

# THE QUÉBEC **ECONOMIC PLAN**

March 2018



Budget 2018-2019  
The Québec Economic Plan

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# THE QUÉBEC ECONOMIC PLAN

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# HIGHLIGHTS

The government has achieved its objectives announced in 2014.

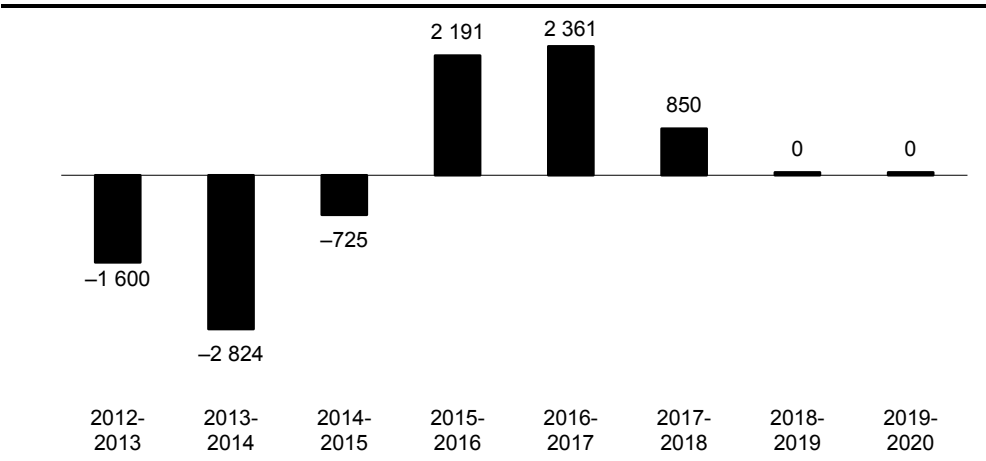
- Public finances have been balanced since 2015-2016.
- The recorded surpluses have been reinvested in public services, particularly education and health, and in reducing the tax burden for Quebecers to improve their quality of life.
- In addition, the weight of Québec's debt has decreased and planned investments in public infrastructure have increased.

The March 2018 Québec Economic Plan provides for the continuation of measures needed to strengthen the funding of public services and support Québec's economy. More specifically, the plan provides for:

- maintenance of a balanced budget;
- additional funding for education and health services;
- support for economic development in all regions;
- measures to improve Quebecers' quality of life;
- an increase in public capital investments;
- a \$10-billion debt repayment over the next five years, while continuing to make deposits of dedicated revenues in the Generations Fund.

CHART 1

**Budgetary balance<sup>(1)</sup>**  
(millions of dollars)



(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

# QUÉBEC'S ECONOMY IS GOING FULL THROTTLE

Québec's economy is going full throttle. Growth in real gross domestic product (GDP) accelerated from 1.4% in 2016 to 3.0% in 2017.

— Economic activity has not been this strong since 2000.

The factors that drove economic growth in 2017 will remain in place in the coming years. Real GDP is expected to increase by 2.1% in 2018 and 1.7% in 2019.

— Québec's sound fiscal position will continue to support consumer and business confidence.

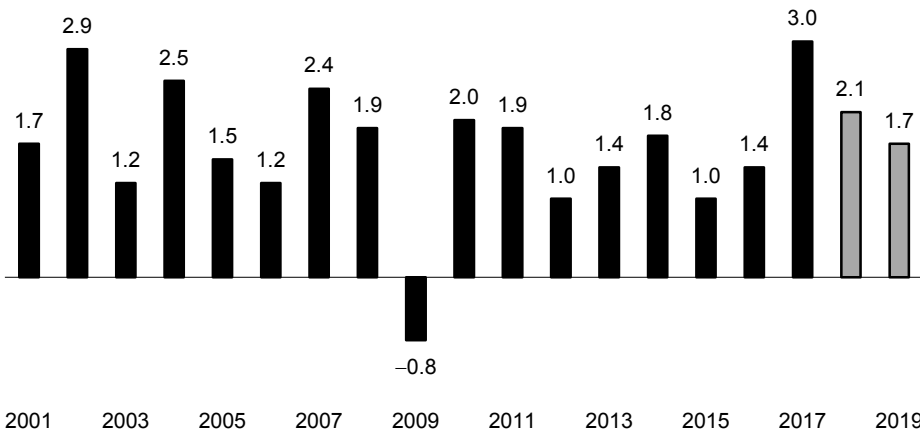
— Families will benefit from the robust labour market, wage growth and the recent tax cuts by the Québec government.

— Growth in investments, which are seeing a strong resurgence, will be supported by high business-owner confidence in Québec's economic outlook.

— In addition, exports will be supported by the good economic performance of Québec's major trading partners.

CHART 2

## Economic growth in Québec (real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.



## MAINTENANCE OF A BALANCED BUDGET

### ❑ Québec's financial framework

A balanced budget is forecast for the period covered by the financial framework.

In 2018-2019, consolidated revenue is \$109.6 billion, with growth of 2.2%, while consolidated expenditure stands at \$108.7 billion, with growth of 4.5%. In 2019-2020, consolidated revenue growth will be 3.4% and consolidated expenditure growth, 2.6%.

In addition, deposits of dedicated revenues in the Generations Fund amount to \$2.5 billion in 2018-2019 and \$2.7 billion in 2019-2020.

The government plans to use \$1.6 billion from the stabilization reserve in 2018-2019 and \$936 million in 2019-2020.

TABLE 1

### Consolidated summary financial framework – March 2018

(millions of dollars)

	2017-2018	2018-2019	2019-2020
Own-source revenue	84 527	85 923	88 595
% change	2.2	1.7	3.1
Federal transfers	22 669	23 674	24 764
% change	12.3	4.4	4.6
<b>Consolidated revenue</b>	<b>107 196</b>	<b>109 597</b>	<b>113 359</b>
% change	4.2	2.2	3.4
Mission expenditures	-94 817	-99 313	-102 066
% change	6.5	4.7	2.8
Debt service	-9 237	-9 380	-9 422
% change	-3.0	1.5	0.4
<b>Consolidated expenditure</b>	<b>-104 054</b>	<b>-108 693</b>	<b>-111 488</b>
% change	5.6	4.5	2.6
Contingency reserve	—	—	-100
<b>SURPLUS</b>	<b>3 142</b>	<b>904</b>	<b>1 771</b>
<b>BALANCED BUDGET ACT</b>			
Deposits of dedicated revenues in the Generations Fund	-2 292	-2 491	-2 707
Use of the stabilization reserve	—	1 587	936
<b>BUDGETARY BALANCE <sup>(1)</sup></b>	<b>850</b>	<b>—</b>	<b>—</b>

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

**Change in expenditure**

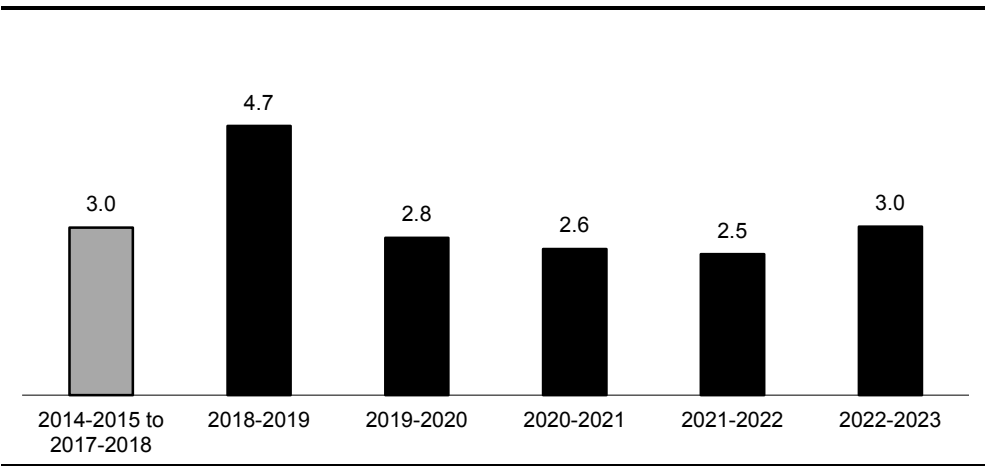
The economy’s strong performance as well as sound management of public finances enable further investments in public services, particularly education and health, to improve the quality of life for Quebecers.

Mission expenditures grew at an average rate of 3.0% between 2014-2015 and 2017-2018. The target growth rate for 2018-2019 is 4.7%.

For the following years, expenditure growth is determined on the basis of revenue growth.

CHART 3

**Growth in mission expenditures**  
(per cent)



## EDUCATION AND HEALTH FUNDING: COMMITMENTS HAVE BEEN MET

The government has made education and health a priority.

### ❑ Education

Through the Québec Economic Plan, the government has taken a number of significant steps to enhance educational success by, in particular, better supporting children and students.

- As of September 2018, 3 100 additional professionals will support elementary and secondary school students in their learning paths. Another 1 000 resources will be added to teach and support postsecondary students.
- In 2021-2022, the education system will have an additional 10 200 professional staff.

The government committed to an annual growth rate of 3.5% for spending on education.

- The March 2018 Québec Economic Plan confirms that the target has been met.

For 2018-2019, growth in program spending on education is set at 5.0%. Expenditure amounts to \$18.9 billion.

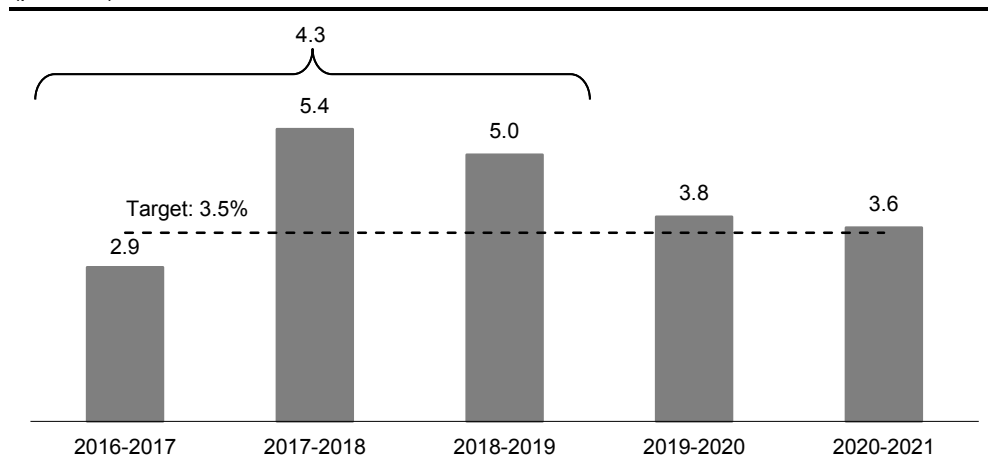
- That includes additional investments made since 2016, totalling \$897 million.

Moreover, from 2016-2017 to 2018-2019, spending on education will have increased by 4.3%, which is 0.8 percentage points higher than the initial spending target.

The spending target will be held at 3.5% growth for the coming years.

CHART 4

### Program spending – Éducation et Enseignement supérieur (per cent)



# ❑ Health

Through the Québec Economic Plan, the government has taken a number of significant steps to improve access to quality services, particularly for vulnerable persons, including seniors and people with an addiction.

The government committed to an annual growth rate of 4.0% for spending on health and social services.

— The March 2018 Québec Economic Plan confirms that the target has been met.

In 2018-2019, program spending on health and social services is set to grow by 4.6%. Program spending primarily ensures funding for health institutions and physician compensation.

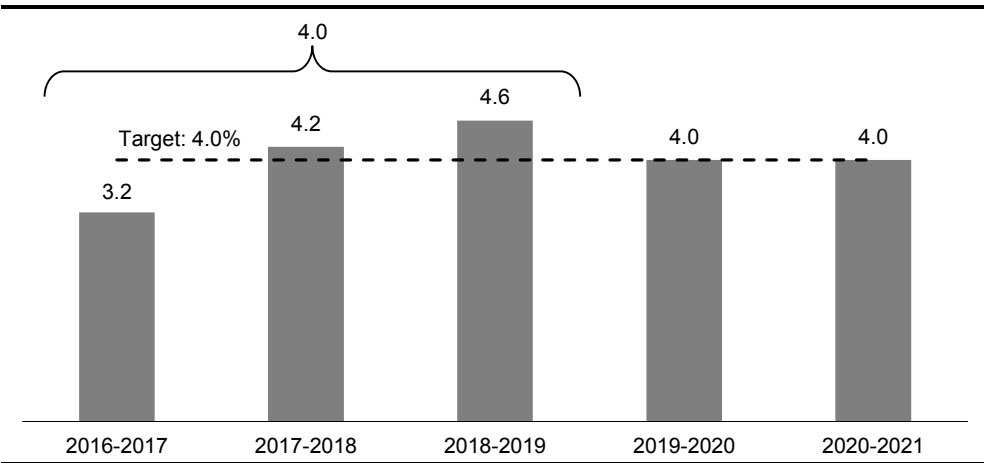
— In particular, spending by health institutions has increased by 5.3%. This significant improvement in health services was enabled by the fiscal room freed up by the compensation agreements reached with the medical federations, which will hold growth in the cost of medical services below 3.0% until 2022-2023.

From 2016-2017 to 2018-2019, health spending will have increased at an average rate of 4.0% and growth will be held at that rate for the coming years.

— The increase in funding allocated to health and social services institutions will be used, in particular, to implement various measures to support the work of Québec nurses.

CHART 5

## Program spending – Santé et Services sociaux (per cent)



## ADDITIONAL INVESTMENTS UNDER THE MARCH 2018 QUÉBEC ECONOMIC PLAN

The strong performance of the economy and the improvement in Québec's financial position enable the government to make additional investments of \$3.7 billion in 2018-2019 and \$4.7 billion in 2019-2020 relative to the March 2017 Québec Economic Plan.

— These investments will strengthen funding for public services, spur economic growth and raise Quebecers' standard of living.

The March 2018 Québec Economic Plan announces, in particular, the following additional investments by 2022-2023:

- \$1.2 billion to foster success in education and higher education;
- \$3.6 billion to improve access to quality health services;
- \$2.3 billion to support Québec SMBs, including \$259 million in 2018-2019.

TABLE 2

### Measures in the March 2018 Québec Economic Plan – difference relative to the March 2017 Québec Economic Plan (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	Cumul. 6 year <sup>(1)</sup>	Page ref.
Education and higher education	—	163	204	227	<b>1 181</b>	C.3
Health and social services	136	255	603	866	<b>3 575</b>	C.5
Tax measures for families and seniors	—	202	125	92	<b>638</b>	C.7
Further measures to support families, seniors and communities	72	203	306	371	<b>2 088</b>	C.45
Additional support for Québec SMBs	36	259	372	472	<b>2 318</b>	D.7
Fostering economic development in all regions	150	42	68	84	<b>417</b>	D.111
Fostering business investment and innovation	136	145	253	230	<b>1 059</b>	D.45
Meeting labour market challenges	50	104	147	161	<b>796</b>	D.107
Reform of the school tax system	—	499	679	682	<b>3 220</b>	C.43
Other measures	268	178	128	97	<b>809</b>	D.195
<b>Subtotal</b>	<b>848</b>	<b>2 050</b>	<b>2 884</b>	<b>3 281</b>	<b>16 100</b>	
Measures in the November 2017 update	1 340	1 664	1 767	1 917	<b>10 991</b>	Nov. 2017
<b>TOTAL</b>	<b>2 187</b>	<b>3 714</b>	<b>4 651</b>	<b>5 198</b>	<b>27 091</b>	

Note: Totals may not add due to rounding.

(1) The additional investments include investments for fiscal years 2017-2018 to 2022-2023.

# PUBLIC CAPITAL INVESTMENTS

The improvement in Québec's financial situation allows the government to raise investments under the 2018-2028 Québec Infrastructure Plan (QIP) to a record level.

- Investments under the 2018-2028 QIP amount to \$100.4 billion, an increase of \$9.3 billion relative to the 2017-2027 QIP.

The increase means that, from now until 2028, the government will be injecting over \$10 billion a year, on average, into Québec's infrastructure to:

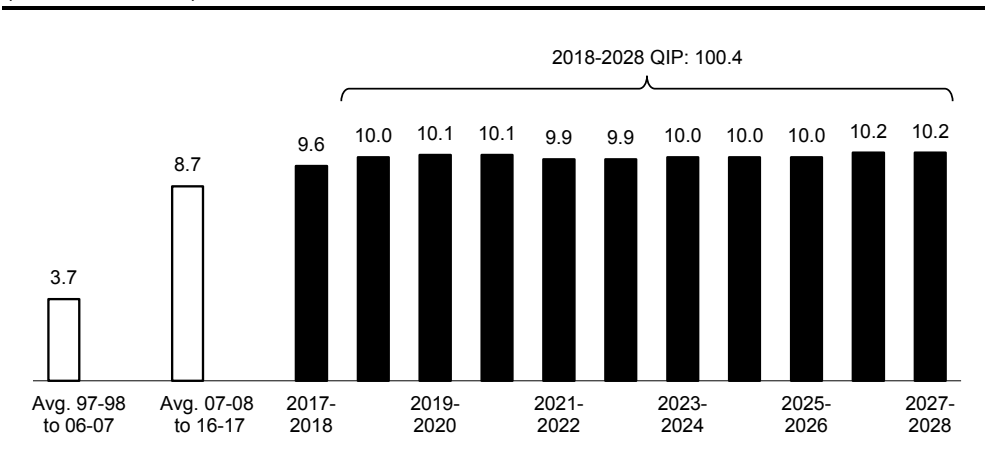
- meet infrastructure needs;
- step up major strategic projects, particularly in the education, health and social services sectors, the road network and public transit.

These substantial investments will be made by:

- giving priority to public safety, replacement of outdated infrastructure and economic development;
- remaining within Québec taxpayers' ability to pay and achieving the debt reduction objectives.

CHART 6

## Investments under the 2018-2028 Québec Infrastructure Plan (billions of dollars)



# QUÉBEC IS ON TRACK TO ACHIEVE ITS DEBT REDUCTION OBJECTIVES

## ❑ Debt reduction objectives

The Québec government set debt reduction objectives that have been included in the *Act to reduce the debt and establish the Generations Fund*.

— For the 2025-2026 fiscal year, the gross debt must not exceed 45% of GDP and the debt representing accumulated deficits must not exceed 17% of GDP.

The gross debt burden has decreased for the third year in a row. As at March 31, 2018, the gross debt will stand at \$204.5 billion. As a share of the economy, this is equivalent to 49.6% of GDP.

