

Section 2

The Government's Financial Position in 2001-2002 and Public Sector Borrowings

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The government's financial transactions

The zero deficit forecast announced for the 2001-2002 fiscal year in the Budget Speech of last March 29 is maintained.

Consolidated budgetary revenue for fiscal 2001-2002 is revised to \$49 958 million, \$1 178 million less than anticipated in the last Budget. This decline in revenue may be explained by a \$1 354-million decrease in own-source revenue and a \$176-million increase in federal transfers.

As for consolidated budgetary expenditure, it is revised downward by \$228 million, to \$50 908 million in 2001-2002. This change reflects the \$508-million decline in debt service compared with the forecast in the last Budget. This adjustment is essentially attributable to the sharp drop in short-term interest rates since the beginning of fiscal 2001-2002. This change also reflects a \$280-million upward adjustment of operating expenditures that stems from spending financed by the budgetary reserve.

In addition, \$670 million from the budgetary reserve will be used to maintain a balanced budget. To that end, an amendment to the draft legislation respecting the budgetary reserve will be tabled.

Consolidated net financial requirements are revised to \$707 million, a decrease of \$63 million compared with the figure anticipated in the March 2001 Budget.

With respect to financing transactions, the change in direct debt is revised upward to \$1 009 million compared with the initial forecast, mainly because of pre-financing of \$855 million that is to be obtained. These pre-financing transactions will make it possible to cover the repayment of certain borrowings that will fall due on the first day of the next fiscal year.

TABLE 2.1

GOUVERNEMENT DU QUÉBEC
SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS
(in millions of dollars)

	2000-2001	2001-2002		
	Actual results ¹	Budget Speech 2001-03-29	Revised forecasts	Change compared with Budget
Budgetary transactions				
Own-source revenue	42 856	41 652	40 298	- 1 354
Federal transfers	8 161	9 484	9 660	176
Total revenue	51 017	51 136	49 958	- 1 178
Operating expenditure	- 41 959	- 43 226	- 43 506	- 280
Debt service	- 7 606	- 7 910	- 7 402	508
Total expenditure	- 49 565	- 51 136	- 50 908	228
Budgetary reserve				
Funds allocated to reserve	- 950	—	—	—
Use of funds allocated to reserve				
Financing new spending	—	—	280	280
Maintaining a balanced budget	—	—	670	670
Budgetary surplus after reserve	502	0	0	—
Non-budgetary transactions				
Investments, loans and advances	- 1 632	- 2 771	- 1 317	1 454
Capital expenditures	- 473	- 691	- 691	—
Retirement plans	1 793	1 888	1 987	99
Other accounts	- 706	804	- 686	- 1 490
Non-budgetary requirements	- 1 018	- 770	- 707	63
Net financial requirements	- 516	- 770	- 707	63
Financing transactions				
Change in cash position	- 473	1 859	941	- 918
Change in direct debt ²	3 008	1 023	2 032	1 009
Retirement plans sinking fund ³	- 2 019	- 2 112	- 2 266	- 154
Total financing of transactions	516	770	707	- 63

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 The data have been adjusted, for purposes of comparison, on the basis of the 2001-2002 budgetary and financial structure.

2 The change in direct debt includes new borrowings less repayment of borrowings.

3 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

Budgetary revenue

For the 2001-2002 fiscal year, budgetary revenue is expected to amount to \$49 958 million, a decline of 2.1% compared with 2000-2001. This result may be attributed to the combined impact of a 6% decrease in own-source revenue and an 18.4% increase in federal transfers.

Own-source revenue

Own-source revenue is expected to amount to \$40 298 million, a decrease of \$1 354 million compared with the forecast in the 2001-2002 Budget Speech. These adjustments are partly explained by the impact of the fiscal measures announced in this Budget. They are also due to the effects of the economic slowdown on revenue from income taxes and other taxes and the impact of the downturn in the financial markets on revenue from government enterprises.

TABLE 2.2

SUMMARY OF THE CHANGE IN OWN-SOURCE REVENUE
(in millions of dollars)

	2000-2001				2001-2002
	Actual results	Budget Speech 2001-03-29	Revised forecasts	Change compared with Budget	Change compared with 2000-2001
					%
Personal income tax	17 068	15 902	15 559	– 343	– 8.8
Health Services Fund	4 488	4 436	4 396	– 40	– 2.0
Corporate taxes	4 217	4 374	3 817	– 557	– 9.5
Consumption taxes	9 393	9 742	9 845	103	4.8
Government enterprises	3 496	3 256	2 707	– 549	– 22.6
Consolidated organizations	1 851	1 662	1 662	—	– 10.2
Other revenue	2 343	2 280	2 312	32	– 1.3
Total own-source revenue	42 856	41 652	40 298	– 1 354	– 6.0

Revenue from personal income tax and contributions to the Health Services Fund is adjusted downward by \$343 million and \$40 million respectively. These adjustments are mainly attributable to the fiscal measures announced in this Budget and the weaker-than-anticipated growth in remuneration.

Corporate tax revenue is also revised downward by \$557 million, owing to lower-than-expected growth in corporate profits and, in particular, the measure taken to improve the liquidity of small and medium-sized enterprises by \$525 million in the wake of the terrorist attacks.

Revenue from consumption taxes is \$103 million higher than forecast in the 2001-2002 Budget, mainly because of the additional revenue generated by the tobacco tax increases announced on last April 5 and in this Budget. However, these impacts were partly offset by lower-than-anticipated revenue from the fuel tax, owing to high prices at the beginning of the year, and from the sales tax.

