—	- 5.0
Other measures ¹	—	- 10.5
Sub-total	—	- 15.5
TOTAL IMPACT OF EXPENDITURE MEASURES	- 22.4	- 258.2
TOTAL IMPACT OF REVENUE MEASURES	- 759.0	654.0
TOTAL IMPACT OF FISCAL AND BUDGETARY MEASURES	- 781.4	395.8

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

1 Provision for collecting the revenue owed to the government (see Section 1, p. 76)

2 Financial impact included in programs administered by La Financière du Québec