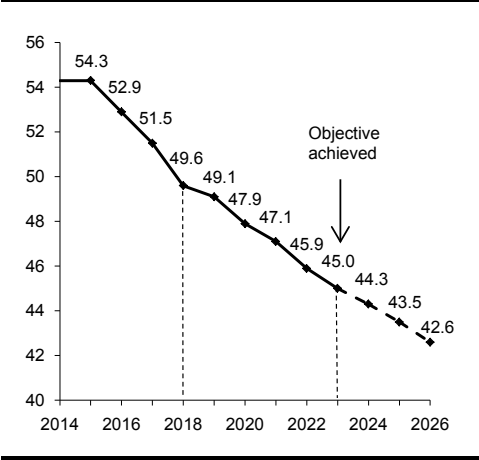
The ratio of gross debt to GDP is forecast to be 45.0% as at March 31, 2023. The debt reduction objective stipulated in the Act will thus have been achieved.

As at March 31, 2018, the debt representing accumulated deficits will amount to \$115.1 billion, or 27.9% of GDP. The objective for reducing the debt representing accumulated deficits will be achieved in 2025-2026, as stipulated in the Act.

CHART 7

### Gross debt as at March 31

(percentage of GDP)

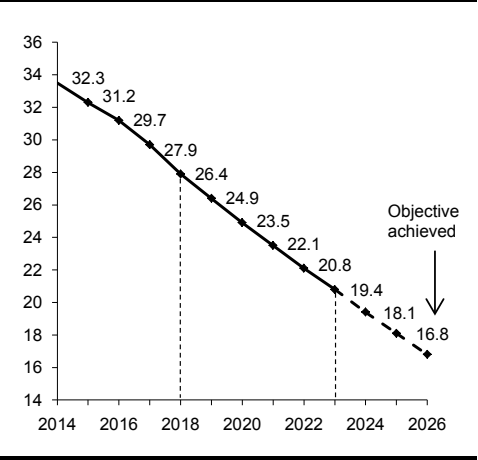


Note: Forecasts up until 2023 and projections thereafter.

CHART 8

### Debt representing accumulated deficits as at March 31

(percentage of GDP)



Note: Forecasts up until 2023 and projections thereafter.

## ❑ \$10 billion in debt repayment within five years

As at March 31, 2018, the sums credited to the Generations Fund will amount to \$12.8 billion. In accordance with the Act, the Fund is dedicated exclusively to repaying the debt.

The March 2018 Québec Economic Plan provides for the use of \$10 billion from the Generations Fund, at a rate of \$2 billion a year from 2018-2019 to 2022-2023, to repay maturing borrowings on financial markets.

Revenues dedicated to reducing the debt will continue to be credited to the Generations Fund each year, but a portion of the assets will be used to repay maturing borrowings, as provided for in the Act.

The \$10 billion debt repayment within five years will reduce the interest charges on the debt. As of 2018-2019, every Quebecer will reap the benefits of the government's debt reduction efforts.

TABLE 3

### Use of the Generations Fund for debt repayment (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Book value, beginning of year	10 523	12 815	13 306	14 013	15 004	16 269	
Revenues dedicated to the Generations Fund	2 292	2 491	2 707	2 991	3 265	3 502	
Use of the Generations Fund to repay maturing borrowings	—	-2 000	-2 000	-2 000	-2 000	-2 000	-10 000
<b>BOOK VALUE, END OF YEAR</b>	<b>12 815</b>	<b>13 306</b>	<b>14 013</b>	<b>15 004</b>	<b>16 269</b>	<b>17 771</b>	



# Section A

## QUÉBEC'S ECONOMIC AND FISCAL POLICY DIRECTIONS

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## INTRODUCTION

The government implemented the Québec Economic Plan as early as June 2014. Through it, the government has been able to restore sound public finances and achieve budgetary surpluses, enabling it to provide substantial support to boost the economy and improve public services and quality of life.

The plan has been effective.

- Québec's economy is going full throttle. In 2017, it saw the highest growth rate in nearly 20 years.
- The economy's strong performance drove robust job creation. Since May 2014, 222 600 jobs have been created.

These favourable conditions and the sound management of public finances have enabled the government to reduce the tax burden for families and further invest in fostering educational success, improving health services, reducing poverty and supporting the economy in all regions of Québec.

- These initiatives are contributing to the improvement in Quebecers' quality of life.

The March 2018 Québec Economic Plan provides for maintenance of a balanced budget in 2018-2019 and subsequent years. The improvement in Québec's economic and financial situation and use of a portion of the budgetary surpluses achieved allow the government to announce additional investments for the benefit of all Quebecers.

This section provides an overview of Québec's economic and fiscal policy directions and the means taken by the government to continue its sound management of public finances.<sup>1</sup> It discusses:

- Québec's fiscal policy directions;
  - The five-year financial framework includes revenue and expenditure forecasts.
  - The good performance of the Québec economy is translating into substantial revenue growth.
  - A budgetary surplus of \$850 million is forecast for 2017-2018 and a balanced budget is forecast for subsequent years.

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<sup>1</sup> Unless otherwise indicated, this document is based on data available as at March 14, 2018. In addition, the budgetary data presented throughout this section for 2017-2018 and subsequent years are forecasts.

- The debt continues to fall thanks to the maintenance of deposits in the Generations Fund.
  - The Québec Economic Plan provides for the use of \$2 billion a year from the Generations Fund, as of 2018-2019, to repay maturing borrowings. That is, \$10 billion over five years.
  - The debt reduction objectives will be met by 2025-2026, as stipulated in the legislation.
- Restored fiscal health and debt control create fiscal space for increasing infrastructure investments.
  - The funding earmarked for public infrastructure projects is being increased by \$9.3 billion, to a record level of \$100.4 billion.
  - This represents an average annual investment of over \$10 billion for the next ten years.
- The new initiatives under the Québec Economic Plan, which aim to improve the quality of life for Quebecers. The initiatives are aimed at, among other things:
  - ensuring quality services and infrastructure, primarily in education and health;
  - giving all Quebecers more quality time thanks to better access to services and better support;
  - raise everyone's standard of living thanks to a strong, sustainable economy in all regions.

# 1. QUÉBEC'S FISCAL POLICY DIRECTIONS

The March 2018 Québec Economic Plan is an opportunity for the government to reiterate its fiscal policy directions and align them with the current economic situation.

The government has achieved its objectives announced in June 2014:

- The budget has been balanced since 2015-2016 and the recorded surpluses have been reinvested in improving public services and reducing the tax burden for Quebecers. In particular:
  - the government committed to annual growth rates of 3.5% for education spending and 4.0% for health spending;
  - the March 2018 Québec Economic Plan confirms that those targets have been met. In 2018-2019, education spending will grow by 5.0% and health spending by 4.6%.
- Québec's debt has decreased and planned public infrastructure investments have increased.

The economic and fiscal policy directions provide for the continuation of the measures needed to improve public services and support the Québec economy while maintaining sound public finances. In particular, the plan provides for:

- maintenance of a balanced budget;
- delivery of quality services, particularly through additional funding to increase educational success and improve health services;
- support for economic growth and for economic transformation through measures in favour of businesses, especially SMBs;
- measures to improve the quality of life for Quebecers;
- an increase in public capital investments, particularly to implement major strategic public transit projects and accelerate the upgrading of schools and hospitals;
- a \$10-billion debt repayment over the next five years, while continuing to make deposits of dedicated revenues in the Generations Fund.

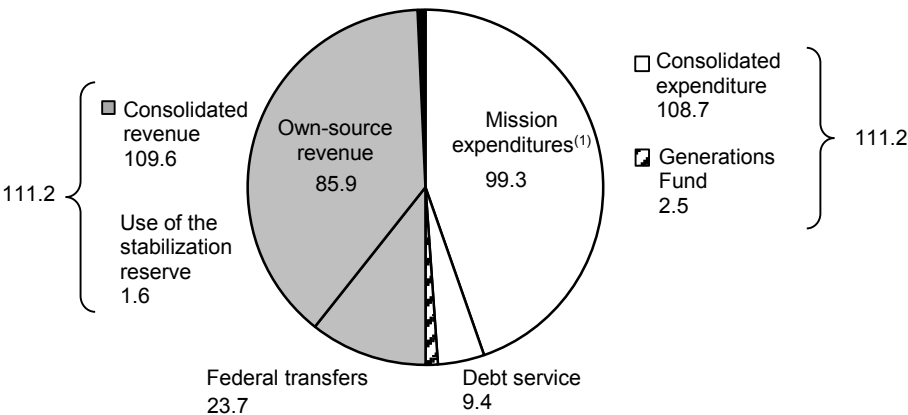
**Government revenue and expenditure**

In 2018-2019, the government’s consolidated revenue stands at \$109.6 billion, making it possible to fund:

- the government’s mission expenditures, that is, spending for the government’s primary functions, which stand at \$99.3 billion;
- debt service, which stands at \$9.4 billion;
- deposits in the Generations Fund, which total \$2.5 billion.

CHART A.1

**Breakdown of the government’s consolidated revenue and expenditure, 2018-2019**  
(billions of dollars)



Note: Totals may not add due to rounding.

(1) The missions represent the government’s primary functions: Health and Social Services, Education and Culture, Economy and Environment, Support for Individuals and Families, and Administration and Justice.

## 1.1 Recent developments in the Québec economy

### ❑ The strongest economic growth in nearly 20 years

Québec's economy is going full throttle. Growth in real gross domestic product (GDP) accelerated from 1.4% in 2016 to 3.0% in 2017.

— An economic performance that strong has not been seen since 2000.

The acceleration in economic activity was supported primarily by renewed household and business-owner confidence, which was driven by the sound management of Québec's public finances and the steps taken by the government.

— Household consumption expenditure and the residential sector were buoyed by strong job creation and wage growth.

— In addition, there was a strong resurgence in business investment in 2017, reflecting investor confidence in Québec's current and future economic conditions.

Québec's economy is expected to continue performing well in the coming years.

— Real GDP is forecast to increase by 2.1% in 2018 and 1.7% in 2019.

— The forecast growth rates are similar to those for Québec's major trading partners.

TABLE A.1

#### **Economic growth** (real GDP, percentage change)

	2016	2017	2018	2019
Québec	1.4	3.0	2.1	1.7
Ontario	2.6	2.7	1.9	1.8
Canada	1.4	3.0	2.1	1.7
United States	1.5	2.3	2.5	2.2

Sources: Institut de la statistique du Québec, Statistics Canada, Conference Board of Canada, IHS Markit and Ministère des Finances du Québec.

❑ **Québec – a hub of job creation in Canada**

The acceleration in economic activity in Québec led to strong job creation in 2017. Since 2015, Québec has been a main hub of employment growth in Canada.

Since 2015, Québec's contribution to total job creation in Canada exceeds its demographic weight in the federation, which is 22.9%.

- An average of 90 200 new jobs were created in Québec in 2017 compared to 2016, with 65 400 of them being full-time jobs.
- Québec created nearly 27% of all new jobs in Canada in 2017.
  - Québec was among the provinces with the highest job creation in Canada for the third year in a row.

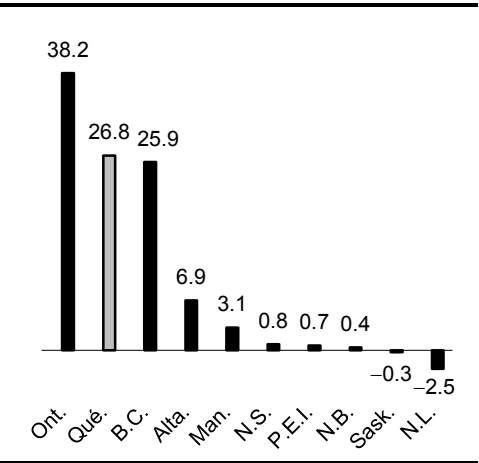
■ **Québec's unemployment rate reaches historical low**

Québec's unemployment rate has dropped significantly in the past few years, falling from 7.7% in 2014 to 7.1% in 2016 and 6.1% in 2017.

- The unemployment rate in 2017 was the lowest rate seen since the first Statistics Canada Labour Force Survey in 1976.
- The unemployment rate in Québec thus fell below Canada's unemployment rate.

CHART A.2

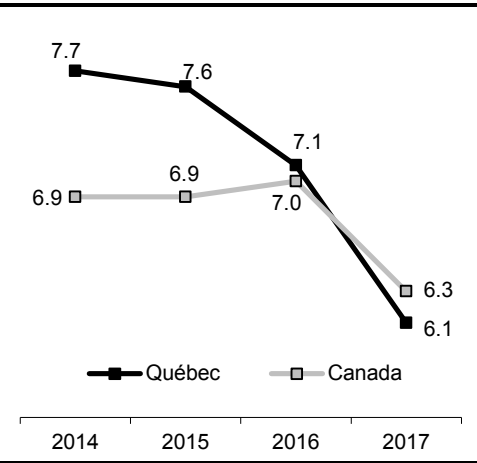
**Breakdown of job creation in Canada, 2017**  
(percentage share)



Source: Statistics Canada.

CHART A.3

**Change in unemployment rate in Québec and Canada**  
(per cent)



Source: Statistics Canada.



## The government is on track to achieve its target to create 250 000 jobs in five years

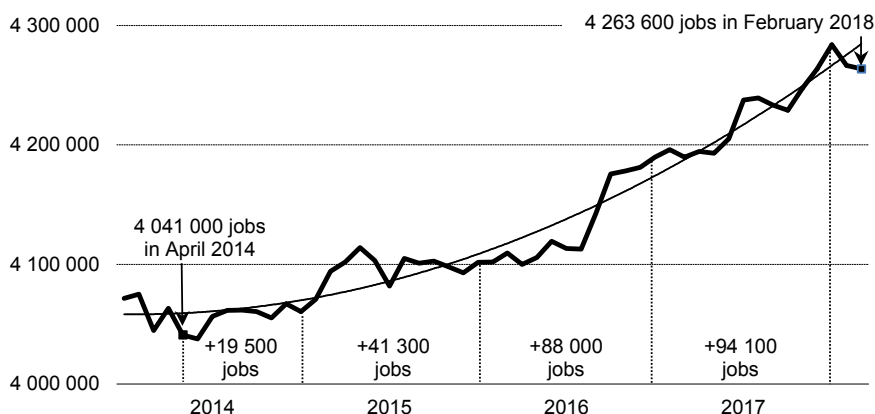
From May 2014 to February 2018, the Québec economy created 222 600 jobs. More specifically:

- 19 500 jobs were added from May to December 2014;
- 41 300 jobs were gained from January to December 2015;
- 88 000 jobs were created from January to December 2016;
- 94 100 jobs were added from January to December 2017.

Job creation kept pace with the acceleration of economic activity.

- Based on the employment growth seen in recent years and the projected growth in 2018, the government is on track to meet its commitment to create 250 000 jobs over five years.

### Employment trends in Québec (numbers of jobs)



Sources: Statistics Canada and Ministère des Finances du Québec.

# 1.2 Recent developments in the budgetary situation

In June 2014, the government pledged to restore public finances in a sustainable manner. The plan implemented to that effect has been successful. The budget remains balanced in 2018-2019, for the fourth year in a row.

The acceleration of economic growth and the improvement in Québec's financial situation enable the government to maintain a balanced budget this year and the years ahead and continue implementing initiatives to strengthen funding for quality public services, support economic development and improve the quality of life for Quebecers.

## 1.2.1 Maintenance of a balanced budget

Keeping the budget balanced is a crucial condition for Québec's economic development and prosperity.

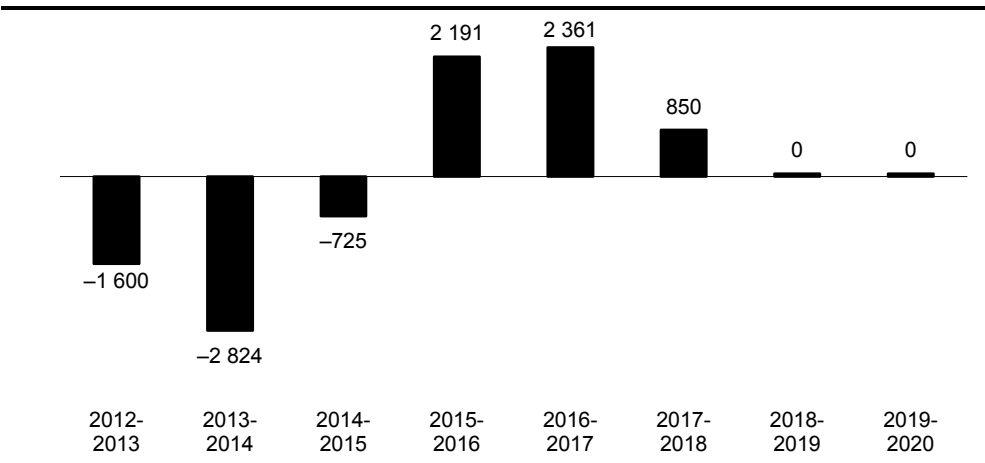
- It makes it possible to secure stable funding for public services.
- It requires responsible management of public finances and demands that expenditure be balanced against changes in revenue.
- It enables gradual reduction of the debt burden for the benefit of all Quebecers, present and future generations.
- That contributes to higher consumer and business confidence, which leads to faster economic growth.

The March 2018 Québec Economic Plan forecasts a balanced budget for 2017-2018 and subsequent years.

- A budgetary surplus of \$850 million is projected for 2017-2018.

CHART A.4

### Budgetary balance,<sup>(1)</sup> 2012-2013 to 2019-2020 (millions of dollars)



(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

## ❑ Québec's financial framework

A balanced budget is forecast for the period covered by the financial framework.<sup>2</sup>

In 2018-2019, consolidated revenue is \$109.6 billion, with growth of 2.2%, while consolidated expenditure stands at \$108.7 billion, with growth of 4.5%. In 2019-2020, consolidated revenue growth will be 3.4% and consolidated expenditure growth, 2.6%.

In addition, deposits of dedicated revenues in the Generations Fund amount to \$2.5 billion in 2018-2019 and \$2.7 billion in 2019-2020.

The government plans to use \$1.6 billion from the stabilization reserve in 2018-2019 and \$936 million in 2019-2020.

TABLE A.2

### Consolidated summary financial framework – March 2018 (millions of dollars)

	2017-2018	2018-2019	2019-2020
Own-source revenue	84 527	85 923	88 595
% change	2.2	1.7	3.1
Federal transfers	22 669	23 674	24 764
% change	12.3	4.4	4.6
<b>Consolidated revenue</b>	<b>107 196</b>	<b>109 597</b>	<b>113 359</b>
% change	<b>4.2</b>	<b>2.2</b>	<b>3.4</b>
Mission expenditures	-94 817	-99 313	-102 066
% change	6.5	4.7	2.8
Debt service	-9 237	-9 380	-9 422
Variation en %	-3.0	1.5	0.4
<b>Consolidated expenditure</b>	<b>-104 054</b>	<b>-108 693</b>	<b>-111 488</b>
% change	<b>5.6</b>	<b>4.5</b>	<b>2.6</b>
Contingency reserve	—	—	-100
<b>SURPLUS</b>	<b>3 142</b>	<b>904</b>	<b>1 771</b>
<b>BALANCED BUDGET ACT</b>			
Deposits of dedicated revenues in the Generations Fund	-2 292	-2 491	-2 707
Use of the stabilization reserve	—	1 587	936
<b>BUDGETARY BALANCE<sup>(1)</sup></b>	<b>850</b>	<b>—</b>	<b>—</b>

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

<sup>2</sup> A balanced budget is being maintained following the use of part of the stabilization reserve for 2018-2019 to 2020-2021. This reserve, which consists of budgetary surpluses achieved, amounts to \$5.4 billion as at March 31, 2018.