The forecast for revenue from government enterprises is revised downward by \$549 million. This adjustment is largely attributable to the decrease in the anticipated profits of the Commission de la santé et de la sécurité du travail (CSST) and the Société de l'assurance automobile du Québec (SAAQ). This reduction reflects, notably, the unfavourable change in investment income, a situation that mirrors the general trend observed on financial markets. The anticipated profits of Hydro-Québec are also reduced by \$107 million compared with the initial forecast, owing to the decrease in the price of electricity on markets outside Québec.

TABLE 2.3

ANTICIPATED PROFITS OF THE CSST AND THE SAAQ

(in millions of dollars)

	2001-2002		
	Budget Speech 2001-03-29	Revised forecasts	Change compared with Budget
Commission de la santé et de la sécurité du travail	286	– 65	– 351
Société de l'assurance automobile du Québec	32	– 45	– 77

Federal transfers

The revised forecasts for the 2001-2002 fiscal year show an increase of \$176 million in federal transfers compared with the level anticipated in the Budget Speech of last March. Federal transfers should thus amount to \$9 660 million for fiscal 2001-2002.

TABLE 2.4

SUMMARY OF THE CHANGE IN FEDERAL TRANSFERS

(in millions of dollars)

	2000-2001				2001-2002
	Actual results	Budget Speech 2001-03-29	Revised forecasts	Change compared with Budget	Change compared with 2000-2001
					%
Equalization	5 650	5 615	5 777	162	2.2
Canada Health and Social Transfer	1 597	2 960	2 915	– 45	82.5
Other transfers related to fiscal arrangements	30	15	15	—	– 50.0
Other programs	634	535	531	– 4	– 16.2
Consolidated organizations	250	359	422	63	68.8
Total federal transfers	8 161	9 484	9 660	176	18.4

Equalization revenue has been revised upward by \$162 million since the last Budget despite the decline in the provincial revenue that is subject to this program. This result may be attributed to a decrease in Québec's relative fiscal capacity with regard to corporate tax, and to an upward adjustment of payments in respect of 1998-1999.

Revenue from the Canada Health and Social Transfer (CHST) is revised downward by \$45 million owing to the higher value of the tax points related to the special Québec abatement, which reduces accordingly the cash transfers paid to Québec by the federal government under this program.

Revenue from consolidated organizations is adjusted upward by \$63 million, notably because of the better-than-anticipated results of the Financière agricole du Québec.

Budgetary expenditure

The forecast for budgetary expenditure is revised to \$50 908 million for fiscal 2001-2002, \$228 million less than anticipated in the Budget Speech of March 29, 2001. This change stems, on the one hand, from the use of the budgetary reserve to carry out new spending in certain departments, particularly the ministère de la Santé et des Services sociaux, and, on the other hand, from the decrease in debt service. In all, there is a 2.7% increase in budgetary expenditure compared with 2000-2001.

TABLE 2.5

SUMMARY OF THE CHANGE IN BUDGETARY EXPENDITURE

(in millions of dollars)

	2000-2001				2001-2002
	Actual results	Budget Speech 2001-03-29	Revised forecasts	Change compared with Budget	Change compared with 2000-2001
					%
Program spending objective	40 776	41 929	41 929	—	2.8
Use of budgetary reserve for new spending	—	—	280	280	—
Program spending	40 776	41 929	42 209	280	3.5
Consolidated organizations	1 183	1 297	1 297	—	9.6
Total operating expenditure	41 959	43 226	43 506	280	3.7
Debt service					
Consolidated Revenue Fund					
Direct debt service	4 378	4 632	4 098	– 534	– 6.4
Retirement plans	2 594	2 611	2 637	26	1.7
	6 972	7 243	6 735	– 508	– 3.4
Consolidated organizations	634	667	667	—	5.2
Total debt service	7 606	7 910	7 402	– 508	– 2.7
Total budgetary expenditure	49 565	51 136	50 908	– 228	2.7

Operating expenditure

Operating expenditure is revised to \$43 506 million, \$280 million more than forecast in the March 2001 Budget Speech. This new spending will be financed by the budgetary reserve.

Debt service

Debt service is revised downward by \$508 million compared with the forecast in the 2001-2002 Budget Speech; it currently amounts to \$7 402 million, of which \$4 098 million is for direct debt service, \$2 637 million for the interest on the net retirement plans liability and \$667 million for the debt service of consolidated organizations.

This revision is essentially due to the sharp drop in short-term interest rates since the beginning of fiscal 2001-2002.

Non-budgetary transactions

Net financial requirements stemming from non-budgetary transactions are practically unchanged compared with the forecast in the March 2001 Budget Speech. However, there are major changes in investments, loans and advances and other accounts owing mainly to the use of the \$950-million budgetary reserve created at the time of the March 2001 Budget.

The anticipated investment of \$950 million with the Caisse de dépôt et placement du Québec for the budgetary reserve will not be made. This change leads to a \$950-million improvement in investments, loans and advances, which is offset by a negative change of the same amount in other accounts since the amounts allocated to the budgetary reserve will be used in full in 2001-2002.

