

2008-2009 BUDGET
PRESS RELEASE No. 6

FOR IMMEDIATE RELEASE
CNW CODE 01 + WEEKLIES

2008-2009 Budget

MEETING THE PUBLIC FINANCE CHALLENGE

Québec, March 13, 2008 - The 2008-2009 Budget, tabled today, demonstrates prudence and discipline, allocating large amounts to the government's main missions and carrying out carefully targeted investments to stimulate productivity and innovation, and foster the well-being of families, access to the labour market and skills development.

"Thanks to our rigorous management, the tax burden has been reduced. Since 2003, the gap in the tax burden with the other provinces has been reduced by almost 70%. We no longer pay the highest taxes in North America", declared Minister of Finance, Minister of Government Services, Minister responsible for Government Administration and Chair of the Conseil du trésor Monique Jérôme-Forget.

Economy

Québec's economy is doing well despite the slowdown observed in the United States. In January, the unemployment rate fell to its lowest level in the past 33 years, that is, 6.8%. Private and public investment should rise more than 10% this year. However, Québec is not insulated from the North American economic context. No less than 75% of our international exports head to the United States. Thus, the economic growth rate, which was 2.5% for the current year, is revised today to 1.5%.

"However, the actions taken by our government should enable Québec to avoid a recession. The one billion dollars in tax cuts that took effect on January 1, combined with massive investments in infrastructure and energy development, are sustaining our economic activity", affirmed the Minister.

Budgetary reserve

"It is clear that our leeway is reduced. Fortunately, our government was prudent. We have established a \$1.8-billion budgetary reserve. The reserve was generated from additional revenues freed up in recent fiscal years. We have chosen to set them aside rather than spend them", indicated the Minister.

She added: "This reserve will be used to balance the budgets of the next two fiscal years. We will therefore be able to absorb the shock of the economic slowdown without raising taxes and without scaling back public services. That is what I call responsible and prudent management. That is what I call 'acting en bonne mère de famille'".

Reducing the debt burden

The public finance issue depends largely on sound management of the debt. After creating the Generations Fund, which was a major step in the government's drive to reduce the debt burden, the government saw its efforts rewarded when the rating agencies upgraded Québec's credit rating. The government is taking today an important step that will have significant consequences.

Indeed, the 2008-2009 Budget provides for an increase from 50% to 75% in the share of profits Hydro-Québec pays to the government in the form of dividends. As a result of this measure, the addition of 11 billion dollars to Québec's debt by 2025 will be avoided. Hydroelectricity is our "blue gold". The soundness of Hydro-Québec's finances enables this revision of the dividend payment policy without jeopardizing the corporation's development capacity. We must make the most of this important asset, whose economic value largely exceeds the book value in the public accounts", indicated Minister Jérôme-Forget.

New accounting rules

The government carried out a major accounting reform last fall in collaboration with the Auditor General. This budget is the first to be presented since the new accounting rules were adopted. The government thus includes the health and education networks in its reporting entity. "This major reform will be a milestone in the transition of government accounting toward greater transparency and discipline in reporting on its financial position", wrote the Auditor General when the accounting reform was unveiled.

"My objective in initiating this accounting reform was that no one be able to question the quality of Québec government financial information. This objective has been attained. For the sake of transparency, this budget has a five-year financial framework. This framework demonstrates that our public finances are balanced and on solid ground", concluded Minister Jérôme-Forget.

- 30 -

Source: Catherine Poulin
Press Officer
Office of the Minister of Finance,
Minister of Government Services,
Minister responsible for Government Administration
and Chair of the Conseil du trésor
418 643-5270
514 873-5363
www.finances.gouv.qc.ca