## ■ Budgetary surpluses used for the benefit of Quebecers

Sound management of public finances and the acceleration in economic growth in recent years have resulted in budgetary surpluses. Since 2015-2016, the surpluses have totalled \$5.4 billion.

As of now, a portion of the surpluses, that is, \$3.0 billion, is being used for the benefit of all Quebecers. Among other things, it will go toward easing the tax burden for Quebecers, improving their quality of life and strengthening the funding of public services.

CHART A.5

### Budgetary surpluses allocated to the stabilization reserve (millions of dollars)

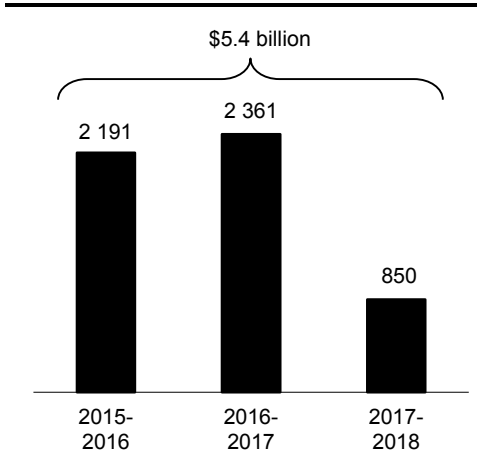
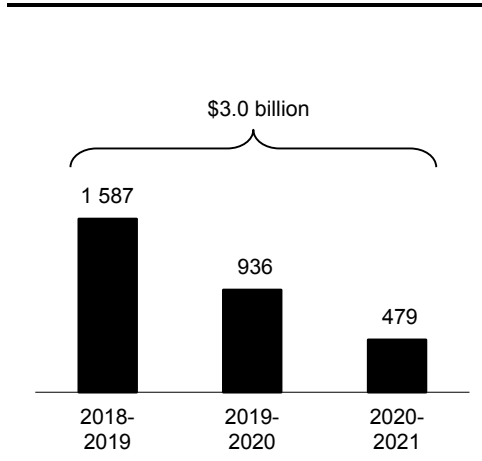


CHART A.6

### Use of the stabilization reserve (millions of dollars)



The stabilization reserve stood at \$4.6 billion at the start of 2017-2018 and \$5.4 billion in early 2018-2019. It will be brought down to \$2.4 billion at year-end 2020-2021, a sufficient level given the government's sound financial framework.

TABLE A.3

### Stabilization reserve (millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Balance, beginning of year	4 552	5 402	3 815	2 879	2 400	2 400
Allocations	850	—	—	—	—	—
Uses	—	-1 587	-936	-479	—	—
<b>BALANCE, END OF YEAR</b>	<b>5 402</b>	<b>3 815</b>	<b>2 879</b>	<b>2 400</b>	<b>2 400</b>	<b>2 400</b>

## 1.2.2 Main adjustments to the financial framework

The improvement in Québec's financial situation and the acceleration of economic growth in recent years enable the government to keep the budget balanced and take new initiatives to improve the standard of living for Quebecers, enhance public services, support regional economies and support the transformation of the economy.

### ❑ Change in the budgetary situation in 2017-2018

The monthly report on financial transactions as at December 31, 2017 shows a budgetary surplus of \$2.9 billion.

Ongoing implementation of the initiatives announced in the November 2017 update of the Québec Economic Plan, and the projected results for January to March 2018, raise the forecast budgetary surplus as at March 31, 2018 to \$1.7 billion.

Taking into account the new initiatives being announced, the March 2018 Québec Economic Plan still forecasts a balanced budget in 2017-2018.

— A budgetary surplus of \$850 million is forecast in 2017-2018.

TABLE A.4

### Change in the financial framework for 2017-2018

(millions of dollars)

	2017-2018
<b>MONTHLY REPORT ON FINANCIAL TRANSACTIONS AS AT DECEMBER 31, 2017</b>	<b>2 900</b>
<b>Initiatives in the November 2017 update</b>	
– Easing of the tax burden on individuals <sup>(1)</sup>	–322
– Reduction of poverty	–41
– Investments in educational success and health	–129
– Support for regional economies	–86
<b>Subtotal</b>	<b>–578</b>
Government's contribution to the ARTM for operation of the REM <sup>(2)</sup>	–733
Support for the taxi industry	–250
Other results projected for January 1 to March 31, 2018	359
<b>PROJECTED BUDGETARY SURPLUS AS AT MARCH 31, 2018</b>	<b>1 698</b>
<b>Initiatives in the March 2018 Québec Economic Plan</b>	<b>–848</b>
<b>BUDGETARY BALANCE – MARCH 2018</b>	<b>850</b>

(1) A balance of \$322 million still has to be reported in the results between January 1 and March 31, 2018. The total reduction in the tax burden for 2017-2018 announced in the November 2017 update is \$1 083 million.

(2) Réseau express métropolitain. Details of the contribution are presented in the budget paper *Electric Mobility: Sustainable Development of all Transportation Modes*.

## ❑ **Adjustments to the financial framework for 2017-2018 to 2019-2020**

The acceleration in the economy and sound management of public finances result in positive adjustments to the financial framework for 2017-2018 and subsequent years relative to the March 2017 Québec Economic Plan.

Overall, adjustments related to the economic and budgetary situation total \$3.0 billion in 2017-2018, \$3.7 billion in 2018-2019 and \$4.7 billion in 2019-2020.

The adjustments are attributable to the following factors in particular:

- positive adjustments of \$964 million in 2017-2018 and \$761 million in 2018-2019 to own-source revenue owing, in particular, to the good performance of the economy, which generated higher revenues from corporate taxes and sales taxes;
- reductions of \$631 million in 2017-2018 and \$378 million in 2018-2019 in debt service due to, in particular, lower-than-expected long-term interest rates and savings arising from debt repayment;
- positive adjustments to federal transfers primarily stemming from an equalization adjustment payment in 2018-2019, leading to an impact of \$576 million in 2018-2019 and \$1 089 million in 2019-2020;
- the use, in 2017-2018, of available amounts from the Contingency Fund, initially set at \$879 million, as well as reorganization of unallocated administrative expenses, particularly for retirement plans and capital assets;
- the use, in 2018-2019 and 2019-2020, of a portion of the stabilization reserve as a result of budgetary surpluses.

## ■ **Québec Economic Plan**

The improvements in the financial framework since March 2017 are reinvested to improve Quebecers' standard of living and quality of life by:

- improving educational success and investing more in health;
- supporting the economy and its transformation;
- meeting labour market challenges.

Taken together, these additional investments amount to \$2.2 billion in 2017-2018 and \$3.7 billion in 2018-2019.

- Investments of \$1.3 billion in 2017-2018 and \$1.7 billion in 2018-2019 were announced in the November 2017 update of the Québec Economic Plan, in particular a \$1-billion reduction in the tax burden annually.

TABLE A.5

**Québec Economic Plan – Adjustments to the financial framework**  
(millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>BUDGETARY BALANCE – MARCH 2017</b>	—	—	—
<b>ADJUSTMENTS TO THE ECONOMIC AND BUDGETARY SITUATION</b>			
Own-source revenue	964	761	1 083
Revenue from government enterprises	255	–70	–112
Federal transfers			
– Equalization adjustment payment	—	576	1 089
– Equalization and other transfers	640	877	1 122
Program spending			
– Use of the Contingency Fund and spending reallocation	1 110	—	—
– Use of fiscal room	—	100	350
Other consolidated expenditure	–663	–596	–404
Debt service			
– Adjustment related to the economic situation	631	317	458
– Savings related to debt repayment	—	61	130
Use of the contingency reserve	100	100	—
Use of part of the stabilization reserve	—	1 587	936
<b>TOTAL</b>	<b>3 037</b>	<b>3 714</b>	<b>4 651</b>
<b>QUÉBEC ECONOMIC PLAN</b>			
Education and higher education	—	–163	–204
Health and social services	–136	–255	–603
Tax measures for families and seniors	—	–202	–125
Further measures to support families, seniors and communities	–72	–203	–306
Additional support for Québec SMBs	–36	–259	–372
Fostering economic development in all regions	–150	–42	–68
Fostering business investment and innovation	–136	–145	–253
Meeting labour market challenges	–50	–104	–147
Reform of the school tax system	—	–499	–679
Other measures	–268	–178	–128
<b>Subtotal</b>	<b>–848</b>	<b>–2 050</b>	<b>–2 884</b>
Measures in the November 2017 update	–1 340	–1 664	–1 767
<b>TOTAL</b>	<b>–2 187</b>	<b>–3 714</b>	<b>–4 651</b>
<b>BUDGETARY BALANCE – MARCH 2018</b>	<b>850</b>	<b>—</b>	<b>—</b>

Note: Totals may not add due to rounding. The detailed adjustments to the financial framework are presented in Section F.

## Change in revenue and expenditure in 2018-2019

The March 2018 Québec Economic Plan projects a balanced budget for 2018-2019. The 2.3% growth in own-source revenue is below the 4.7% growth in expenditure. The spread is mainly attributable to the measures implemented in the last few years without comprising program spending levels.

- Excluding the revenue measures, particularly the decrease in the bottom personal income tax rate from 16% to 15% and the impact of the reform of the school tax system, revenue growth would be 3.7%.
- Expenditure growth excluding, in particular, extension of the RénoVert refundable tax credit, would be 3.8%, which is in line with revenue growth before measures.

### Change in revenue and expenditure in 2018-2019

(millions of dollars)

	2018-2019
<b>Own-source revenue excluding revenue from government enterprises</b>	<b>81 591</b>
<b>% change</b>	<b>2.3</b>
Revenue measures and other factors affecting revenue	
– Decrease in the bottom tax rate from 16% to 15%	–955
– Reduction of the contribution to the Health Services Fund	–155
– Reform of the school tax system	–499
– Other measures in the March 2018 Québec Economic Plan	–152
– Other measures and factors affecting revenue	118
<b>Subtotal</b>	<b>–1 642</b>
<b>Total revenue before measures</b>	<b>83 233</b>
<b>% change</b>	<b>3.7</b>
<b>Mission expenditures</b>	<b>99 313</b>
<b>% change</b>	<b>4.7</b>
Measures related to tax-funded expenditures	
– Extension of the RénoVert refundable tax credit	129
– Supplement of \$100 per child for the purchase of school supplies	112
– Introduction and enhancements to the tax shield	72
– Other	31
<b>Subtotal</b>	<b>344</b>
Deferral of spending by certain bodies and special funds	351
<b>Mission expenditures before measures</b>	<b>98 618</b>
<b>% change</b>	<b>3.8</b>

Note: Totals may not add due to rounding.



## **2. THE QUÉBEC ECONOMIC PLAN**

Implementation of the Québec Economic Plan has led to economic upswing and the creation of 222 600 quality jobs since May 2014. Combined with responsible management of public finances, the initiatives taken have strengthened the funding of public services and supported economic development in recent years.

The strong performance of the economy and the additional revenue thus generated enable the government to announce further investments under the Québec Economic Plan.

- Moreover, the savings on debt service achieved through use of \$2 billion a year from the Generations Fund, as of 2018-2019, to repay maturing borrowings will also be reinvested in improving public services.

The March 2018 Québec Economic Plan provides additional investments of \$2.1 billion in 2018-2019 to:

- fund the government's priority missions that are education and health;
- improve the standard of living for Quebecers;
- support economic growth by further supporting SMBs, meeting labour market challenges and supporting the economy in all regions.

These investments are in addition to those announced in the November 2017 update of the Québec Economic Plan, which total \$1.7 billion.

Taken together, the initiatives provided for in the March 2018 financial framework in respect of fiscal year 2018-2019 represent \$3.7 billion more relative to March 2017.

## Overview of investments announced in fall 2017

In the November 2017 update of the Québec Economic Plan, the government announced additional investments of over \$1.3 billion for 2017-2018 and \$1.7 billion in 2018-2019, representing \$11.1 billion over six years.

In particular, the following initiatives were announced:

- a \$6.3-billion reduction in the tax burden on individuals, flowing from a decrease in the bottom tax rate from 16% to 15% and the introduction of a supplement of \$100 per child for the purchase of school supplies;
- injection of \$2.6 billion to reduce poverty;
- \$1.1 billion to improve educational success and increase health funding:
  - \$337 million in education and childhood,
  - \$107 million in higher education,
  - \$630 million in health and social services;
- \$667 million to support regional economies;
- \$544 million to ensure Quebecers have a higher income in retirement.

## 2.1 Investments under the March 2018 Québec Economic Plan

The strong performance of the economy and the improvement in Québec's financial position allow for additional investments of \$3.7 billion in 2018-2019. These investments, totalling \$27.1 billion over six years, that is, from 2017-2018 to 2022-2023, strengthen funding for public services, spur economic growth and improve the standard of living for Quebecers.

The March 2018 Québec Economic Plan includes the following additional investments in particular:

- \$1.2 billion to foster success in education and higher education;
- \$3.6 billion to improve access to quality health services;
- \$2.3 billion to support Québec SMBs, including \$259 million as of 2018-2019.

TABLE A.6

### Measures in the March 2018 Québec Economic Plan – difference relative to the March 2017 Québec Economic Plan (millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	Cumul. 6 year <sup>(1)</sup>	Page ref.
Education and higher education	—	163	204	227	<b>1 181</b>	C.3
Health and social services	136	255	603	866	<b>3 575</b>	C.5
Tax measures for families and seniors	—	202	125	92	<b>638</b>	C.7
Further measures to support families, seniors and communities	72	203	306	371	<b>2 088</b>	C.45
Additional support for Québec SMBs	36	259	372	472	<b>2 318</b>	D.7
Fostering economic development in all regions	150	42	68	84	<b>417</b>	D.111
Fostering business investment and innovation	136	145	253	230	<b>1 059</b>	D.45
Meeting labour market challenges	50	104	147	161	<b>796</b>	D.107
Reform of the school tax system	—	499	679	682	<b>3 220</b>	C.43
Other measures	268	178	128	97	<b>809</b>	D.195
<b>Subtotal</b>	<b>848</b>	<b>2 050</b>	<b>2 884</b>	<b>3 281</b>	<b>16 100</b>	
Measures in the November 2017 update	1 340	1 664	1 767	1 917	<b>10 991</b>	Nov. 2017
<b>TOTAL</b>	<b>2 187</b>	<b>3 714</b>	<b>4 651</b>	<b>5 198</b>	<b>27 091</b>	

Note: Totals may not add due to rounding.

(1) The additional investments include investments for fiscal years 2017-2018 to 2022-2023.

## 2.2 Measures to ensure quality public services

For 2018-2019, the improvement in Québec's economic and fiscal position enables the government to allocate \$1.4 billion in additional funding for public services relative to the March 2017 Québec Economic Plan. The March 2018 Québec Economic Plan provides:

- \$372 million in health and social services to, in particular, improve access to services in all the regions and increase services for vulnerable groups;
- \$322 million to enhance funding for education and higher education with the aim of improving educational success;
- \$368 million to, in particular, stimulate the economic development of Québec's regions and reduce poverty.

These additional investments will bring program spending growth to 5.2% in 2018-2019.

In addition, the sum of \$499 million is being granted to school boards further to the reform of the school tax system.

TABLE A.7

### Program spending by major portfolio, 2017-2018 and 2018-2019 (millions of dollars)

	2017-2018			2018-2019		
	March 2017	Additional amounts	March 2018	March 2017	Additional amounts	March 2018
Santé et Services sociaux	36 764	105	36 869	38 169	372	38 541
% change	4.2		4.2	3.8		4.6 <sup>(1)</sup>
Éducation et Enseignement supérieur	17 882	187	18 069	18 559	322	18 881
% change	4.2		5.4	3.8		5.0 <sup>(1)</sup>
Other portfolios	17 067	-27	17 040	17 502	368	17 870
% change	1.8		1.1	2.6		4.3 <sup>(1)</sup>
Contingency Fund	879	-266	613	536	542	1 078
Fiscal room	—	—	—	250	-250	—
<b>Subtotal</b>	<b>72 591</b>	<b>—</b>	<b>72 591</b>	<b>75 016</b>	<b>1 355</b>	<b>76 371</b>
% change	4.1		4.6	3.3		5.2 <sup>(2)</sup>
Reform of the school tax system	—	—	—	—	499	499
<b>PROGRAM SPENDING</b>	<b>72 591</b>	<b>—</b>	<b>72 591</b>	<b>75 016</b>	<b>1 853</b>	<b>76 869</b>
% change	4.1		4.6	3.3		5.9

Note: Totals may not add due to rounding.

(1) To assess growth in 2018-2019 based on comparable spending levels, the percentage changes for that year were calculated by excluding, from 2017-2018 expenditures, transfers from the provision for francization attributed to the Santé et Services sociaux portfolio (\$12 million) and the Éducation et Enseignement supérieur portfolio (\$79 million) and including them in the 2017-2018 expenditures of the other portfolios.

(2) Represents program spending growth before accounting for the impact of the reform of the school tax system.

## **3. FISCAL OUTLOOK**

### **3.1 Five-year financial framework**

This section presents Québec's fiscal outlook for 2017-2018 to 2022-2023.

- A balanced budget is forecast for the period covered by the financial framework.
- A budgetary surplus of \$850 million is projected for 2017-2018.

In 2018-2019, consolidated revenue is \$109.6 billion, with 2.2% growth. Growth will be 3.4% in 2019-2020.

Consolidated expenditure stands at \$108.7 billion in 2018-2019, with 4.5% growth. Growth will be 2.6% in 2019-2020.

The financial framework provides for a contingency reserve of \$100 million annually as of 2019-2020.

Over the forecast period, the financial framework provides for the deposits of dedicated revenues in the Generations Fund required to achieve the debt reduction objectives by 2025-2026.

- For that purpose, deposits in the Generations Fund amount to \$2.5 billion in 2018-2019 and will total \$2.7 billion in 2019-2020.