TABLE 2.6

SUMMARY OF NON-BUDGETARY TRANSACTIONS

(in millions of dollars)

	2001-2002		
	Budget Speech 2001-03-29	Revised forecasts	Change
Consolidated Revenue Fund			
Investments, loans and advances			
Government enterprises	- 1 739	- 1 223	516
Municipalities, municipal bodies, individuals, corporations and others	- 976	- 38	938
	- 2 715	- 1 261	1 454
Capital expenditures	150	150	—
Retirement plans	1 888	1 987	99
Other accounts	734	- 756	- 1 490
Total Consolidated Revenue Fund	57	120	63
Consolidated organizations	- 827	- 827	—
Non-budgetary requirements	- 770	- 707	63

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

Debt representing accumulated deficits

At the end of the current fiscal year, the debt (accumulated deficits) will amount to \$81 691 million, the same level as the previous fiscal year. This concept of debt corresponds to deficits accumulated and budgetary surpluses achieved over the years. It is important to specify that there is a difference between reducing the debt that represents accumulated deficits and reducing borrowings that have been contracted by the government. For example, the government may decide to increase its borrowings during a fiscal year in order to take advantage of favourable market conditions without any effect on the debt representing accumulated deficits.

TABLE 2.7

CHANGE IN THE DEBT REPRESENTING ACCUMULATED DEFICITS
(in millions of dollars)

	As at March 31		
	2001	2002 ¹	Change
Consolidated direct debt ²	63 630	66 028	2 398
Net retirement plans liability	39 111	38 832	– 279
Total debt²	102 741	104 860	2 119
Less: financial assets and capital expenditures net of other liabilities	– 21 050	– 23 169	– 2 119
Debt representing accumulated deficits	81 691	81 691	0
Budgetary surplus after reserve	502	0	—

1 Revised forecast.

2 Excluding pre-financing of \$1 475 million in 2000-2001 and \$855 million in 2001-2002. Including pre-financing, the total debt reaches \$104 216 million in 2000-2001 and \$105 715 million in 2001-2002.

Financing

The revised forecasts show that the change in the direct debt should amount to \$2 032 million, \$1 009 million more than anticipated in the 2001-2002 Budget Speech. Borrowings in fiscal 2001-2002 will amount to \$7 374 million (\$6 246 million for the Consolidated Revenue Fund and \$1 128 million for consolidated organizations), \$870 million more than forecast in the last Budget Speech.

TABLE 2.8

SUMMARY OF FINANCING TRANSACTIONS

(in millions of dollars)

	2001-2002		
	Budget Speech 2001-03-29	Revised forecasts	Change
Change in cash position			
Consolidated Revenue Fund	1 477	622	– 855
Consolidated organizations	382	319	– 63
Total change in cash position	1 859	941	– 918
Change in direct debt			
Consolidated Revenue Fund			
New borrowings	5 376	6 246	870
Repayment of borrowings	– 4 741	– 4 602	139
	635	1 644	1 009
Consolidated organizations			
New borrowings	1 128	1 128	—
Repayment of borrowings	– 740	– 740	—
	388	388	—
Total change in direct debt	1 023	2 032	1 009
Retirement plans sinking fund	– 2 112	– 2 266	– 154
Total financing of transactions	770	707	– 63

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.

Financing of the Consolidated Revenue Fund

The revised forecasts show that the change in the direct debt of the Consolidated Revenue Fund amounts to \$1 644 million, an increase of \$1 009 million compared with the figure announced in the 2001-2002 Budget Speech. Borrowings in fiscal 2001-2002 will amount to \$6 246 million, \$870 million more than forecast in the last Budget. This increase in borrowings is due mainly to the decision to obtain pre-financing to cover the repayment of borrowings that will fall due on the first day of the next fiscal year. These pre-financing transactions are estimated at \$855 million. The increase in borrowings is also explained by the fact that deposits in the retirement plans sinking fund will be \$154 million higher than expected, while repayments of borrowings will be \$139 million lower than anticipated.

Owing to pre-financing, the cash level will be reduced by only \$622 million, although a \$1 477-million decrease was forecast in the Budget Speech of last March.

Financing of consolidated organizations

The change in the direct debt of consolidated organizations should amount to \$388 million, the same level as anticipated in the last Budget.

Borrowings

In all, the government plans to contract borrowings of \$7 646 million in 2001-2002, of which \$6 246 million will be for Consolidated Revenue Fund needs (including \$2 266 million to make deposits in the retirement plans sinking fund) and \$1 400 million, for the Financing Fund. The borrowings of the Financing Fund are used to meet the financial requirements of consolidated organizations (\$1 128 million) and non-consolidated organizations (\$272 million).

The implementation of the financing program in 2001-2002 is characterized by the excellent receptivity of financial markets to Québec securities, as shown by the fact that 87% of the financing program has already been realized.

In all, 38% of the financing program, or \$2 888 million, has been conducted on the Canadian market. The government carried out on this market three public issues of negotiable bonds for a total of \$1 397 million, and real return issues for a total of \$28 million. Private investments totalling \$772 million were made with the Caisse de dépôt et placement du Québec. Lastly, savings products sold by Placements Québec have provided the government with \$209 million in financing.

Borrowings totalling \$3 727 million, or 49% of the financing program, were obtained on foreign markets as part of the government's financing sources diversification strategy. Three public bond issues were made on these markets. First, a global bond issue in US dollars for US\$1 billion, (CAN\$1 558 million, of which CAN\$400 million was advanced to the Financing Fund in order to be loaned to consolidated organizations) was carried out in April 2001. A bond issue for 50 billion yen (CAN\$625 million) was then made in May. Lastly, the government carried out a bond issue on the euro market for \$1.5 billion euros (CAN\$1 944 million) in June.

