BUDGET 2013-2014
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Improving Management of Infrastructure Spending and Reducing the Debt Load

Québec, November 20, 2012 – In tabling Budget 2013-2014, the Minister of Finance and the Economy, Nicolas Marceau, announced stricter management of infrastructure spending and new diversified sources of revenues to reduce the debt load.

Improved management of infrastructure spending

"The Liberal government took decisions that caused spending to skyrocket. In point of fact, it mortgaged the future away. This is the case, for example, with infrastructure spending. These decisions add undue pressure to current expenditures," the Minister pointed out.

He mentioned that many shortcomings had emerged regarding infrastructure project management. Some investments were not entered in the Québec Infrastructures Plan (QIP) and thus were not covered by the management and monitoring framework. Moreover, project costs increased significantly between the time they were announced and the time they were incurred. In addition, the prioritization of certain investments gave rise to legitimate questions. Furthermore, an examination, ordered by Infrastructures Québec, of 18 recent priority projects showed that the final costs were 78% higher than the costs initially forecast.

"Our fears concerning the management of infrastructure projects were founded. Practices must be completely overhauled. We are therefore tightening the rules governing project planning and management to get better value from infrastructure spending. We will make sure that all projects are included in the QIP. We will also evaluate the existing asset stock to arrive at a comprehensive view that will enable us to prioritize needs. In short, we will make sure that Quebecers get their money's worth, both now and in the future," the Minister said.

He added that the pace at which infrastructure spending has risen in recent years was not sustainable. "Our government is undertaking a major shift in order to put us back on a trajectory that is compatible with our ability to pay. The level of capital investments will be capped at $9.5 billion a year, on average, for the next five years, representing a reduction of $1.5 billion compared with what was planned in Budget 2012-2013," he announced.

"We must make sure that infrastructure investment is in keeping with our ability to pay and stop going further into debt. This annual amount of $9.5 billion is considerable and will enable the quality of our public infrastructure to be maintained," the Minister pointed out.

Debt reduction plan

"I have already stated that we intend to meet the objectives set in the debt reduction statute. The previous government wanted to pay down the debt by imposing on Quebecers a 20% increase in the price of electricity. Instead, we will take a balanced approach," the Minister said.

Accordingly, he announced that the price of heritage electricity will be indexed to the cost of living as of 2014. The resulting revenue will be dedicated to the Generations Fund. Moreover, all mining royalties, an estimated amount of $325 million annually, will be deposited in the Generations Fund as of 2015-2016. The $100 million in revenue from the increase in the tax on alcoholic beverages will also be deposited in the Fund beginning in 2014-2015. This will also be the case for the revenue arising from the increase in Hydro-Québec's profits further to the abandonment of the project to refurbish the Gentilly-2 nuclear power plant, which will represent $215 million per year as of 2017-2018.

Lastly, he noted that the reduction in public infrastructure investment will help reduce the growth in the debt.

"Moreover, we feel it is important to do something immediately to pay down the debt. In 2013-2014, $1 billion will be drawn from the Generations Fund for that purpose," the Minister said.

"Taken together, all of the actions I am announcing today will enable us to meet the legislative targets for reducing the debt as a function of GDP. That means that, as of next year, debt load as a percentage of GDP will begin to decline," he concluded.

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