TABLE A.8

**Consolidated financial framework, 2017-2018 to 2022-2023**  
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023
<b>Consolidated revenue</b>						
Personal income tax	29 115	30 549	31 974	33 250	34 594	35 909
Contributions for health services	6 049	6 028	6 168	6 291	6 430	6 567
Corporate taxes	7 900	8 028	8 060	8 168	8 352	8 537
School property tax	2 242	1 817	1 706	1 779	1 863	1 948
Consumption taxes	20 299	20 921	21 418	21 910	22 433	23 078
Duties and permits	3 947	3 797	3 979	4 117	4 215	4 365
Miscellaneous revenue	10 240	10 451	10 820	11 243	11 708	12 077
Government enterprises	4 735	4 332	4 470	4 786	5 021	5 264
<b>Own-source revenue</b>	<b>84 527</b>	<b>85 923</b>	<b>88 595</b>	<b>91 544</b>	<b>94 616</b>	<b>97 745</b>
<b>% change</b>	<b>2.2</b>	<b>1.7</b>	<b>3.1</b>	<b>3.3</b>	<b>3.4</b>	<b>3.3</b>
Federal transfers	22 669	23 674	24 764	25 296	25 621	26 001
<b>% change</b>	<b>12.3</b>	<b>4.4</b>	<b>4.6</b>	<b>2.1</b>	<b>1.3</b>	<b>1.5</b>
<b>Total consolidated revenue</b>	<b>107 196</b>	<b>109 597</b>	<b>113 359</b>	<b>116 840</b>	<b>120 237</b>	<b>123 746</b>
<b>% change</b>	<b>4.2</b>	<b>2.2</b>	<b>3.4</b>	<b>3.1</b>	<b>2.9</b>	<b>2.9</b>
<b>Consolidated expenditure</b>						
Health and Social Services	-40 240	-42 062	-43 768	-45 455	—	—
Education and Culture	-22 572	-23 781	-24 645	-25 446	—	—
Economy and Environment	-13 833	-14 374	-14 338	-14 232	—	—
Support for Individuals and Families	-10 113	-10 372	-10 489	-10 675	—	—
Administration and Justice	-8 059	-8 724	-8 826	-8 888	—	—
<b>Mission expenditures</b>	<b>-94 817</b>	<b>-99 313</b>	<b>-102 066</b>	<b>-104 696</b>	<b>-107 294</b>	<b>-110 480</b>
<b>% change</b>	<b>6.5</b>	<b>4.7</b>	<b>2.8</b>	<b>2.6</b>	<b>2.5</b>	<b>3.0</b>
Debt service	-9 237	-9 380	-9 422	-9 532	-9 578	-9 664
<b>% change</b>	<b>-3.0</b>	<b>1.5</b>	<b>0.4</b>	<b>1.2</b>	<b>0.5</b>	<b>0.9</b>
<b>Total consolidated expenditure</b>	<b>-104 054</b>	<b>-108 693</b>	<b>-111 488</b>	<b>-114 228</b>	<b>-116 872</b>	<b>-120 144</b>
<b>% change</b>	<b>5.6</b>	<b>4.5</b>	<b>2.6</b>	<b>2.5</b>	<b>2.3</b>	<b>2.8</b>
Contingency reserve	—	—	-100	-100	-100	-100
<b>SURPLUS</b>	<b>3 142</b>	<b>904</b>	<b>1 771</b>	<b>2 512</b>	<b>3 265</b>	<b>3 502</b>
<b>BALANCED BUDGET ACT</b>						
Deposits of dedicated revenues in the Generations Fund	-2 292	-2 491	-2 707	-2 991	-3 265	-3 502
Use of the stabilization reserve	—	1 587	936	479	—	—
<b>BUDGETARY BALANCE<sup>(1)</sup></b>	<b>850</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

## ❑ Mission expenditures

In 2018-2019, growth in expenditure for the government's missions is set at 4.7%:

- 4.6% for Health and Social Services, which includes primarily the activities of bodies in the health and social services network and the programs administered by the Régie de l'assurance maladie du Québec;
- 5.0% for Education and Culture, which consists primarily of the activities of educational institutions, student financial assistance, programs in the culture sector and immigration-related programs.

TABLE A.9

### Mission expenditures (millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021
Health and Social Services	40 240	42 062	43 768	45 455
<i>% change</i>	3.9	4.6 <sup>(1)</sup>	4.1	3.9
Education and Culture	22 572	23 781	24 645	25 446
<i>% change</i>	4.3	5.0 <sup>(1)</sup>	3.6	3.3
Economy and Environment	13 833	14 374	14 338	14 232
<i>% change</i>	12.1	3.9	-0.3	-0.7
Support for Individuals and Families	10 113	10 372	10 489	10 675
<i>% change</i>	5.5	3.3 <sup>(1)</sup>	1.1	1.8
Administration and Justice	8 059	8 724	8 826	8 888
<i>% change</i>	20.1	8.3	1.2	0.7
<b>TOTAL</b>	<b>94 817</b>	<b>99 313</b>	<b>102 066</b>	<b>104 696</b>
<i>% change</i>	<b>6.5</b>	<b>4.7</b>	<b>2.8</b>	<b>2.6</b>

(1) To assess growth in 2018-2019 based on comparable spending levels, the percentage changes for that year were calculated by excluding, from 2017-2018 expenditures, transfers from the provision for francization attributed to the Health and Social Services mission (\$12 million) and the Support for Individuals and Families mission (\$75 million) and including them in the 2017-2018 expenditures of the Education and Culture mission.

## ❑ Shares of revenue and expenditure in the economy

The shares of government revenue and expenditure in the economy generally follow similar paths.

From 2008-2009 to 2014-2015, deficits were posted due to higher growth in expenditure than revenue.

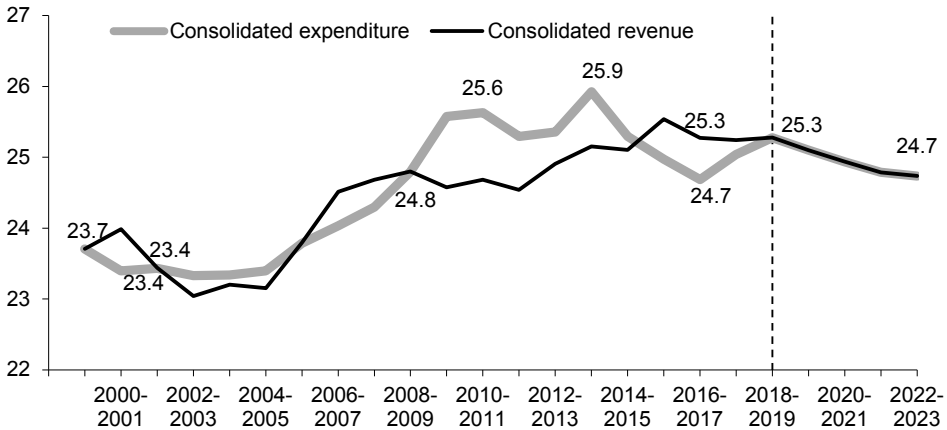
— The share of expenditure rose steadily until 2013-2014, when it stood at 25.9%.

In 2018-2019, revenue and expenditure as a share of GDP are each 25.3%.

Within the next five years, the shares of both expenditure and revenue in the economy will gradually settle at 24.7%, a level comparable to that seen in 2007-2008, before the last recession.

CHRA A.7

### Change in share of consolidated revenue<sup>(1)</sup> and expenditure in the economy – 1999-2000 to 2022-2023 (percentage of GDP)



(1) Revenue takes into account the use of the stabilization reserve and excludes revenues dedicated to the Generations Fund as well as the contingency reserve.



## Financial framework for the General Fund and consolidated entities

### Financial framework for the General Fund and consolidated entities

(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023
<b>GENERAL FUND</b>						
<b>Revenue</b>						
Own-source revenue excluding revenue from government enterprises	56 054	57 891	59 923	61 721	63 669	65 789
% change	2.2	3.3	3.5	3.0	3.2	3.3
Revenue from government enterprises	4 302	3 872	3 955	4 186	4 336	4 484
% change	-9.1	-10.0	2.1	5.8	3.6	3.4
Federal transfers	20 249	21 044	22 816	23 493	24 097	24 549
% change	9.0	3.9	8.4	3.0	2.6	1.9
<b>Total revenue</b>	<b>80 605</b>	<b>82 807</b>	<b>86 694</b>	<b>89 400</b>	<b>92 102</b>	<b>94 822</b>
<b>% change</b>	<b>3.1</b>	<b>2.7</b>	<b>4.7</b>	<b>3.1</b>	<b>3.0</b>	<b>3.0</b>
<b>Expenditure</b>						
Program spending	-72 591	-76 869	-79 682	-82 294	-84 908	-87 563
% change	4.6	5.9	3.7	3.3	3.2	3.1
Debt service	-7 220	-7 160	-7 023	-6 887	-6 644	-6 492
% change	-4.3	-0.8	-1.9	-1.9	-3.5	-2.3
<b>Total expenditure</b>	<b>-79 811</b>	<b>-84 029</b>	<b>-86 705</b>	<b>-89 181</b>	<b>-91 552</b>	<b>-94 055</b>
<b>% change</b>	<b>3.8</b>	<b>5.3</b>	<b>3.2</b>	<b>2.9</b>	<b>2.7</b>	<b>2.7</b>
<b>NET RESULTS OF CONSOLIDATED ENTITIES</b>						
Non-budget-funded bodies and special funds <sup>(1)</sup>	-44	-339	-817	-598	-450	-667
Bodies in the health and social services and education networks	100	-26	-8	—	—	—
Generations Fund	2 292	2 491	2 707	2 991	3 265	3 502
<b>Total consolidated entities</b>	<b>2 348</b>	<b>2 126</b>	<b>1 882</b>	<b>2 393</b>	<b>2 815</b>	<b>2 835</b>
Contingency reserve	—	—	-100	-100	-100	-100
<b>SURPLUS</b>	<b>3 142</b>	<b>904</b>	<b>1 771</b>	<b>2 512</b>	<b>3 265</b>	<b>3 502</b>
<b>BALANCED BUDGET ACT</b>						
Deposits of dedicated revenues in the Generations Fund	-2 292	-2 491	-2 707	-2 991	-3 265	-3 502
Use of the stabilization reserve	—	1 587	936	479	—	—
<b>BUDGETARY BALANCE<sup>(2)</sup></b>	<b>850</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

(1) These results include consolidation adjustments.

(2) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

## 3.2 Change in revenue

### □ Revenue growth in line with economic growth

Own-source revenue excluding revenue from government enterprises consists chiefly of tax revenue. Its growth reflects the changes in economic activity and the impact of measures introduced in the budgets.

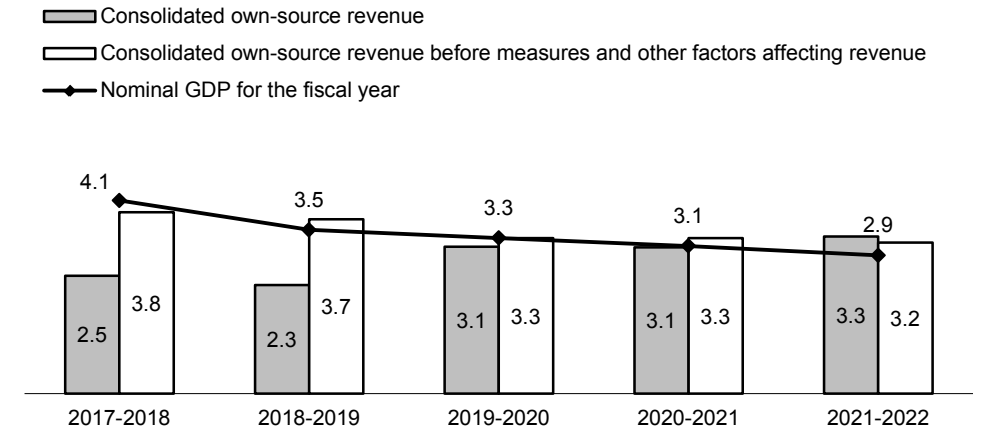
In 2017-2018 and 2018-2019, consolidated own-source revenue excluding revenue from government enterprises is up 2.5% and 2.3%, respectively.

- Revenue growth primarily reflects the tax relief and economic support measures implemented through the Québec Economic Plan, including the decrease in the bottom tax rate from 16% to 15%, elimination of the health contribution, reform of the school tax system and reduction in SMB contributions to the Health Services Fund.
- Were it not for those measures, own-source revenue growth would be 3.8% in 2017-2018 and 3.7% in 2018-2019, a rate in line with economic growth.

Over the forecast period, revenue growth will keep pace with economic growth.

CHART A.8

#### **Growth in consolidated own-source revenue excluding revenue from government enterprises** (per cent)



## Consolidated revenue growth in line with economic growth

### Growth in consolidated own-source revenue excluding revenue from government enterprises (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022
<b>Own-source revenue</b>	<b>84 527</b>	<b>85 923</b>	<b>88 595</b>	<b>91 544</b>	<b>94 616</b>
<b>% change</b>	<b>2.2</b>	<b>1.7</b>	<b>3.1</b>	<b>3.3</b>	<b>3.4</b>
Less: Revenue from government enterprises	4 735	4 332	4 470	4 786	5 021
<b>Own-source revenue excluding revenue from government enterprises</b>	<b>79 792</b>	<b>81 591</b>	<b>84 125</b>	<b>86 758</b>	<b>89 595</b>
<b>% change</b>	<b>2.5</b>	<b>2.3</b>	<b>3.1</b>	<b>3.1</b>	<b>3.3</b>
<b>Measures and other factors affecting revenue growth<sup>(1)</sup></b>					
March 2018 Québec Economic Plan	—	-152	-249	-345	-331
<i>The Québec Economic Plan – November 2017 Update</i>	—	-13	-54	-98	-156
Decrease in the bottom tax rate from 16% to 15%	-971	-955	-887	-905	-923
Elimination of the health contribution	-731	-754	-759	-759	-759
Reduction in contributions to the Health Services Fund	—	-155	-198	-229	-281
Reform of the school tax system	—	-499	-679	-682	-681
Elimination of restrictions on input tax refunds for large businesses <sup>(2)</sup>	-22	-115	-220	-336	-435
Fight against climate change – carbon market	785	497	509	507	554
Past economic plans <sup>(3)</sup>	86	3	122	145	118
Other <sup>(4)</sup>	418	499	600	721	869
<b>Subtotal</b>	<b>-436</b>	<b>-1 642</b>	<b>-1 815</b>	<b>-1 981</b>	<b>-2 025</b>
<b>Own-source revenue excluding revenue from government enterprises before measures</b>	<b>80 228</b>	<b>83 233</b>	<b>85 940</b>	<b>88 739</b>	<b>91 620</b>
<b>% change</b>	<b>3.8</b>	<b>3.7</b>	<b>3.3</b>	<b>3.3</b>	<b>3.2</b>
<b>Nominal GDP growth</b>	<b>4.1</b>	<b>3.5</b>	<b>3.3</b>	<b>3.1</b>	<b>2.9</b>

Note: Totals may not add due to rounding. Save for some exceptions, the amounts correspond to those published in the budgets and fall updates.

(1) Main measures affecting consolidated revenue growth.

(2) This measure applies to businesses with taxable sales of over \$10 million.

(3) Includes the measures in the Québec economic plans of March 2015, March 2016 and March 2017, as well as those in the fall 2014 update on Québec's economic and financial situation.

(4) Includes mainly the investment income of the Generations Fund.

## Change in the General Fund's revenue

The following table shows the revenue of the General Fund according to the reporting structure used in the monthly report on financial transactions.

### Change in the revenue of the General Fund (millions of dollars)

	2017-2018	2018-2019
<b>Own-source revenue excluding revenue from government enterprises</b>		
Income and property taxes		
Personal income tax	22 193	23 238
% change	-2.2	4.7
Contributions to the Health Services Fund	7 362	7 382
% change	2.1	0.3
Corporate taxes	5 914	6 038
% change	12.1	2.1
Consumption taxes	18 945	19 578
% change	5.6	3.3
Other revenue sources	1 640	1 655
% change	-4.0	0.9
<b>Total own-source revenue excluding revenue from government enterprises</b>	<b>56 054</b>	<b>57 891</b>
% change	<b>2.2</b>	<b>3.3</b>
Revenue from government enterprises	4 302	3 872
% change	-9.1	-10.0
<b>Total own-source revenue</b>	<b>60 356</b>	<b>61 763</b>
% change	<b>1.3</b>	<b>2.3</b>
<b>Federal transfers</b>		
Equalization	11 081	11 732
% change	10.5	5.9
Health transfers	6 211	6 431
% change	4.5	3.5
Transfers for post-secondary education and other social programs	1 701	1 659
% change	4.0	-2.5
Other programs	1 256	1 222
% change	29.4	-2.7
<b>Total federal transfers</b>	<b>20 249</b>	<b>21 044</b>
% change	<b>9.0</b>	<b>3.9</b>
<b>TOTAL</b>	<b>80 605</b>	<b>82 807</b>
% change	<b>3.1</b>	<b>2.7</b>

### 3.3 Change in expenditure

Consolidated expenditure consists of mission expenditures, which are tied to the delivery of public services, and debt service.<sup>3</sup>

#### ❑ Mission expenditures

Mission expenditures consist primarily of program spending by government departments and spending by special funds, non-budget-funded bodies and bodies in the health and social services and education networks.

With a balanced budget and the responsible management of public finances in recent years, the government is in a position to maintain high, stable growth in funding for public services.

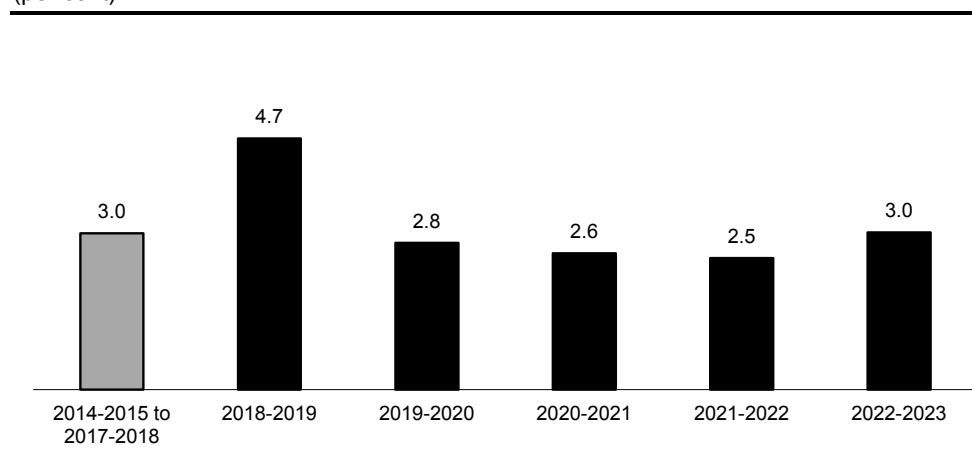
Growth in mission expenditures is:

- 4.7% in 2018-2019;
- 2.8% in 2019-2020;
- 2.6% in 2020-2021;
- 2.5% in 2021-2022;
- 3.0% in 2022-2023.

Annual growth in mission expenditures averaged 3.0% from 2014-2015 to 2017-2018.