TABLE 2.9

SUMMARY OF BORROWINGS ANTICIPATED IN 2001-2002

(in millions of dollars)

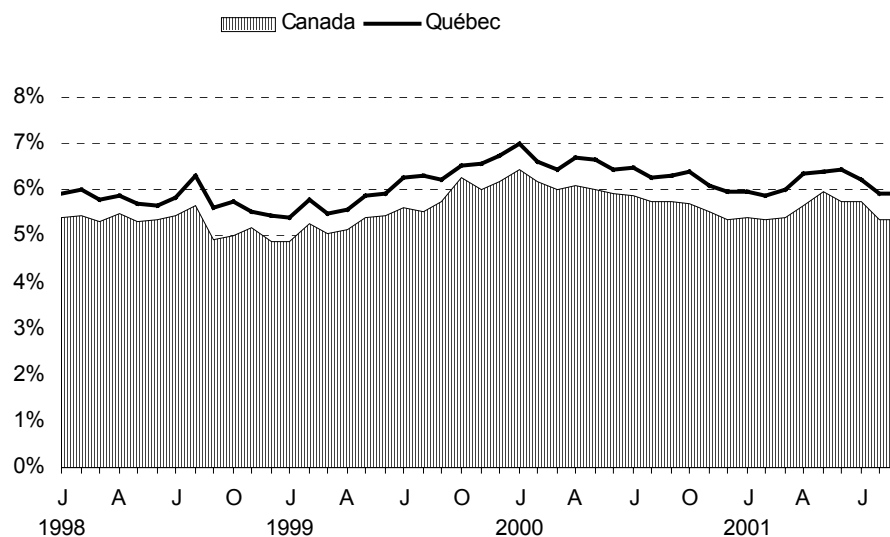
Currency and market	Consolidated Revenue Fund	Consolidated organizations	Non- consolidated organizations	Total %	
Borrowings contracted					
Canadian dollar					
Canadian market					
Public issues					
Negotiable bonds	1 397	400 ²	—	1 797	62.2
Real return bonds	28	—	—	28	1.0
Medium-term notes	25	—	—	25	0.9
Private issues					
Caisse de dépôt et placement du Québec	310	436	26	772	26.7
Canada Pension Plan investment Fund	4	—	—	4	0.1
Savings products	209	—	—	209	7.3
Immigrant Investor Program	50	—	—	50	1.7
Change in the debt resulting from currency swaps	3	—	—	3	0.1
Sub-total	2 026	836	26	2 888	37.8
US dollar					
Public issue					
Negotiable bonds	1 158 ²	—	—	1 158	100.0
Sub-total	1 158	—	—	1 158	15.1
Other currencies					
Public issues					
Euro	1 944	—	—	1 944	75.7
Yen	625	—	—	625	24.3
Sub-total	2 569	—	—	2 569	33.6
Total borrowings contracted¹	5 753	836	26	6 615	86.5
Borrowings to be contracted	493	292	246	1 031	13.5
Total	6 246	1 128	272	7 646	100.0

1 Borrowings contracted as at October 19, 2001.

2 The original borrowing totalled US\$1 billion, or CAN\$1 558 million. An amount of CAN\$400 million derived from this borrowing was advanced to the Financing Fund in order to be loaned to consolidated organizations.

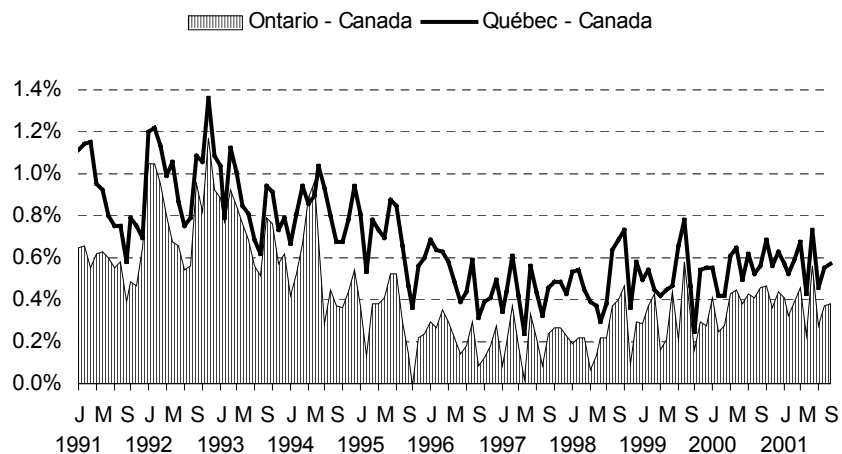
GRAPH 2.1

YIELD ON QUÉBEC AND CANADA LONG-TERM (10-YEAR) GOVERNMENT SECURITIES

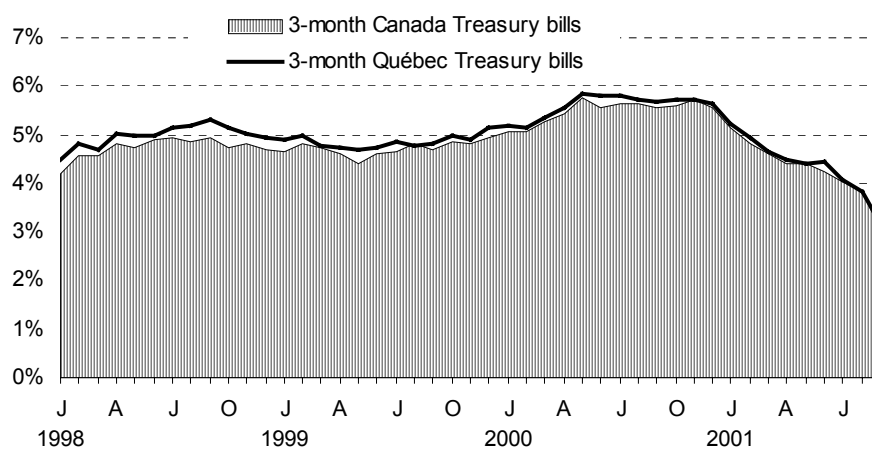


GRAPH 2.2

YIELD SPREAD ON LONG-TERM (10-YEAR) SECURITIES



GRAPH 2.3

YIELD ON SHORT-TERM SECURITIES

Repayment of borrowings

The revised forecasts show that the repayment of borrowings of the Consolidated Revenue Fund and consolidated organizations for fiscal 2001-2002 will amount to \$5 342 million, \$139 million less than forecast in the Budget Speech of March 29, 2001. This decrease is due mainly to lower-than-anticipated repayments of savings products.