CHART A.9

#### **Growth in mission expenditures** (per cent)



<sup>3</sup> Government expenditure is subject to a rigorous budgetary process involving several government entities. The companion document *Budgetary Process and Documents: Public Financial Accountability* provides an overview of the key steps in the process, in particular, determination of the cost of renewing government programs and determination of spending targets.

## ❑ Economic weight of spending

Between 2007-2008 and 2013-2014, the economic weight of spending on government missions, that is, consolidated expenditure excluding debt service as a percentage of GDP, rose from 21.4% to 23.0%.

Between now and 2022-2023, this spending as a share of the economy will remain flat at near 23%.

— At the end of that period, mission expenditures as a share of the economy will remain higher than in the early 2000s.

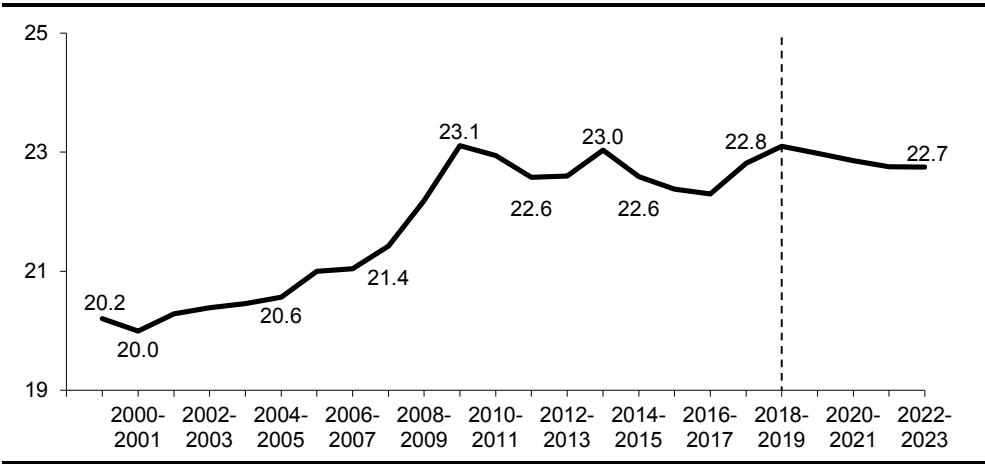
Stabilizing the weight of spending in the economy will:

- prevent high spending from becoming a heavy tax burden that would undermine Québec's tax competitiveness and restrain economic growth;
- maintain, in the event of an economic slowdown, the government's ability to finance measures that may be needed to continue providing quality services and support the economy.

CHART A.10

### Change in mission expenditures as a share of the economy – 1999-2000 to 2022-2023

(percentage of GDP)



## A comparative look at changes in mission expenditures<sup>1</sup>

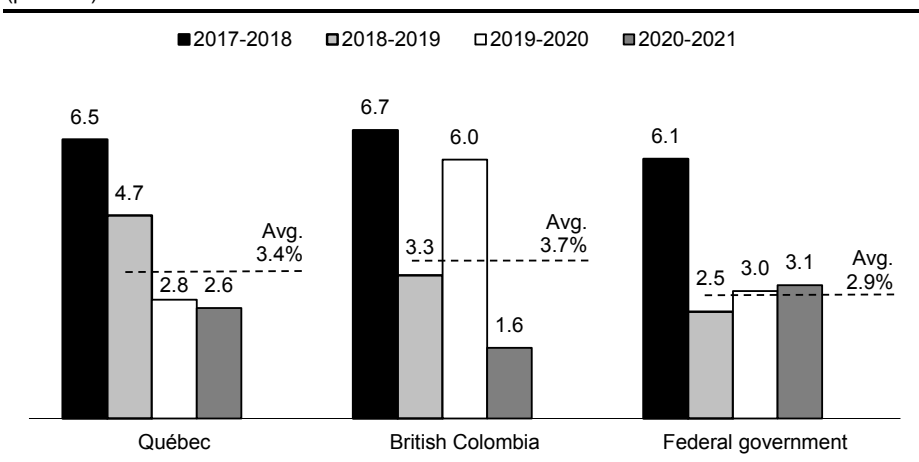
Forecast spending growth in Québec is similar to elsewhere in Canada.

Like Québec, the governments of British Columbia and Canada are forecasting higher growth in mission expenditures in 2017-2018 than in past years, at around 6.0%.

For subsequent years, that is, 2018-2019 to 2020-2021, Québec's mission expenditures will grow at an average annual rate of around 3.4%, which is similar to the 3.7% and 2.9% growth rates forecast by the governments of British Columbia and Canada.

### Growth in mission expenditures

(per cent)



Sources: Department of Finance Canada and Ministère des Finances du Québec.

<sup>1</sup> Mission expenditures correspond to consolidated expenditure excluding debt service.

# ❑ Program spending

Program spending consists of spending by government departments and is mainly tax-funded.

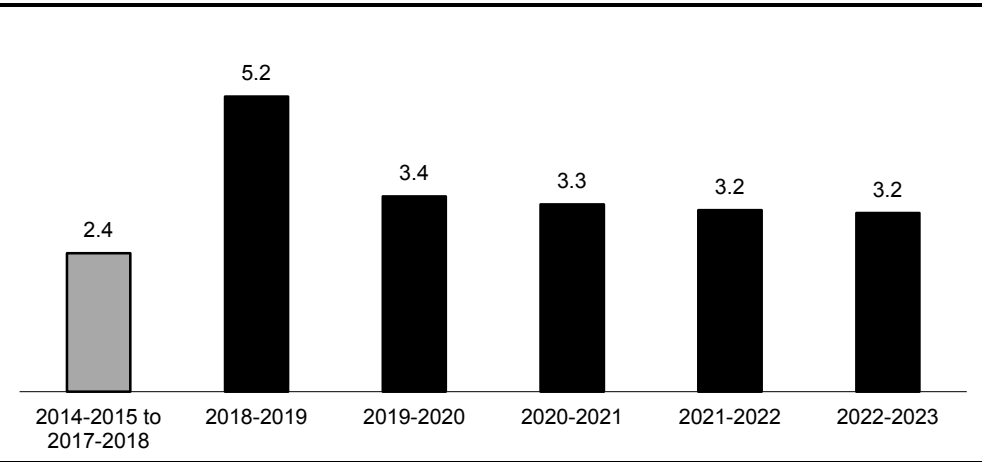
The forecast growth in program spending is 5.2% in 2018-2019 and 3.4% in 2019-2020.

- The economy’s excellent performance and sound management of public finances enable further investment in public services, particularly for education, higher education, health and support for the economy in all regions.
- These investments will help improve the quality of life for Québec families.

Annual growth in program spending averaged 2.4% from 2014-2015 to 2017-2018.

CHART A.11

## Program spending growth<sup>(1)</sup> (per cent)



(1) Represents program spending growth before taking into account the impact of the reform of the school tax system.



## ❑ Program spending by major portfolio

Program spending is forecast to increase by 4.6% in 2017-2018, 5.2% in 2018-2019 and 3.4% in 2019-2020. In particular:

- program spending growth for the Santé et Services sociaux portfolio is 4.2% in 2017-2018 and 4.6% in 2018-2019;
- program spending growth for the Éducation et Enseignement supérieur portfolio is 5.4% in 2017-2018 and 5.0% in 2018-2019;
- overall program spending growth for the other portfolios sits at 1.1% in 2017-2018 and 4.3% in 2018-2019.

TABLE A.10

### Program spending, by major portfolio (millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021
Santé et Services sociaux	36 869	38 541	40 076	41 662
% change	4.2	4.6 <sup>(1)</sup>	4.0	4.0
Éducation et Enseignement supérieur	18 069	18 881	19 595	20 300
% change	5.4	5.0 <sup>(1)</sup>	3.8	3.6
Other portfolios	17 040	17 870	18 764	19 079
% change	1.1	4.3 <sup>(1)</sup>	5.0	1.7
Contingency Fund	613	1 078	568	571
<b>Subtotal</b>	<b>72 591</b>	<b>76 371</b>	<b>79 003</b>	<b>81 613</b>
% change <sup>(2)</sup>	<b>4.6</b>	<b>5.2</b>	<b>3.4</b>	<b>3.3</b>
Reform of the school tax system	—	499	679	682
<b>PROGRAM SPENDING</b>	<b>72 591</b>	<b>76 869</b>	<b>79 682</b>	<b>82 294</b>
% change	4.6	5.9	3.7	3.3

Note: Totals may not add due to rounding.

(1) To assess growth in 2018-2019 based on comparable spending levels, the percentage changes for that year were calculated by excluding, from 2017-2018 expenditures, transfers from the provision for francization attributed to the Santé et Services sociaux portfolio (\$12 million) and the Éducation et Enseignement supérieur portfolio (\$79 million) and including them in the 2017-2018 expenditures of the other portfolios.

(2) Represents program spending growth before accounting for the impact of the reform of the school tax system.

## ❑ Optimizing the allocation of public spending

In June 2014, the government immediately adopted various control and management mechanisms to achieve its budgetary objectives.

In particular, it placed a cap on public spending for new expenditures.

- The cap means that all new programs must be adequately funded. This is the case for new initiatives under the March 2018 Québec Economic Plan. The budget is balanced and will remain so.
- The cap can also mean that no new initiative may be authorized unless savings equivalent to the cost of the initiative are achieved elsewhere within the government.
- Lastly, the government introduced a directive concerning program evaluation within government departments and bodies for the primary purpose of evaluating every new financial assistance program costing \$5 million or more.
  - As at October 31, 2017, every department has submitted its multi-year evaluation program to the Conseil du trésor, as required by the directive.

The government also introduced a permanent program review process to evaluate the relevance, effectiveness and efficiency of the programs or activities of existing bodies and implement optimization solutions where necessary.

- Since the start of the Ongoing Program Review Committee's mandate, the government has made public a total of 25 planned program reviews.
  - They include overhauls, be it major changes, re-engineering, elimination or the merging of bodies, or optimization.
- The government is also making public, through the Expenditure Management Strategy 2018-2019, a second program review cycle with a view to instilling a true program review and continuous improvement culture within Québec's public administration.
  - The second cycle will include new innovation and optimization projects for the purpose of improving the quality of services provided to the public, families and businesses.

Responsible management of public finances remains a priority for the government. Through the March 2018 Québec Economic Plan, the government is reiterating its commitment to maintaining the spending control and management mechanisms put in place in 2014.

## Reviewed programs

The program reviews conducted since fiscal 2015-2016 have generated substantial savings and efficiency gains relative to several public services. The main reviews are outlined below.

### **Review of governance structures**

Reorganization of the health and social services network improved the way public services function, cut administration costs and facilitated access to services.

Re-engineering of the representation of Québec in Canada, the network of Québec delegations abroad and immigration structures increased efficiency and optimized the use of government resources. The networks are being rolled out again on new foundations based on updated priorities.

### **Grouping of public bodies with related mandates**

The merging of bodies responsible for pension funds and plans that led to the creation of Retraite Québec especially helped to strengthen government know-how and expertise in pension plans and deliver services more efficiently.

The merging of oversight bodies that led to the creation of the Commission des normes, de l'équité, de la santé et de la sécurité du travail simplified customer access to services and ensured better regional coverage and greater efficiency in activities.

The grouping of labour-related administrative tribunals led to the creation of the Tribunal administratif du travail, thereby generating savings through harmonization of decision-making processes and greater efficiency in activities.

The folding of the Régie du cinéma into the Ministère de la Culture et des Communications enabled the pooling of resources and expertise, resulting in more efficient service delivery.

### **More efficient and effective government action**

Revenu Québec undertook disciplined resource management and optimization of its processes, which led to efficiency gains. The quality of its customer relations also improved.

Improvement of the performance of the Société des alcools du Québec led to efficiency and productivity gains, which in turn led to lower prices for consumers, among other achievements.

Revision of tuition fees for international students resulted in fairer tuition fees among students from outside Québec.

### 3.4 Public capital investments

The government pledged to restore public finances in a sustainable manner through disciplined management. It delivered on that promise and is now in a better fiscal position, making it possible to raise public infrastructure investment under the 2018-2028 Québec Infrastructure Plan (QIP) to a record level.

- Investments under the 2018-2028 QIP amount to \$100.4 billion, an increase of \$9.3 billion relative to the 2017-2027 QIP.

TABLE A.11

#### Investments under the 2018-2028 Québec Infrastructure Plan (billions of dollars)

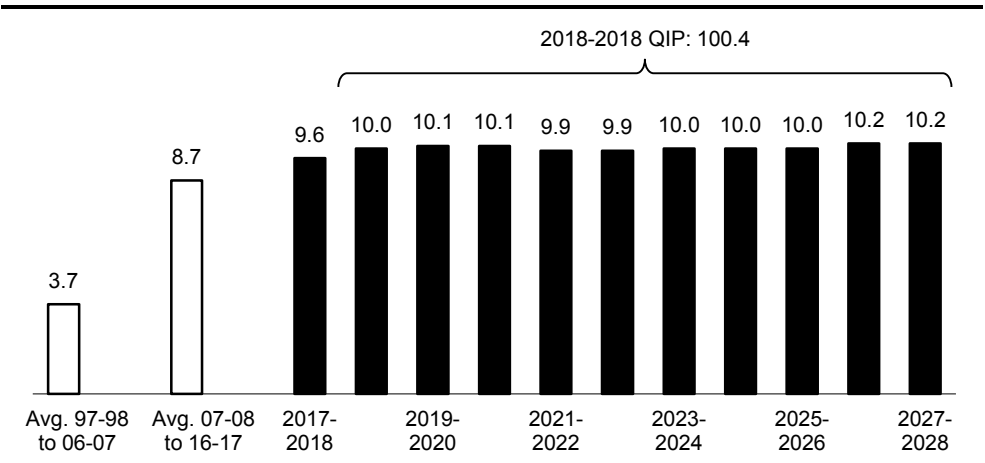
	2018-2028
Investments planned under the 2017-2027 QIP	91.1
Increase in investments	9.3
<b>INVESTMENTS PLANNED UNDER THE 2018-2028 QIP</b>	<b>100.4</b>

The increase means that, from now until 2028, the government will be injecting over \$10 billion a year, on average, to meet Québec's infrastructure needs and accelerate the implementation of major strategic projects, particularly in the education, health and social services sectors, the road network and public transit. These investments will be made by:

- giving priority to public safety, replacement of outdated infrastructure and economic development;
- remaining within Québec taxpayers' ability to pay and achieving the debt reduction objectives.

CHART A.12

#### Investments under the 2018-2028 Québec Infrastructure Plan (billions of dollars)



## ❑ Sectoral breakdown of investments under the 2018-2028 Québec Infrastructure Plan

Over the next ten years, 19.9% of the \$100.4 billion in investments under the 2018-2028 QIP will be dedicated to the road network, 18.6% to the health and social services sector, 16.1% to the education and higher education sectors and 9.1% to municipal, sports, community, tourism and recreational infrastructure.

Public transit will receive 9.0% of the investments under the 2018-2028 QIP, or \$9.0 billion, including \$1.1 billion in fiscal year 2018-2019.

TABLE A.12

### Investments under the 2018-2028 Québec Infrastructure Plan, by activity sector

	2018-2019		2018-2028	
	\$million	%	\$million	%
Road network	2 185.8	21.8	20 027.5	19.9
Health and social services	1 301.9	13.0	18 677.1	18.6
Education	1 025.3	10.2	9 467.6	9.4
Higher education	812.3	8.1	6 701.9	6.7
Municipal infrastructure	784.3	7.8	7 296.4	7.3
Sports, community, tourism and recreational infrastructure	347.0	3.5	1 860.9	1.8
Public transit	1 096.4	10.9	9 002.4	9.0
Information resources	435.3	4.3	3 514.9	3.5
Marine, air, rail and other transportation	502.8	5.0	3 089.8	3.1
Government buildings	447.4	4.5	2 507.9	2.5
Social and community housing	274.3	2.7	2 320.1	2.3
Culture	193.5	1.9	1 578.0	1.6
Research	153.5	1.5	917.3	0.9
Other sectors	459.5	4.6	3 537.2	3.5
Core funding <sup>(1)</sup>	10.0	0.1	9 900.9	9.9
<b>TOTAL</b>	<b>10 029.2</b>	<b>100.0</b>	<b>100 400.0</b>	<b>100.0</b>

Note: Totals may not add due to rounding.

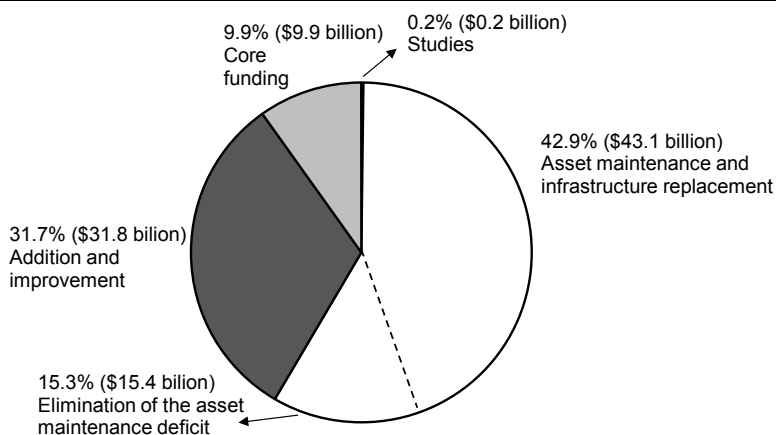
(1) Core funding is required to ensure funding for the implementation of the projects under study that are chosen and prioritized by the government.

## Breakdown by investment type

The total investments of \$100.4 billion planned under the 2018-2028 QIP are allocated to:

- asset maintenance and infrastructure replacement (42.9%) as well as elimination of the asset maintenance deficit (15.3%);
- the addition and improvement of public infrastructure (31.7%);
- the core funding for future infrastructure investments that have not yet been authorized (9.9%);
- studies on prospective infrastructure projects determined by the government (0.2%).

### Breakdown of 2018-2028 QIP, by investment type



Furthermore, major infrastructure investment projects across Québec are under study as part of the 2018-2028 QIP, including:

- expansion and redevelopment of Hôpital Maisonneuve-Rosemont;
- expansion and redevelopment of the emergency department of Lakeshore General Hospital;
- development of Promenade Samuel-De Champlain – Phase III;
- construction of a bridge on the Saguenay river linking Tadoussac and Baie-Sainte-Catherine;
- extension of Highway 138 in the Basse-Côte-Nord region (Kegaska-La Romaine and La Tabatière-Tête-à-la-Baleine segments);
- establishment of a radiotherapy department at Hôpital de Rouyn-Noranda;
- construction of a new surgical complex and the bringing up to standard of certain areas of mental healthcare at Hôpital régional de Rimouski.

## ❑ Contribution of partners

In addition to the Québec government's \$100.4-billion injection into the 2018-2028 QIP, the government's various partners will contribute a total of \$26.5 billion, including \$3.8 billion in 2018-2019.

Accordingly, capital investments for projects under the QIP will total \$126.9 billion over the next ten years, \$13.8 billion of which will be in 2018-2019.

TABLE A.13

### Capital investments, 2018-2028

(billions of dollars)

	2018-2019	2018-2028
<b>2018-2028 QIP</b>	<b>10.0</b>	<b>100.4</b>
<b>Contribution of partners<sup>(1)</sup></b>		
Federal government	2.1	16.9
Other partners	1.7	9.5
<b>Total – Contribution of partners</b>	<b>3.8</b>	<b>26.5</b>
<b>TOTAL</b>	<b>13.8</b>	<b>126.9</b>

Note: Totals may not add due to rounding.

(1) Federal government, municipalities and other partners.

## ■ Federal contribution to infrastructure

The federal government will contribute \$16.9 billion to Québec infrastructure projects over ten years. This funding, which will be in addition to the investments planned under the QIP, comes from past infrastructure programs, the Building Canada Plan 2014-2024 and phases 1 and 2 of the federal infrastructure plan. More specifically, under phases 1 and 2 of its infrastructure plan, the federal government will pay the following amounts to Québec:

- nearly \$1.1 billion under Phase 1 of the federal plan divided between the Public Transit Infrastructure Fund, the Drinking Water and Wastewater Treatment Fund and the Post-Secondary Institutions Strategic Investment Fund;
- \$7.5 billion under Phase 2 of the federal plan divided among four components: public transit, green infrastructure, social infrastructure (community, cultural and recreational), and rural and northern communities. This funding will be provided through a single Integrated Bilateral Agreement between the Government of Canada and Québec. For details, see Section H.

**❑ Economic impact of public capital investments in Québec**

The substantial public capital investments planned for the coming years will be a powerful driver of economic activity and job creation in every region of Québec.

Capital investments in all sectors of the economy will help build a prosperous economy over the medium and long terms. In particular, investments in transportation infrastructure will facilitate trade, while investments in education will contribute to workforce training and research and innovation, key determinants of productivity.

In addition to the government’s investments under the QIP, government enterprises also make substantial capital investments.

— In 2018-2019, capital investments by government enterprises, chiefly Hydro-Québec, will total \$3.8 billion.

Counting the \$10.0 billion planned under the 2018-2028 QIP, public investments will total \$13.8 billion in 2018-2019. These investments will:

- help create or maintain 81 000 jobs, including 50 000 direct jobs;
- generate economic spinoffs equal to 2.1% of real GDP.

TABLE A.14

**Economic impact of capital investments**

	<b>2018-2019</b>
Investments under 2018-2028 QIP	\$10.0 billion
Investments by government enterprises	\$3.8 billion
<b>Total investments</b>	<b>\$13.8 billion</b>
Number of jobs created or maintained	81 000
Impact on GDP	2.1%

Sources: © Gouvernement du Québec, Institut de la statistique du Québec, Results simulated using the Québec input-output model and Ministère des Finances du Québec.



## ❑ An increase in public capital stock in the economy

Over the next ten years, the level of Québec government investments will average \$10 billion a year, thus remaining much higher than pre-2008 levels.

These investments represented 2.3% of GDP in 2017-2018 and the same ratio is expected in the coming years.

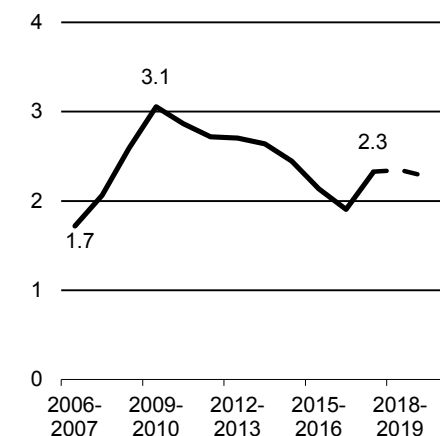
Investment targets of this level testify to the importance the government places on public infrastructure. Indeed, the Québec Infrastructure Plan contributes directly to the increase in public capital stock in the economy, a key determinant of productivity and economic growth.

— Public capital stock in real terms rose by nearly 25% between 2000 and 2017.

— Public capital stock will rise from 22.5% of real GDP in 2000 to 27.6% of real GDP in 2018.

CHART A.13

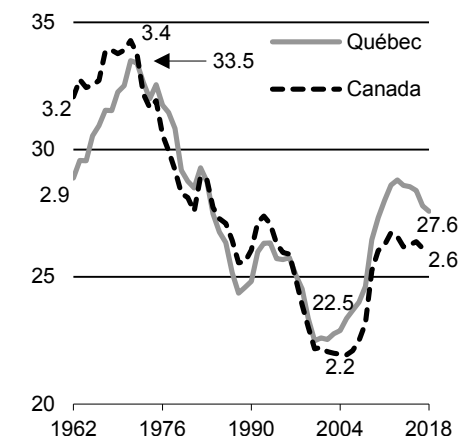
### Public capital investments of the Québec government (percentage of GDP)



Sources: Institut de la statistique du Québec, Statistics Canada, Secrétariat du Conseil du trésor and Ministère des Finances du Québec.

CHART A.14

### Change in public capital stock (percentage of GDP, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

### 3.5 Debt reduction

The Québec government set debt reduction objectives that have been included in the *Act to reduce the debt and establish the Generations Fund*.

— For the 2025-2026 fiscal year, the gross debt must not exceed 45% of GDP and the debt representing accumulated deficits must not exceed 17% of GDP.

The gross debt burden has decreased for the third year in a row. As at March 31, 2018, the gross debt will stand at \$204.5 billion. As a share of the economy, this is equivalent to 49.6% of GDP.

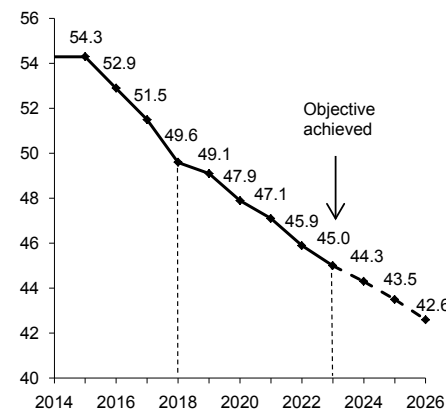
The ratio of gross debt to GDP is forecast to be 45.0% as at March 31, 2023. The debt reduction objective stipulated in the Act will thus have been achieved.

As at March 31, 2018, the debt representing accumulated deficits will amount to \$115.1 billion, or 27.9% of GDP. The objective for reducing the debt representing accumulated deficits will be achieved in 2025-2026, as stipulated in the Act.

CHART A.15

#### Gross debt as at March 31

(percentage of GDP)

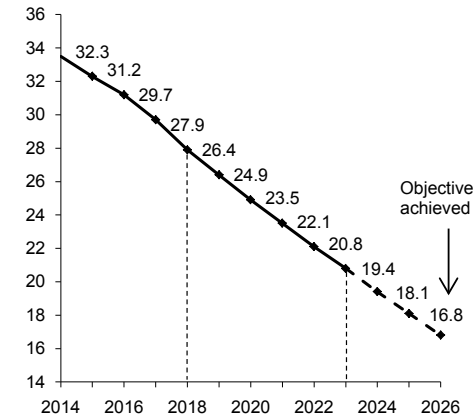


Note: Forecasts up until 2023 and projections thereafter.

CHART A.16

#### Debt representing accumulated deficits as at March 31

(percentage of GDP)



Note: Forecasts up until 2023 and projections thereafter.

# Section B

## THE QUÉBEC ECONOMIC PLAN: INTRODUCTION

<b>Introduction.....</b>	<b>B.3</b>
1.1 Sound economic and fiscal health .....	B.3
1.2 An economic plan for improving the quality of life of all Quebecers .....	B.4
1.3 Over \$16 billion in additional initiatives.....	B.5



# INTRODUCTION

Mindful of the fact that economic prosperity is a fundamental requirement for ensuring that all Quebecers can thrive, the government took steps to create an enabling environment for economic development through effective government action and disciplined management of public finances.

The Québec Economic Plan spurred an increase in investment and fostered innovation, thereby improving productivity and economic conditions in all regions of Québec.

Thanks to the fiscal room freed up by its sound economic and financial position, Québec now has the means necessary to improve services, offer Quebecers a better quality of life and prepare for the future.

## 1.1 Sound economic and fiscal health

The Québec economy is robust, with real GDP growth accelerating from 1.4% in 2016 to 3.0% in 2017.

— Economic activity has not seen such strong growth since 2000.

### Historically strong labour market

The strengthening of economic activity in Québec is reflected in the labour market, which has performed exceptionally well.

— Since May 2014, 222 600 jobs have been created in Québec.

The Québec economy gained an average of 90 200 jobs in 2017, while the robust labour market brought the unemployment rate down to historically low levels.

— In 2017, the unemployment rate was 6.1%, an annual record.

As a result, workers have more income, while the average hourly wage growth rose from 2.2% in 2015 to 2.9% in 2017.

### Rebound in business investment

The acceleration in economic growth and high business-owner confidence were catalysts for investment.

— Business investment saw its strongest growth since 2012, increasing by 5.0% in real terms in 2017.

— The growth was driven primarily by increased investment in equipment and machinery, which rose by 9.1% in 2017.

## **❑ Quebecers reap the benefits of sound economic and fiscal health**

Quebecers are the first to benefit from the acceleration in economic growth and the improved fiscal outlook for Québec.

The improvement in Québec's economic and financial situation has enabled the government to:

- reduce the tax burden by \$3 billion a year;
- invest, through this budget, nearly \$8 billion more over five years to improve public services for the benefit of all Quebecers.

## **1.2 An economic plan for improving the quality of life of all Quebecers**

The March 2018 Québec Economic Plan implements initiatives to improve the quality of life of all Quebecers. More specifically, they are designed to:

- ensure quality public services;
- strengthen support for citizens;
- support economic development in all regions of Québec.

## **❑ Ensuring quality public services, primarily in education and health**

The March 2018 Québec Economic Plan reiterates the government's commitment to providing quality public services, particularly in the education and health sectors.

To that end, the funding of public services will be strengthened.

- Funding for education and higher education is being raised by 5.0% in 2018-2019.
- For health care services, the government is increasing the funding for health and social services institutions by 5.3% in 2018-2019.

## **❑ Providing better support to all Quebecers to improve their standard of living**

The March 2018 Québec Economic Plan will improve support for all Quebecers. Substantial resources will be invested to:

- support families, informal caregivers and youth;
- foster more sustainable mobility;
- modernize the justice system.

## **❑ Fostering economic development**

Maintaining a strong economy is the cornerstone for improving Quebecers' quality of life. The new initiatives under the March 2018 Québec Economic Plan will make it possible to:

- support SMBs in all regions of Québec in the transformation of the Québec economy;
- support appropriation and marketing of innovations by businesses;
- accelerate business investment;
- continue rolling out the Québec Digital Strategy;
- support key sectors of the economy;
- meet labour market challenges;
- foster economic development in all regions;
- promote access to culture;
- protect the environment and promote energy transition in Québec;
- ensure tax fairness.

### **1.3 Over \$16 billion in additional initiatives**

The March 2018 Québec Economic Plan provides for measures totalling more than \$16 billion over five years:

- \$8 billion to ensure quality public services, primarily in education and health;
- \$2.7 billion to provide better support to all Quebecers to improve their standard of living;
- \$5.4 billion to foster economic development.

The steps taken in the March 2018 Québec Economic Plan represent more than \$38 billion in economic support over five years.

- The amount of economic support is estimated by taking into account the financial impact of the new initiatives and the lever effects on private sector contributions as a result of government actions.

TABLE B.1

**Financial impact of the measures in the March 2018 Québec Economic Plan**  
(millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
<b>Ensuring quality public services, primarily in education and health</b>	-135.6	-916.2	-1 486.4	-1 774.0	-1 819.7	-1 843.9	-7 975.8
<b>Providing better support to all Quebecers to improve their standard of living</b>							
– Further tax assistance for families and seniors	—	-202.4	-125.2	-91.9	-103.1	-115.0	-637.6
– Further investments to support families and communities	-72.0	-203.3	-305.9	-370.8	-517.2	-618.3	-2 087.5
<b>Subtotal</b>	<b>-72.0</b>	<b>-405.7</b>	<b>-431.1</b>	<b>-462.7</b>	<b>-620.3</b>	<b>-733.3</b>	<b>-2 725.1</b>
<b>Fostering economic development</b>							
– Supporting SMBs in all regions of Québec in the transformation of the Québec economy	-36.4	-259.2	-371.5	-472.1	-559.7	-618.6	-2 317.5
– Supporting appropriation and marketing of innovations by businesses	-65.5	-29.0	-60.5	-6.5	-5.0	-5.0	-171.5
– Accelerating business investment	-30.0	-19.4	-70.6	-95.9	-47.5	-7.6	-271.0
– Supporting key sectors of the economy	-40.0	-97.0	-121.7	-127.6	-121.1	-109.2	-616.6
– Meeting labour market challenges	-49.9	-104.2	-146.5	-161.2	-165.7	-168.5	-796.0
– Promoting economic development in all regions	-150.4	-41.6	-68.1	-83.7	-35.8	-37.8	-417.4
– Promoting access to culture	-89.9	-58.4	-71.2	-81.4	-87.5	-108.4	-496.8
– Protecting the environment and promoting the energy transition	-177.9	-144.5	-126.4	-95.8	-60.6	-56.6	-661.8
– Ensuring tax fairness	—	25.3	70.0	79.9	85.6	88.7	349.5
<b>Subtotal</b>	<b>-640.0</b>	<b>-728.0</b>	<b>-966.5</b>	<b>-1 044.3</b>	<b>-997.3</b>	<b>-1 023.0</b>	<b>-5 399.1</b>
<b>TOTAL</b>	<b>-847.6</b>	<b>-2 049.9</b>	<b>-2 884.0</b>	<b>-3 281.0</b>	<b>-3 437.3</b>	<b>-3 600.2</b>	<b>-16 100.0</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.



# Section C

## THE QUÉBEC ECONOMIC PLAN: MEASURES FOR INDIVIDUALS AND SOCIETY

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3.5 Promoting gender equality and recognition of human rights .....	C.65
3.6 \$96 million to fight domestic violence and sexual violence .....	C.68
3.7 An additional \$500 million to modernize the justice system .....	C.71
3.8 \$431 million to facilitate access to affordable, quality housing .....	C.72
3.9 \$46 million to further support community organizations .....	C.84
3.10 \$25 million in support for English-speaking Quebecers .....	C.85
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# **1. ENSURING QUALITY PUBLIC SERVICES, PRIMARILY IN EDUCATION AND HEALTH**

The government has made education and health funding a priority. The improvement in Québec's financial situation and acceleration in economic growth observed in recent years have made it possible to share the benefits of growth and announce new initiatives for education and health.

## **1.1 Additional investments \$1.6 billion for educational success**

The March 2018 Québec Economic Plan includes more than \$1.6 billion in additional investments over five years for education and higher education to 2022-2023. More specifically:

- \$319 million to enhance support for and the success and integration of students;
- \$355 million for the Digital Action Plan in education and higher education;
- \$545 million to modernize funding for higher education institutions;
- \$98 million for workforce training;
- \$75 million to support future teachers doing a fourth practicum;
- \$63 million to foster physical activity in the workplace.

TABLE C.1

**Financial impact of the measures for education and higher education,  
March 2018**  
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Enhancing support for and the success and integration of students	-19.0	-60.0	-60.0	-60.0	-60.0	-60.0	-319.0
Educational success	—	-30.0	-30.0	-30.0	-30.0	-30.0	-150.0
Digital Action Plan	—	-55.0	-75.0	-75.0	-75.0	-75.0	-355.0
Modernizing funding for higher education institutions	—	-55.0	-70.0	-95.0	-145.0	-180.0	-545.0
Workforce training	—	-15.5	-20.5	-20.5	-20.5	-20.5	-97.5
Fourth practicum for future teachers	—	-15.0	-15.0	-15.0	-15.0	-15.0	-75.0
Fostering physical activity in the workplace	—	-3.0	-15.0	-15.0	-15.0	-15.0	-63.0
Business plan of the Institut de tourisme et d'hôtellerie du Québec	—	-0.5	-1.0	-1.0	-1.0	-1.0	-4.5
CEGEP technology transfer centres	-20.0	—	—	—	—	—	-20.0
<b>Subtotal<sup>(1)</sup></b>	<b>-39.0</b>	<b>-234.0</b>	<b>-286.5</b>	<b>-311.5</b>	<b>-361.5</b>	<b>-396.5</b>	<b>-1 629.0</b>
Measures announced in fall 2017	19.0	60.0	60.0	60.0	60.0	60.0	319.0
Other	20.0	11.5	22.7	24.6	25.3	25.3	129.4
<b>Financial impact excluding school tax</b>	<b>—</b>	<b>-162.5</b>	<b>-203.8</b>	<b>-226.9</b>	<b>-276.2</b>	<b>-311.2</b>	<b>-1 180.6</b>
Reform of the school tax system	—	-498.7	-679.3	-681.6	-680.5	-679.7	-3 219.8
<b>FINANCIAL IMPACT</b>	<b>—</b>	<b>-661.2</b>	<b>-883.1</b>	<b>-908.5</b>	<b>-956.7</b>	<b>-990.9</b>	<b>-4 400.4</b>

(1) Including the measures announced in November 2017 and reallocations of expenditures.

The different measures for success in education are presented in the budget paper *Education: A Plan for Success*.

## 1.2 Additional investments of \$5.4 billion in health

The March 2018 Québec Economic Plan allocates an additional \$5.4 billion to health and social services by 2022-2023. More specifically:

- \$4.3 billion for access to health care;
- \$541 million for social services;
- \$499 million for seniors.

TABLE C.2

### Financial impact of the additional investments in health and social services, March 2018 (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Improving access to health care services	-64.0	-381.0	-751.0	-996.0	-1 041.0	-1 086.0	-4 319.0
Social measures	-23.0	-102.0	-102.0	-102.0	-101.0	-111.0	-541.0
Measures for seniors	-18.0	-84.0	-84.0	-84.0	-107.0	-122.0	-499.0
<b>Subtotal</b>	<b>-105.0</b>	<b>-567.0</b>	<b>-937.0</b>	<b>-1 182.0</b>	<b>-1 249.0</b>	<b>-1 319.0</b>	<b>-5 359.0</b>
Funding flowing from savings in the agreement with the pharmaceutical industry	—	195.0	195.0	195.0	195.0	195.0	975.0
<b>Subtotal<sup>(1)</sup></b>	<b>-105.0</b>	<b>-372.0</b>	<b>-742.0</b>	<b>-987.0</b>	<b>-1 054.0</b>	<b>-1 124.0</b>	<b>-4 384.0</b>
Fall 2017 measures	105.0	105.0	105.0	105.0	105.0	105.0	630.0
Other	-135.6	12.0	33.7	16.5	86.0	166.0	178.6
<b>FINANCIAL IMPACT</b>	<b>-135.6</b>	<b>-255.0</b>	<b>-603.3</b>	<b>-865.5</b>	<b>-863.0</b>	<b>-853.0</b>	<b>-3 574.4</b>

(1) Including the measures announced in November 2017 and reallocations of expenditures.