Total government debt

The government's total debt consists of the consolidated direct debt and the net retirement plans liability. The consolidated direct debt is the sum of the direct debt of the Consolidated Revenue Fund and the debt of consolidated organizations. As for the net retirement plans liability, it consists of the retirement plans liability minus the balance of the retirement plans sinking fund (RPSF), an asset that may eventually be used to pay the retirement benefits of public and parapublic sector employees.

The consolidated direct debt should amount to \$66 883 million as at March 31, 2002, or \$62 803 million as direct debt of the Consolidated Revenue Fund and \$4 080 million as debt of the consolidated organizations.

It should be noted that an amount of \$855 million included in the consolidated direct debt represents pre-financing in 2001-2002 that will be used to cover part of the borrowings to be made in 2002-2003.

The net retirement plans liability should total \$38 832 million as at March 31, 2002 and consists of \$48 157 million as the retirement plans liability minus the value of the RPSF, or \$9 325 million.

Excluding pre-financing, the total debt should be \$104 860 million.

TABLE 2.10

TOTAL ANTICIPATED GOVERNMENT DEBT AS AT MARCH 31, 2002

(in millions de dollars)

	Consolidated direct debt			Retirement plans liability	Total debt
	Direct debt of the Consolidated Revenue Fund	Consolidated organizations	Total		
Anticipated debt as at March 31, 2002	62 803	4 080	66 883	48 157	115 040
Retirement plans sinking fund	—	—	—	– 9 325	– 9 325
Sub-total	62 803	4 080	66 883	38 832	105 715
Pre-financing	– 855	—	– 855	—	– 855
Total	61 948	4 080	66 028	38 832	104 860

Structure of the government's total debt

The following table shows the anticipated debt as at March 31, 2002, broken down by currency using the structure observed on September 30, 2001. On this basis, the proportion of the consolidated direct debt in Canadian dollars amounts to 75.9% and the proportion in foreign currency, 24.1%. If the net retirement plans liability, for which all commitments are in Canadian dollars, is also taken into account, the proportion of the total debt in Canadian dollars is 84.8%.

TABLE 2.11

TOTAL ANTICIPATED GOVERNMENT DEBT AS AT MARCH 31, 2002 INCLUDING THE IMPACT OF CURRENCY SWAPS (in millions of dollars)

Currency	Consolidated direct debt					Net retirement plans liability	Total debt	
	Direct debt of the Consolidated Revenue Fund ¹	%	Consolidated organizations	Total	%			
Canadian dollar	46 818	74.5	3 960	50 778	75.9	38 832	89 610	84.8
Yen	9 456	15.1	—	9 456	14.1	—	9 456	8.9
US dollar	6 529	10.4	120	6 649	10.0	—	6 649	6.3
Sub-total	62 803	100.0	4 080	66 883	100.0	38 832	105 715	100.0
Pre-financing	- 855		—	- 855		—	- 855	
Total	61 948		4 080	66 028		38 832	104 860	

1 The breakdown of the debt by currency reflects that observed on September 30, 2001.

Structure of the direct debt of the Consolidated Revenue Fund

The proportion of the direct debt of the Consolidated Revenue Fund in Canadian dollars amounts to 74.5% and that in foreign currency, 25.5%. The share at fixed rates is 67.8%, while the share at variable rates stands at 32.2%.

Net retirement plans liability

The net retirement plans liability is the recorded value of government commitments with regard to the retirement plans of public and parapublic sector employees, minus the value of the retirement plans sinking fund (RPSF). As at March 31, 2002, the net retirement plans liability should amount to \$38 832 million.

Change in the direct debt and the RPSF

To analyse the change in the components of the direct debt of the Consolidated Revenue Fund from one fiscal year to the next, it is important to exclude the impact of the RPSF.

As shown in the following table, the direct debt of the Consolidated Revenue Fund should rise by \$2 010 million between March 31, 2001 and March 31, 2002 (after adjustment to take pre-financing into account). However, this increase is essentially due to the substantial deposits that will have been made in the RPSF in 2001-2002. If the value of the RPSF as at March 31 of each fiscal year were subtracted from the direct debt of the Consolidated Revenue Fund, it can be noted that this debt, in the absence of the RPSF, would have decreased by \$256 million, while the retirement plans liability would have risen by \$1 987 million in 2001-2002.

TABLE 2.12

IMPACT OF THE RPSF ON THE DIRECT DEBT AND THE RETIREMENT PLANS LIABILITY¹
(in millions of dollars)

	As at March 31		
	2001	2002 ²	Change
Direct debt (including the RPSF and pre-financing)	61 413	62 803	1 390
Pre-financing	- 1 475	- 855	620
Direct debt (including the RPSF)	59 938	61 948	2 010
Balance of the RPSF	- 7 059	- 9 325	- 2 266
Direct debt (excluding the RPSF)	52 879	52 623	- 256
Net retirement plans liability	39 111	38 832	- 279
Balance of the RPSF	7 059	9 325	2 266
Retirement plans liability	46 170	48 157	1 987
Total debt	99 049	100 780	1 731

1 Excluding the debt of consolidated organizations.

2 Revised forecasts.

Historical data and revised forecasts

TABLE 2.13

GOUVERNEMENT DU QUÉBEC SUMMARY OF FINANCIAL TRANSACTIONS¹ (in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Budgetary transactions				
Own-source revenue	38 605	41 047	42 856	40 298
Federal transfers	8 090	6 352	8 161	9 660
Total revenue	46 695	47 399	51 017	49 958
Operating expenditure	- 39 382	- 39 997	- 41 959	- 43 506
Debt service	- 7 187	- 7 372	- 7 606	- 7 402
Total expenditure	- 46 569	- 47 369	- 49 565	- 50 908
Budgetary reserve				
Funds allocated to reserve	—	—	- 950	—
Use of funds allocated to reserve				
Financing new spending	—	—	—	280
Maintaining a balanced budget	—	—	—	670
Budgetary surplus after reserve	126	30	502	—
Non-budgetary transactions				
Investments, loans and advances	- 1 402	- 2 022	- 1 632	- 1 317
Capital expenditures	- 217	- 359	- 473	- 691
Retirement plans	1 020	1 740	1 793	1 987
Other accounts	996	1 328	- 706	- 686
Non-budgetary surplus (requirements)	397	687	- 1 018	- 707
Net financial surplus (requirements)	523	717	- 516	- 707
Financing transactions				
Change in cash position	- 1 983	2 246	- 473	941
Change in direct debt ²	2 490	- 132	3 008	2 032
Retirement plans sinking fund ³	- 1 030	- 2 831	- 2 019	- 2 266
Total financing of transactions	- 523	- 717	516	707

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. For purposes of comparison, the data are presented on the basis of the 2001-2002 budgetary and financial structure.

1 Actual results for fiscal 1998-1999, 1999-2000 and 2000-2001, and revised forecasts for fiscal 2001-2002.

2 The change in direct debt includes new borrowings less repayment of borrowings.

3 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

TABLE 2.14

**GOUVERNEMENT DU QUÉBEC
BUDGETARY REVENUE**

(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Own-source revenue				
Income and property taxes				
Personal income tax	15 356	16 029	17 068	15 559
Contributions to Health Services Fund	4 117	4 291	4 488	4 396
Corporate taxes ¹	3 406	3 643	4 217	3 817
	22 879	23 963	25 773	23 772
Consumption taxes				
Sales	6 426	6 761	7 374	7 663
Fuel	1 559	1 560	1 536	1 544
Tobacco	523	498	483	638
	8 508	8 819	9 393	9 845
Duties and permits				
Motor vehicles	664	667	646	649
Alcoholic beverages	135	139	146	148
Natural resources ²	242	354	265	204
Other	168	182	180	164
	1 209	1 342	1 237	1 165
Miscellaneous				
Sales of goods and services	450	422	406	413
Interest	346	363	390	391
Fines, forfeitures and recoveries	402	345	310	343
	1 198	1 130	1 106	1 147
Revenue from government enterprises				
Société des alcools du Québec	408	442	471	480
Loto-Québec	1 167	1 289	1 358	1 307
Hydro-Québec	754	1 090	1 160	970
Other	802	1 122	507	- 50
	3 131	3 943	3 496	2 707
Consolidated organizations	1 680	1 850	1 851	1 662
Total own-source revenue	38 605	41 047	42 856	40 298
Federal transfers				
Programs				
Equalization	5 385	4 387	5 650	5 777
Canada Health and Social Transfer	1 697	1 120	1 597	2 915
Contributions to welfare programs	—	11	—	—
Other transfers related to fiscal arrangements	60	11	30	15
Other programs	690	553	634	531
Consolidated organizations	258	270	250	422
Total federal transfers	8 090	6 352	8 161	9 660
Total budgetary revenue	46 695	47 399	51 017	49 958

1 Including tax on corporate profits, tax on capital and tax on insurance company premiums, as well as tax on telecommunications, gas and electricity beginning in 2000-2001.

2 Including forest, mining and hydraulic resources.

TABLE 2.15

GOUVERNEMENT DU QUÉBEC
BUDGETARY EXPENDITURE
(in millions of dollars)

Departments and agencies	1998-1999	1999-2000	2000-2001	2001-2002 ¹
Operating expenditure				
Assemblée nationale	74	74	80	84
Personnes désignées par l'Assemblée nationale	94	41	42	46
Affaires municipales et Métropole	996	1 099	1 346	1 446
Agriculture, Pêcheries et Alimentation	550	531	729	628
Conseil du trésor, Administration et Fonction publique	412	372	435	590 ²
Conseil exécutif	44	179	61	71
Culture et Communications	524	496	541	485
Education	9 580	9 825	10 130	10 635
Emploi et Solidarité sociale	4 158	4 064	4 089	3 944
Environnement	190	271	244	194
Famille, Enfance et Condition féminine	1 470	1 497	1 524	1 678
Faune et Parcs	111	80	148	114
Finances (excluding debt service)	354	303	419	571 ²
Industrie et Commerce	130	155	277	151
Justice	486	459	468	472
Recherche, Science et Technologie	258	299	246	221
Régions	135	152	126	194
Relations avec les citoyens et Immigration	147	142	179	202
Relations internationales	88	98	104	107
Ressources naturelles	369	485	363	314
Revenu	845	721	640	685
Santé et Services sociaux	14 596	14 828	16 104	16 847
Sécurité publique	703	701	744	752
Tourisme, Loisir et Sport	121	173	151	147
Transports	1 507	1 578	1 507	1 557
Travail	72	81	79	74
Program spending	38 014	38 704	40 776	42 209
Consolidated organizations	1 368	1 293	1 183	1 297
Total operating expenditure	39 382	39 997	41 959	43 506
Debt service				
Consolidated Revenue Fund	6 574	6 751	6 972	6 735
Consolidated organizations	613	621	634	667
Total debt service	7 187	7 372	7 606	7 402
Total budgetary expenditure	46 569	47 369	49 565	50 908

1 Including budgetary readjustments to reflect the impact of certain measures announced in the Budget Speech of March 29, 2001, whose financing was originally provided by the contingency fund administered by the Conseil du trésor.