The different measures for health and social services are presented in the budget paper *Health: Accessible, Quality Health Services*.



## 2. FURTHER TAX ASSISTANCE FOR FAMILIES AND SENIORS

With the steps taken by the government under the March 2018 Québec Economic Plan, Quebecers will enjoy a better standard of living thanks to additional tax assistance of over \$800 million over five years.

- Nearly \$300 million will go toward families and support for parents through more childcare assistance and new assistance for the purchase of a first home.
- Over \$100 million will be allocated to improving support for informal caregivers and volunteer respite services, as well as independent living for seniors.
- Nearly \$230 million will be allocated to encouraging labour force participation and improving the living standards of workers.
- More than \$170 million will go toward eco-friendly renovation work through a one-year extension of the RénoVert refundable tax credit.

TABLE C.3

### Financial impact of tax measures for individuals, March 2018 (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Support for families	—	-43.4	-50.4	-58.7	-68.1	-78.5	-299.1
Support for informal caregivers and seniors	—	-19.0	-19.5	-20.4	-21.7	-22.6	-103.2
Encouraging labour force participation	—	-43.0	-44.7	-45.7	-46.8	-48.0	-228.2
Reduction in the tax burden	—	-105.4	-114.6	-124.8	-136.6	-149.1	-630.5
Extension of RénoVert	—	-128.6	-42.9	—	—	—	-171.5
<b>TOTAL</b>	<b>—</b>	<b>-234.0</b>	<b>-157.5</b>	<b>-124.8</b>	<b>-136.6</b>	<b>-149.1</b>	<b>-802.0</b>

## 2.1 \$300 million to support families

The March 2018 Québec Economic Plan includes measures to continue the government's efforts to give parents time and create a quality environment for children.

The government is enhancing the tax assistance granted to families who pay childcare expenses. Families with children attending a non-subsidized childcare service will see more of their childcare expenses covered.

In addition, tax relief will be introduced to support Quebecers looking to purchase their first home, as promised by the government.

Taken together, these measures represent nearly \$300 million more over five years to improve families' living conditions.

TABLE C.4

### Financial impact of the measures to support families (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Increase in the limit applicable to qualified expenses for the purposes of the refundable tax credit for childcare expenses							
– Increase in the expense limit to \$9 500 for children under 7 years of age	—	–14.4	–16.1	–17.4	–18.6	–19.2	–85.7
– Increase in the expense limit to \$13 000 for children with disabilities	—	–0.4	–0.5	–0.5	–0.6	–0.6	–2.6
Indexation of childcare expense limits	—	–0.6	–5.8	–12.8	–20.9	–30.7	–70.8
Introduction of a first-time home buyers' tax credit	—	–28.0	–28.0	–28.0	–28.0	–28.0	–140.0
<b>TOTAL</b>	<b>—</b>	<b>–43.4</b>	<b>–50.4</b>	<b>–58.7</b>	<b>–68.1</b>	<b>–78.5</b>	<b>–299.1</b>



### 2.1.1 **\$159 million for the increase in qualified expenses for the purposes of the refundable tax credit for childcare expenses**

For a number of years now, the Québec government has been working to develop a strong childcare system consisting of subsidized and non-subsidized spaces that addresses parents' needs relating to work-life balance.

— Parents can thus choose the type of childcare service that best suits their needs and their child's age and conditions.

In the case of subsidized childcare services, a portion of the cost is borne directly by the government. Parents pay a reduced contribution to the childcare provider.

Families with children attending non-subsidized childcare services must pay the full cost of such services. However, they can reduce the cost by claiming the refundable tax credit for childcare expenses. Childcare expenses that qualify for the tax credit are subject to an annual limit applicable on the basis of the child's age and condition:

- \$9 000 in the case of a child under 7 years of age;
- \$11 000 in the case of a child with disabilities;
- \$5 000 in all other cases.

#### **Refundable tax credit for childcare expenses**

Individuals who incur childcare expenses to enable them to work, pursue studies or actively seek employment may be entitled to claim a refundable tax credit for childcare expenses calculated on the basis of family income.

- In the case of a low-income household (income below \$35 345), the applicable tax credit rate is 75%. The rate is gradually reduced to reach 26% for better-off families with an income of \$157 525 or over.

Qualified childcare expenses for the purposes of the tax credit include expenses paid to an individual, a babysitting service, a boarding school or a camp. Qualified expenses do not include the reduced contribution payable to a childcare provider by the child's parents.

An eligible child for the purposes of this tax credit is a child under 16 years of age or a dependent child who has a mental or physical infirmity.

To ensure that families with high childcare costs during the year have the necessary financial resources, the government makes provision for advance payments of the tax credit to parents upon request.

## ■ **Increase of \$500 in the expense limit in respect of children under 7 years of age**

Since the last increase in the limit applicable to qualified childcare expenses paid in respect of a child under 7 years of age, to \$9 000 in 2009, the cost of non-subsidized childcare services has risen, especially in major urban centres.

In addition, parents who have a non-standard work schedule have less choice in childcare services and are more often in need of a babysitter at home, which can cost more than childcare during the day.

To provide better support to parents whose children attend a non-subsidized childcare service and give them more time, the March 2018 Québec Economic Plan raises the limit applicable to qualified childcare expenses paid in respect of a child under 7 years of age from \$9 000 to \$9 500 as of the 2018 taxation year.

— This measure represents a gain of between \$130 and \$375 depending on family income.

## ■ **Increase of \$2 000 in the expense limit in respect of children with disabilities**

Non-subsidized childcare services that receive disabled children who have special needs or require special equipment to accommodate their disability can ask the parents to pay a higher childcare rate.

To provide better support to parents of children with disabilities who attend a non-subsidized childcare service, the March 2018 Québec Economic Plan raises the limit applicable to qualified childcare expenses paid in respect of a child with disabilities from \$11 000 to \$13 000 as of the 2018 taxation year.

— The increase in the qualified expense limit in respect of children with disabilities represents a minimum gain of \$520 per child and a maximum gain of \$1 500.

## ■ **Indexation of the limits applicable to qualified childcare expenses as of 2019**

As of the 2019 taxation year, families will benefit from annual indexation of the limits applicable to childcare expenses that qualify for the refundable tax credit for childcare expenses. More specifically, there will be annual increase in the qualified expense limits, namely:

- \$9 500 in the case of a child under 7 years of age;
- \$13 000 in the case of a child with disabilities;
- \$5 000 in the case of a child under 16 years of age or who has an impairment.

The annual increase will account for future increases in childcare rates.<sup>1</sup>

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<sup>1</sup> The childcare expense limits will be indexed each year according to the indexation rate for the personal income tax system.

### Giving parents the freedom to choose

To give parents the freedom to choose between a subsidized and a non-subsidized childcare service, the tax system tries to ensure neutrality with respect to the net cost of childcare services.

For example, for a couple where both spouses have equal incomes totalling \$100 000, the net difference between the rate for a subsidized childcare service and the rate for a non-subsidized childcare service is \$0.83 per day.

#### Comparison of the net rates for a subsidized childcare service and a non-subsidized childcare service, for a couple<sup>(1)</sup> – 2018 (dollars per day)

Work income	Subsidized childcare service		Non-subsidized childcare service		Difference in net rate
	Gross rate	Net rate <sup>(2)</sup>	Gross rate	Net rate <sup>(2)</sup>	
50 000	8.05	6.08	36.54	5.24	+0.84
75 000	8.75	7.37	36.54	9.78	–2.41
100 000	11.85	9.44	36.54	10.27	–0.83
150 000	19.35	15.42	36.54	14.94	+0.48

(1) Couple with two equal incomes and a 4-year-old child.

(2) The net rate factors in the impact of the federal deduction for childcare expenses and the Québec refundable tax credit for childcare expenses.

### ■ Meaningful assistance for families

By way of illustration, a couple with one child and two work incomes totalling \$30 000 could see an increase in the refundable tax credit for childcare expenses of:

- \$375 in the case of a child under 7 years of age;
- \$1 500 in the case of a child with disabilities.

TABLE C.5

#### Illustration of the increase in expense limits for the purposes of the refundable tax credit for childcare expenses, for a non-subsidized childcare service – 2018 (dollars)

Work income	Child under 7 years of age <sup>(1)</sup>			Child with disabilities <sup>(2)</sup>		
	Current	Enhanced	Gain	Current	Enhanced	Gain
30 000	6 750	7 125	375	8 250	9 750	1 500
75 000	5 400	5 700	300	6 600	7 800	1 200
160 000	2 340	2 470	130	2 860	3 380	520

(1) Based on annual childcare expenses of \$9 500.

(2) Based on annual childcare expenses of \$13 000.

## ■ Financial impact of the increase in the limits applicable to qualified childcare expenses

The increase in the limits applicable to qualified expenses for the purposes of the refundable tax credit for childcare expenses, as well as annual indexation of the limits, represents a financial impact of \$159.1 million over five years and will cover more of the childcare costs for nearly 800 000 children.

- The increase in the expense limit to \$9 500 will cover up to \$36.50 per day for parents with a child under 7 years of age who attends a childcare service on a full-time basis.
- The increase in the expense limit to \$13 000 in respect of children with disabilities will cover a daily childcare rate of \$50 where the child attends a childcare service on a full-time basis.
- Annual indexation of the limits applicable to childcare expenses will provide better coverage of future increases in the childcare costs paid by parents whose child attends a non-subsidized childcare service.

When fully implemented, the measure will represent nearly \$51 million more per year in childcare expenses reimbursed to Québec families.

TABLE C.6

### Financial impact of the increase in expense limits for the purposes of the refundable tax credit for childcare expenses (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Increase in the expense limit to \$9 500 for children under 7 years of age	—	-14.4	-16.1	-17.4	-18.6	-19.2	-85.7
Increase in the expense limit to \$13 000 for children with disabilities	—	-0.4	-0.5	-0.5	-0.6	-0.6	-2.6
Indexation of expense limits	—	-0.6	-5.8	-12.8	-20.9	-30.7	-70.8
<b>TOTAL</b>	<b>—</b>	<b>-15.4</b>	<b>-22.4</b>	<b>-30.7</b>	<b>-40.1</b>	<b>-50.5</b>	<b>-159.1</b>

## 2.1.2 \$140 million for the introduction of a first-time home buyers' tax credit

The costs associated with buying a house can be a burden and a disincentive for first-time home buyers, especially young families.

To facilitate access to home ownership and reduce the debt load for people buying their first home, the government is announcing the introduction, as of 2018, of a non-refundable tax credit for first-time home buyers.

### ❑ \$5 000 in recognition of certain expenses

This measure offers eligible first-time home buyers a \$5 000 tax credit amount as of 2018 in recognition of the incidental expenses not covered by a mortgage, such as inspection fees, the duties on the transfer of an immovable,<sup>2</sup> notary fees and moving expenses.

### ❑ Combined assistance of \$1 376

The Québec tax credit, combined with the federal tax credit,<sup>3</sup> could provide eligible Québec home buyers with up to \$1 376 in tax relief further to the purchase of their first house:

— \$750 through the Québec tax credit;

— \$626 through the federal tax credit.

This measure represents a cost of \$28 million per year and could help 47 000 Québec families purchase their first house.

TABLE C.7

### Financial impact of the first-time home buyers' tax credit (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Introduction of a first-time home buyers' tax credit	—	-28.0	-28.0	-28.0	-28.0	-28.0	-140.0

<sup>2</sup> The duties on the transfer of an immovable are commonly referred to as the "welcome tax" or the "transfer tax".

<sup>3</sup> The federal first-time home buyers' tax credit is also calculated based on an amount of \$5 000.

## Eligibility for the tax credit

### Eligibility requirements

To be eligible for the new first-time home buyers' tax credit, a buyer must have purchased a qualifying home and not have owned a housing unit in the four years preceding the year of purchase.

The tax credit can be shared between spouses where both spouses are first-time home buyers. In addition, the purchased home must be located in Québec and serve as the buyers' principal residence.

A disabled person may claim the tax credit even if the purchased housing unit is not the person's first home purchase. However, the new housing unit must be better suited to the person's personal needs and care.

### Qualifying homes

Qualifying homes include:

- single-family homes;
- semi-detached homes;
- row houses;
- mobile homes;
- apartments in an immovable under divided co-ownership (condominium);
- apartments in duplexes, triplexes, fourplexes, or apartment buildings.

The new first-time home buyers' tax credit will apply to housing units purchased on or after January 1, 2018.

### Examples of typical expenses

A buyer who purchases a housing unit for \$250 000, for example, could face up to \$5 000 in incidental expenses:

- \$550 in inspection fees;
- \$1 200 in notary fees;
- \$2 250 in duties on the transfer of an immovable;
- \$1 000 in moving expenses.

The purpose of the new measure is to recognize the incidental costs tied to the purchase of a first home. However, the tax assistance provided will not be based on those costs.

## 2.2 \$103 million for informal caregivers and seniors

The March 2018 Québec Economic Plan includes additional measures to support informal caregivers and seniors.

Additional support will be provided to informal caregivers and to individuals who provide them with assistance, in order to:

- recognize the important contribution made by informal caregivers who do not reside with the care recipient;
- create a greater incentive for individuals who provide respite services to informal caregivers so that they can have more time for themselves.

The tax assistance granted for the acquisition or rental of property intended to help seniors live independently longer is also being enhanced.

Furthermore, intergenerational cohabitation will be encouraged by allowing grandparents housing a grandchild of full age pursuing studies to claim the tax credit for persons living alone.

TABLE C.8

### Financial impact of the measures to support informal caregivers and seniors (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Greater support for informal caregivers and volunteer respite services							
— Refundable tax credit for informal caregivers of persons of full age	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
— Refundable tax credit for volunteer respite services	—	-0.7	-0.7	-0.7	-0.7	-0.7	-3.5
Enhancement of the refundable tax credit for the acquisition or rental of property intended to help seniors live independently longer	—	-6.3	-6.8	-7.7	-9.0	-9.9	-39.7
Granting of a tax credit to grandparents housing a grandchild pursuing studies	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
<b>TOTAL</b>	<b>—</b>	<b>-19.0</b>	<b>-19.5</b>	<b>-20.4</b>	<b>-21.7</b>	<b>-22.6</b>	<b>-103.2</b>

### 2.2.1 **\$54 million to provide greater support for informal caregivers and volunteer respite services**

Informal caregivers make a remarkable contribution to society by caring for relatives. It allows the relative to stay at home longer and enjoy a better quality of life.

The tax system already recognizes the contribution of informal caregivers, in particular through the refundable tax credit for informal caregivers of persons of full age and the refundable tax credit for volunteer respite services.

Some caregivers are not able to claim the refundable tax credit for informal caregivers because they do not co-reside with the relative to whom they provide care. In addition, certain individuals who volunteer their time to support an informal caregiver do not have the required number of hours of service to claim the tax credit for volunteer respite services. To recognize the remarkable gestures made by informal caregivers, the government is making the tax credit conditions more flexible, effective January 1, 2018, by:

- broadening the eligibility requirements for the refundable tax credit for informal caregivers who do not co-reside with the care recipient;
- reducing the number of hours of service to be provided in order to claim the refundable tax credit for volunteer respite services.

These enhancements will allocate \$53.5 million more over five years to informal caregivers and individuals who volunteer their time to help an informal caregiver.

TABLE C.9

#### **Financial impact of the measures to enhance the support for informal caregivers and volunteer respite services** (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Enhancement of the refundable tax credit for informal caregivers of persons of full age	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Enhancement of the refundable tax credit for volunteer respite services	—	-0.7	-0.7	-0.7	-0.7	-0.7	-3.5
<b>TOTAL</b>	<b>—</b>	<b>-10.7</b>	<b>-10.7</b>	<b>-10.7</b>	<b>-10.7</b>	<b>-10.7</b>	<b>-53.5</b>



## ❑ **Enhancement of the refundable tax credit for informal caregivers of persons of full age**

To be able to claim the refundable tax credit for informal caregivers of persons of full age, an informal caregiver must co-reside with the care recipient. However, many individuals care for a relative in need without necessarily co-residing with the relative.

To recognize the contribution such individuals make, the government will broaden the eligibility requirements for the refundable tax credit for informal caregivers of persons of full age to enable informal caregivers not co-residing with the relative to whom they provide care to enjoy this tax assistance.

Informal caregivers who do not co-reside with the care recipient will be entitled to an amount of \$533 as of January 1, 2018.

### **Eligibility requirements for the enhanced tax credit for informal caregivers not co-residing with the care recipient**

The care recipient must have a severe and prolonged impairment in mental or physical functions and a certification from a physician that the care recipient needs assistance to perform activities of daily living.

A certification issued by a physician or nurse practitioner will be required to attest that the care recipient meets the eligibility requirements for the tax credit.

The care recipient may be:

- the father, mother, grandfather, grandmother or any other direct ascendant of the informal caregiver or the informal caregiver's spouse;
- the child, grandchild, nephew, niece, brother or sister of the informal caregiver or the informal caregiver's spouse;
- the uncle, aunt, great-uncle or great-aunt of the informal caregiver or the informal caregiver's spouse.

The tax credit may be claimed only if the care recipient does not receive support from an informal caregiver who co-resides with the care recipient.

- The tax credit is reduced at a rate of 16%, based on the care recipient's net income over \$23 700.

If the tax credit is claimed by more than one informal caregiver who does not co-reside with the care recipient, the tax credit may be shared between the caregivers.

## **Refundable tax credit for informal caregivers of persons of full age**

The refundable tax credit for informal caregivers of persons of full age is granted to informal caregivers who house or co-reside with an eligible relative (the care recipient), as well as to the spouse of a person who is at least 70 years of age and is unable to live alone.

### **Housing or co-residency component**

In 2018, the maximum amount of the refundable tax credit for informal caregivers of persons of full age is \$1 185. This amount consists of:

- a basic amount of \$652;
- a supplement amount of \$533 that is reduced on the basis of the care recipient's income.

### **Spousal component**

An informal caregiver who cares for a spouse who is at least 70 years of age and is unable to live alone is entitled to a tax credit amount of \$1 015 that is not reducible on the basis of the care recipient's income.

### **Informal caregiver**

An informal caregiver can be the child, grandchild, nephew, niece, brother, sister, father, mother, uncle, aunt, grandfather, grandmother, great-uncle, great-aunt or any other direct ascendant of the individual or the individual's spouse.

The spouse of an eligible relative may be recognized as an informal caregiver where the care recipient is at least 70 years of age and is unable to live alone.