2 The revised forecasts for 2001-2002 contain provisions that will allow appropriations to be transferred to various departments and agencies during the fiscal year ending March 31, 2002.

TABLE 2.16

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Investments, loans and advances				
Consolidated Revenue Fund				
GOVERNMENT ENTERPRISES				
SHARES AND INVESTMENTS:				
Société générale de financement du Québec	- 40	- 150	- 350	- 750
Société Innovatech du Grand Montréal	- 101	- 35	- 42	- 38
Société Innovatech Québec et Chaudière-Appalaches	- 31	- 9	- 11	- 29
Société Innovatech Sud du Québec	- 7	- 4	- 6	- 16
Société Innovatech Régions ressources	—	- 8	- 13	- 15
Other	- 5	- 1	- 3	- 27
	- 184	- 207	- 425	- 875
 CHANGE IN THE EQUITY VALUE OF INVESTMENTS	- 1 282	- 1 798	- 1 157	- 346
LOANS AND ADVANCES:				
Société générale de financement du Québec	—	14	—	—
Société Innovatech du Grand Montréal	62	—	—	—
Société Innovatech Québec et Chaudière-Appalaches	21	—	—	—
Société Innovatech Sud du Québec	3	—	—	—
Other	—	10	—	- 2
	86	24	—	- 2
 Total government enterprises	- 1 380	- 1 981	- 1 582	- 1 223
INDIVIDUALS, CORPORATIONS AND OTHERS	- 119	- 53	- 20	- 40
MUNICIPALITIES AND MUNICIPAL BODIES	3	6	1	2
	- 1 496	- 2 028	- 1 601	- 1 261
Consolidated organizations	94	6	- 31	- 56
Total investments, loans and advances	- 1 402	- 2 022	- 1 632	- 1 317
 Capital expenditures				
Consolidated Revenue Fund				
Net investments	- 69	- 85	- 144	- 184
Amortization	372	354	334	334
	303	269	190	150
Consolidated organizations	- 520	- 628	- 663	- 841
Total capital expenditures	- 217	- 359	- 473	- 691

TABLE 2.16 (CONT.)

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Retirement plans				
CONTRIBUTIONS BY THE GOVERNMENT				
Contributions by the government as employer:				
RREGOP:				
Annual cost of constituted benefits ¹	693	754	990	1 136
Amortization of actuarial gain (-) or loss	66	77	66	66
Amortization of unrecorded actuarial liabilities and cost of changes to plan	—	44	—	—
Other plans:				
Annual cost of constituted benefits ¹	147	140	166	163
Amortization of actuarial gain (-) or loss	—	62	26	20
Amortization of unrecorded actuarial liabilities and cost of changes to plans	24	—	—	51
Total government contribution	930	1 077	1 248	1 436
Contributions by independent employers	8	24	—	8
Participants contributions	206	124	106	78
Total contributions	214	148	106	86
Benefits, repayments and administrative expenses	- 2 624	- 2 336	- 2 567	- 2 768
Interest on retirement plans liability charged to debt service ²	2 500	2 851	3 006	3 233
Total retirement plans	1 020	1 740	1 793	1 987
Other accounts				
Consolidated Revenue Fund	909	1 021	- 565	- 756
Consolidated organizations	87	307	- 141	70
Total other accounts	996	1 328	- 706	- 686
Total non-budgetary transactions	397	687	- 1 018	- 707

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

- 1 Cost of retirement benefits constituted during the fiscal year, calculated according to the accounting method that consists in distributing benefits in proportion to years of service.
- 2 Excluding revenue generated by the retirement plans sinking fund.

TABLE 2.17

**GOUVERNEMENT DU QUÉBEC
FINANCING TRANSACTIONS**

(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Change in cash position				
Consolidated Revenue Fund	- 2 831	2 325	- 969	622
Consolidated organizations	848	- 79	496	319
Total change in cash position	- 1 983	2 246	- 473	941
Change in direct debt				
Consolidated Revenue Fund				
New borrowings	9 355	5 189	7 569	6 246
Repayment of borrowings	- 6 399	- 5 509	- 4 616	- 4 602
	2 956	- 320	2 953	1 644
Consolidated organizations				
New borrowings	296	891	1 025	1 128
Repayment of borrowings	- 762	- 703	- 970	- 740
	- 466	188	55	388
Total change in direct debt	2 490	- 132	3 008	2 032
Retirement plans sinking fund¹	- 1 030	- 2 831	- 2 019	- 2 266
Total financing of transactions	- 523	- 717	516	707

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 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

TABLE 2.18

BORROWINGS FOR THE CONSOLIDATED REVENUE FUND IN 2001-2002¹

Amount in Canadian dollars ²	Face value in foreign currency	Interest rate ³	Date of issue	Date of maturity	Price to investor	Yield to investor ⁴
(in millions)		%			\$	%
1 158	US\$743 ⁵	5.50	April 11	2006-04-11	99.763	5.555
625	¥50 000	1.60	May 9	2013-05-09	99.138	1.679
372	—	6.25	June 4	2032-06-01	93.111	6.785
1 944	€1 500	5.63 ⁶	June 21	2011-06-21	99.440	5.700
516	—	6.50	July 31	2005-12-01	103.149	5.668
509	—	6.25	August 31	2010-12-01	101.872	5.982
28 ⁷	—	Various	Various	Various	Various	Various
310 ⁸	—	Various	Various	Various	Various	Various
25 ⁹	—	Various	Various	Various	Various	Various
209 ¹⁰	—	Various	Various	Various	Various	Various
4 ¹¹	—	Various	Various	Various	Various	Various
50 ¹²	—	Various	Various	Various	Various	Various
3 ¹³	Various	Various	Various	Various	Various	Various
5 753						

1 Borrowings contracted as at October 19, 2001.

2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

3 Interest payable semi-annually except if another frequency is indicated in a note.

4 Yield to investor is determined on the basis of interest payable semi-annually.

5 The original borrowing totalled US\$1 billion, or CAN\$1 558 million. An amount of CAN\$400 million derived from this borrowing was advanced to the Financing Fund in order to be loaned to consolidated organizations.

6 Interest payable annually.

7 Real return bonds. The principal and the interest rate of these bonds are adjusted according to the change in the Consumer Price Index in Canada.

8 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.

9 Medium-term notes on the Canadian market.

10 Savings products issued by Placements Québec.

11 Borrowings from the Canada Pension Plan Investment Fund.

12 Borrowings contracted under the Immigrant Investor Program.

13 Amount received under interest rate and currency swap agreements.

Note: The gouvernement du Québec has credit agreements with various banks and financial institutions for a total of US\$3 500 million. None of the credit agreements is being drawn upon.

TABLE 2.19

BORROWINGS FOR CONSOLIDATED ORGANIZATIONS IN 2001-2002¹

Amount in Canadian dollars ²	Face value in foreign currency	Interest rate ³	Date of issue	Date of maturity	Price to investor	Yield to investor ⁴
(in millions)		%			\$	%
400 ⁵	—	5.67	April 11	2006-04-11	100.000	5.673
160 ⁶	—	6.25	September 26	2010-12-01	102.031	5.958
10 ⁶	—	6.50	September 26	2005-12-01	106.513	4.761
147 ⁶	—	6.25	October 10	2010-12-01	102.973	5.825
119 ⁶	—	6.25	October 16	2010-12-01	102.098	5.948
836						

1 Borrowings contracted as at October 19, 2001.

2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

3 Interest payable semi-annually except if another frequency is indicated in a note.

4 Yield to investor is determined on the basis of interest payable semi-annually.

5 Amount derived from the borrowing of US\$1 billion (CAN\$1 558 million) contracted by the Consolidated Revenue Fund.

6 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.

Table 2.20

BORROWINGS FOR NON-CONSOLIDATED ORGANIZATIONS IN 2001-2002¹

Amount in Canadian dollars ²	Face value in foreign currency	Interest rate ³	Date of issue	Date of maturity	Price to investor	Yield to investor ⁴
(in millions)		%			\$	%
24 ⁵	—	6.25	October 10	2010-12-01	102.973	5.825
2 ⁵	—	6.25	October 16	2010-12-01	102.098	5.948
26						

1 Borrowings contracted as at October 19, 2001.

2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

3 Interest payable semi-annually except if another frequency is indicated in a note.

4 Yield to investor is determined on the basis of interest payable semi-annually.

5 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.

TABLE 2.21

BORROWINGS BY FINANCEMENT-QUÉBEC IN 2001-2002¹

Amount in Canadian dollars ²	Face value in foreign currency	Interest rate ³	Date of issue	Date of maturity	Price to investor	Yield to investor ⁴
(in millions)		%			\$	%
49	—	5.75	April 9	2008-12-01	98.613	5.977
10	—	5.75	April 9	2008-12-01	98.765	5.952
35	—	5.75	April 9	2008-12-01	98.916	5.927
5	—	5.75	April 10	2008-12-01	99.067	5.902
5	—	5.75	April 12	2008-12-01	99.014	5.911
513	—	6.30	May 14	2006-06-01	102.540	5.713
617						

1 Borrowings contracted as at October 19, 2001.

2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

3 Interest payable semi-annually except if another frequency is indicated in a note.

4 Yield to investor is determined on the basis of interest payable semi-annually.

TABLE 2.22

BORROWINGS BY HYDRO-QUÉBEC IN 2001¹

Amount in Canadian dollars ²	Face value in foreign currency	Interest rate ³	Date of issue	Date of maturity	Price to investor	Yield to investor ⁴
(in millions)		%			\$	%
518	—	6.50	January 19	2011-02-15	103.542	6.025
1 149 ⁵	US\$750	6.30	May 11	2011-05-11	99.831	6.323
1 405 ⁶	—	Various	Various	Various	Various	Various
3 072						

1 Borrowings contracted as at October 19, 2001.

2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

3 Interest payable semi-annually except if another frequency is indicated in a note.

4 Yield to investor is determined on the basis of interest payable semi-annually.

5 Borrowing on the world market.

6 Medium-term notes on the Canadian market.

Note: Hydro-Québec has credit agreements with various banks and financial institutions for a total of US\$1 500 million. None of the credit agreements was being drawn upon at October 19, 2001.