### **Eligible relative (the care recipient)**

An eligible relative for the purposes of the refundable tax credit for informal caregivers of persons of full age is a person, other than a spouse, who is housed by the informal caregiver or co-resides with the informal caregiver.

The eligible relative must be an adult (18 or over) and have a severe and prolonged impairment in mental or physical functions that renders the relative unable to live alone, as attested by a certification from a physician.

However, if the eligible relative is at least 70 years of age and is housed by the informal caregiver, the relative does not have to have an impairment in mental or physical functions rendering the person unable to live alone, provided the person co-resides with the informal caregiver.

## ■ Illustration of assistance granted

The enhanced refundable tax credit for informal caregivers of persons of full age not residing with the care recipient represents \$533 in tax assistance in the case of a care recipient with a net income of \$23 700 or less.

As with the amounts for the housing and co-residency components, the amount of the tax credit is reduced by 16% for each dollar of income that exceeds the \$23 700 threshold.

Furthermore, as of a net income of \$27 031, an informal caregiver not residing with the care recipient ceases to receive tax assistance, whereas an informal caregiver residing with the care recipient continues to receive a basic amount of \$652.

TABLE C.10

### Illustration of the refundable tax credit for informal caregivers of persons of full age – 2018 (dollars)

Net income of the care recipient	Residing with the care recipient			Not residing with the care recipient
	Basic amount	Reducible amount	Total	
23 700 or less	652	533	1 185	<b>533</b>
24 000	652	485	1 137	<b>485</b>
25 000	652	325	977	<b>325</b>
26 000	652	165	817	<b>165</b>
27 000	652	5	657	<b>5</b>
28 000	652	—	652	—
29 000	652	—	652	—
30 000	652	—	652	—

## ■ Financial impact

Opening up the refundable tax credit for informal caregivers of persons of full age to more claimants will benefit roughly 20 000 informal caregivers and result in a gain of \$10 million annually for the new claimants.

TABLE C.11

### Financial impact of the enhancement of the refundable tax credit for informal caregivers of persons of full age (millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Total
Enhancement of the tax credit	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0

**❑ Enhancement of the refundable tax credit for volunteer respite services**

Informal caregivers generally have onerous responsibilities and sometimes need someone to help them take care of an eligible relative.

The tax credit for volunteer respite services allows individuals who provide over 400 hours of unpaid home respite services to informal caregivers during a given year to claim a tax credit of up to \$500. This assistance gives informal caregivers quality respite time as well as breaks their isolation.

- An informal caregiver has at their disposal, for recognition purposes, an envelope of \$1 000 for each care recipient of whom the person is an informal caregiver. The person may attribute, at their discretion, up to \$500 to any individual who provides the person with volunteer respite services.

However, the requirement to provide at least 400 hours of volunteer respite services in a given year is restrictive, as it is equivalent to one 8-hour day of respite services per week for 50 weeks.

**■ Adjustment to the maximum amount according to the number of hours**

To provide greater flexibility and further support for volunteer respite services, the government will adjust the maximum amount of the tax credit based on the number of hours of volunteer respite services provided to an informal caregiver, to give tax assistance of:

- \$250 for 200 hours of services;
- \$500 for 300 hours of services;
- \$750 for 400 hours or more of services.

In addition, the amount that may be attributed to individuals who provide volunteer respite services in respect for the same care recipient will be increased to \$1 500.

TABLE C.12

**Illustration of the increase in the maximum amount of the refundable tax credit for volunteer respite services – 2018**  
(dollars)

	Current system	Enhanced system
Less than 200 hours	—	—
200 to 299 hours	—	250
300 to 399 hours	—	500
400 hours or more	500	750

## ■ Financial impact

Enhancement of the tax credit for volunteer respite services will have a financial impact of \$700 000 per year for the government.

### 2.2.2 \$40 million to help seniors live independently

The refundable tax credit for the acquisition or rental of property intended to help seniors live independently longer is designed to help seniors aged 70 or over to obtain property that will help them live more independently while minimizing the risk of falls or shortening the response time in the event of an accident, making it easier for them to stay in their home.

The refundable tax credit is equal to 20% of the amount by which \$500 is exceeded by the aggregate of all amounts paid for the acquisition or rental, including installation costs, of qualified property intended for use in the senior's principal place of residence.

The \$500 cut-off at which the tax credit may be claimed can be a lot to pay for seniors who gradually adapt their home every year to fit their needs.

#### □ Reduction of the cut-off to \$250 and addition of new qualified property

To improve seniors' quality of life and make sure that seniors who acquire or rent property every year can claim the tax credit, the government will reduce the annual cut-off from \$500 to \$250 as of 2018.

Currently, qualified property for the purposes of the tax credit is primarily intended to ensure seniors' safety and mobility in their living environment.

To increase the safety for seniors with hearing loss, the tax credit will now cover the acquisition of hearing aids and the acquisition of alert systems for people with hearing impairments.

In addition, to help seniors' mobility in their living environments, non-motorized mobility assistance devices (e.g. walkers, canes and wheelchairs), will also be qualified property for the purposes of the tax credit.

## **More generous tax assistance**

The reduction in the cut-off to \$250 and addition of qualified property will provide seniors with greater tax assistance for the acquisition or rental of property intended to help them live independently longer.

For example, an individual 70 years of age who pays \$5 000 for the purchase and installation of a walk-in bathtub will receive \$950 in tax assistance, or \$50 more, as a result of the lower cut-off.

An individual 75 years of age who purchases hearing aids at a retail cost of \$5 000 will receive \$950 in tax assistance as a result of the addition of qualified property for the purposes of the tax credit.

TABLE C.13

### **Illustration of the enhanced refundable tax credit for the acquisition or rental of property intended to help seniors live independently longer** (dollars, unless otherwise indicated)

	Walk-in bathtub		Hearing aid	
	Before	After	Before	After
Purchase cost	5 000	5 000	—	5 000
Cut-off	-500	-250	—	-250
Amount eligible for the tax credit	4 500	4 750	—	4 750
Conversion rate	20%	20%	—	20%
<b>REFUNDABLE TAX CREDIT AMOUNT</b>	<b>900</b>	<b>950</b>	<b>—</b>	<b>950</b>

**Qualified property for the purposes of the refundable tax credit  
for the acquisition or rental of property intended  
to help seniors live independently longer****Current qualified property**

The cost of the acquisition or rental of the following property qualifies for the refundable independent living tax credit for seniors if the property is installed in the senior's principal place of residence:

- a person-centered remote monitoring device, such as an emergency alert system ("panic button") or a device for the remote measurement of various physiological parameters or the remote medication compliance monitoring;
- a personal GPS locator;
- a property designed to assist a person to get on or off a toilet or to get into or out of a bathtub or shower;
- a walk-in bathtub or a walk-in shower;
- a chair mounted on a rail designed exclusively to enable a person to ascend or descend a stairway mechanically;
- a hospital bed.

**New qualified property**

As of the 2018 taxation year, the cost for the acquisition or rental of the following property will also qualify for the purposes of the tax credit:

- safety devices for the hard of hearing:
  - alert systems for persons with hearing impairments;
  - hearing aids;
- walkers and rollators;
- canes and crutches;
- non-motorized wheelchairs.

## ❑ Financial impact

The enhancements to the refundable tax credit for the acquisition or rental of property intended to help seniors live independently longer will have a financial impact, for the government, of \$6.3 million in 2018-2019.

TABLE C.14

**Financial impact of the broadening of the refundable tax credit for the acquisition or rental of property intended to help seniors live independently longer**  
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Broadening of the tax credit	—	-6.3	-6.8	-7.7	-9.0	-9.9	-39.7

### 2.2.3 \$10 million to encourage intergenerational cohabitation

Persons living alone often have to shoulder costs that persons living in a couple can share. Such costs can represent a significant portion of their budget.

Recognizing the heavier financial burden faced by individuals who live alone, the government grants them non-refundable tax assistance through the amount for persons living alone.

The amount for persons living alone is intended for low- and middle-income individuals who live alone or with dependent children.

For example, the head of a single-parent family who lives with their minor children or children of full age who are pursuing studies can claim the tax credit for persons living alone.

A grandparent who lives alone and chooses to house one of their grandchildren of full age during their studies is not entitled to claim the amount for persons living alone.

## ❑ A measure to help students and seniors

Sharing a dwelling benefits both the student and the grandparent not only by strengthening intergenerational ties, but also by preventing isolation.

Many students have to move to another city to do post-secondary studies. Moving away from home to go to school incurs extra costs for both the students and their families.

To save on certain costs and enable their grandchildren to devote all of their time to their studies, some grandparents decide to let their grandchildren live with them.



Currently, a senior who houses a grandchild of full age while the grandchild is pursuing studies loses the benefit of the amount for persons living alone.

- A senior who was previously able to claim the full amount for persons living alone and decides to share their dwelling with a grandchild of full age while the grandchild is pursuing studies can see their tax assistance reduced by \$258.<sup>4</sup>

In addition to losing tax assistance, letting their grandchildren live with them can mean extra costs for seniors. For a retired person on a fixed income, the extra costs can be a deterrent to housing a grandchild.

The March 2018 Québec Economic Plan broadens the eligibility requirements for the amount for persons living alone to include grandparents who share a dwelling with a grandchild pursuing studies, as of 2018.

Broadening the eligibility requirements for the amount for persons living alone will give grandparents who share their dwelling with a grandchild of full age pursuing studies up to \$258 in tax assistance.

- The tax credit for persons living alone is reduced based on income. Grandparents will receive additional support up to an income of \$70 000.

TABLE C.15

**Illustration of disposable income for a grandparent housing a grandchild of full age pursuing studies**  
(dollars)

Grandparent's retirement income	Disposable income		
	Before	After	Difference
20 000	26 785	27 043	258
30 000	33 670	33 928	258
40 000	39 197	39 455	258
50 000	44 807	45 065	258
60 000	50 571	50 794	223

<sup>4</sup> This amount is equal to 15% of the amount for persons living alone for 2018, which is \$1 721.

**❑ Financial impact**

Approximately 10 000 grandparents in Québec house a grandchild of full age during their studies. Broadening the eligibility requirements for the purposes of the amount for persons living alone grants total tax relief of \$2 million annually.

TABLE C.16

**Financial impact of tax assistance granted to grandparents housing a grandchild of full age pursuing studies**  
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Tax credit for grandparents housing a grandchild pursuing studies	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0

## 2.3 \$228 million to encourage labour force participation

The March 2018 Québec Economic Plan further strengthens measures to promote work incentives. To maximize labour force participation by Quebecers and render work effort more appealing, the government is enhancing:

- the tax credit for experienced workers, by lowering the age of eligibility to 61 and increasing the maximum amount of eligible work income on which the tax credit is calculated;
- the tax shield, in order to cover a bigger increase in work income.

TABLE C.17

### Financial impact of measures to encourage labour market participation (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Enhancement of the tax credit for experienced workers	—	-31.6	-32.3	-32.9	-33.5	-34.1	-164.4
Enhancement of the tax shield	—	-11.4	-12.4	-12.8	-13.3	-13.9	-63.8
<b>TOTAL</b>	<b>—</b>	<b>-43.0</b>	<b>-44.7</b>	<b>-45.7</b>	<b>-46.8</b>	<b>-48.0</b>	<b>-228.2</b>

### 2.3.1 Further enhancement of the tax credit for experienced workers to improve their living standards

Québec has a rapidly aging population, which leads to a shrinking labour pool. In addition, this demographic change is likely to accelerate in the coming years. To face the challenge of a labour shortage, the government has taken steps to encourage all Quebecers to be actively engaged in the labour market.

Combined with economic growth, these measures have raised Québec's employment rate for people under 60 years of age above that of Canada as a whole and lowered its unemployment rate below that of Canada for 2017.

However, labour market statistics show that the employment rate for experienced workers is lower in Québec than in the other provinces.

- In 2017, the employment rate for the population aged 60 to 64 was 45.7% in Québec, compared to 51.4% for Canada as a whole.
- The same year, the employment rate for the population aged 65 or over was 10.3% in Québec, versus 13.5% for Canada as a whole.

The government is reiterating its determination to further encourage experienced workers to remain in or re-enter the labour market by enhancing the tax credit for experienced workers as of 2018. The government is:

- broadening the tax credit to include workers 61 years of age;
- increasing, by \$1 000, the maximum amount of eligible income on which the tax credit for experienced workers aged 62 or over will be calculated.

**☐ Broadening of the tax credit to include workers 61 years of age**

To ensure that this measure is directed primarily toward workers who are most likely to retire and encourage them to reconsider their decision and remain in the labour market a few years longer, the March 2018 Québec Economic Plan lowers the age of eligibility for the tax credit for experienced workers from 62 to 61 as of 2018.

- The maximum amount of eligible work income for workers 61 years of age is \$3 000.

**☐ Increase of \$1 000 in the maximum amounts of eligible work income for all experienced workers**

The maximum eligible work income on which the tax credit will be calculated will be raised by \$1 000 in 2018 to:

- \$5 000 in the case of a worker aged 62;
- \$7 000 in the case of a worker aged 63;
- \$9 000 in the case of a worker aged 64;
- \$11 000 in the case of a worker aged 65 or over.

**Tax credit for experienced workers**

The tax system provides for a non-refundable tax credit to offset income tax payable on the part of eligible work income that exceeds the first \$5 000, up to the maximum amount of eligible work income. The maximum amount varies with the worker's age.

- The maximum tax credit is equal to 15% of the eligible work income amount.
- This maximum amount is then reduced based on the amount of work income above a threshold of \$34 030, at a rate of 5%.

Note that the reduction does not apply to workers who were age 65 or over in 2015. The minimum tax assistance in respect of this category of workers is still \$600.

TABLE C.18

**Enhancements to the tax credit for experienced workers, by age and taxation year**  
(dollars)

	Before the Plan					After the Plan
	2014	2015	2016	2017	2018	2018 and subsequent years
<b>Eligible work income</b>						
61 years	—	—	—	—	—	3 000
62 years	—	—	—	—	4 000	5 000
63 years	—	—	—	4 000	6 000	7 000
64 years	—	—	4 000	6 000	8 000	9 000
65 years or over	3 000	4 000	6 000	8 000	10 000	11 000
<b>Maximum tax credit<sup>(1)</sup></b>						
61 years	—	—	—	—	—	450
62 years	—	—	—	—	600	750
63 years	—	—	—	600	900	1 050
64 years	—	—	602	900	1 200	1 350
65 years or over	451	602	902	1 200	1 500	1 650

(1) The maximum tax credit is calculated by applying, to the amount of work income that exceeds \$5 000, a rate of 15.04% for the period 2014 to 2016 and a rate of 15% for the 2017 taxation year and subsequent years.

## ❑ Illustration of the gain for workers

The new category of eligible workers, that is, workers 61 years of age, will enjoy a new tax benefit of up to \$450 as of 2018, since the maximum amount of eligible work income on which the tax credit will be calculated is \$3 000.

— For example, the amount of the tax credit for a worker aged 61 who has a work income of \$30 000 will be \$450.

Workers aged 62 or over will see a yearly gain of up to \$150 as a result of the \$1 000 increase in the eligible work income amount.

— By way of illustration, a worker aged 65 who has a work income of \$30 000 will receive a tax credit of \$1 650, representing a gain of \$150.

TABLE C.19

### Illustration of the increases in the tax credit for experienced workers based on age – 2018 (dollars)

Work income	Worker aged 61			Worker aged 65 or over		
	Before the Plan	After the Plan	Gain	Before the Plan	After the Plan	Gain
5 000 <sup>(1)</sup>	—	—	—	—	—	—
10 000 <sup>(1)</sup>	—	—	—	—	—	—
20 000	—	318	<b>318</b>	906	906	—
30 000	—	450	<b>450</b>	1 500	1 650	<b>150</b>
40 000	—	152	<b>152</b>	1 202	1 352	<b>150</b>
50 000	—	—	—	702	852	<b>150</b>
75 000	—	—	—	600	600	—

(1) At this level, a taxpayer does not benefit from tax assistance because the person does not pay any tax.

### Illustration of the gain for experienced workers

As of 2018, workers 61 years of age will be eligible for the tax credit for experienced workers and will receive tax relief of up to \$450. For this category of workers, the maximum amount of eligible work income on which the tax credit will be calculated is \$3 000.

- A worker 61 years of age who has a work income of \$30 000 would receive a tax credit of \$450.

In addition, the \$1 000 increase in eligible work income will enable workers aged 62 or over to gain of up to \$150 per year.

- The increase of \$1 000 in eligible work income is in addition to the enhancements already announced in the Québec Economic Plan.

A worker aged 65 who has a work income of \$30 000 will see an increase of \$1 650 in their disposable income thanks to the enhancements to the tax credit for experienced workers.

#### Illustration of the gain for experienced workers based on age – 2018 (dollars)

	Age 61	Age 62	Age 63	Age 64	Age 65 or over
Work income	30 000	30 000	30 000	30 000	30 000
Disposable income	25 731	25 731	25 731	25 731	32 093
<b>Incentive to work</b>					
– New enhancement of the tax credit for experienced workers	450	150	150	150	150
– Tax credit including enhancements already provided for <sup>(1)</sup>	—	600	900	1 200	1 500
<b>Enhanced tax credit</b>	450	750	1 050	1 350	1 650
<b>Enhanced disposable income</b>	<b>26 181</b>	<b>26 481</b>	<b>26 781</b>	<b>27 081</b>	<b>33 743</b>

Note: Totals may not add due to rounding.

(1) This amount includes the enhancements to the tax credit for experienced workers announced in Budget 2014-2015, the March 2015 Québec Economic Plan and the March 2016 Québec Economic Plan.

## ❏ Financial impact

The enhancements designed to encourage experienced workers to remain in the labour market will reduce the income tax payable by nearly 170 000 experienced workers. The total gain for such workers will be nearly \$32 million annually.

- More than one third of the total gain will go to workers aged 65 or over.
- In 2018, nearly 30 000 workers 61 years of age will be able to claim the tax credit for experienced workers for the first time.

TABLE C.20

### **Financial impact of the enhancements to the tax credit for experienced workers** (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Lowering of age of eligibility to 61	—	–11.6	–11.7	–11.8	–11.9	–12.0	–59.0
Increase of \$1 000 in the maximum amount of eligible work income for workers aged 62 or over	—	–20.0	–20.6	–21.1	–21.6	–22.1	–105.4
<b>TOTAL</b>	<b>—</b>	<b>–31.6</b>	<b>–32.3</b>	<b>–32.9</b>	<b>–33.5</b>	<b>–34.1</b>	<b>–164.4</b>



### 2.3.2 \$64 million to promote work effort

Some households that increase their labour supply or go back to work could lose part of the socio-fiscal transfers designed to incentivize work. This is especially true in the case of parents who go back to work following parental leave.

To render work effort more appealing, the government introduced the tax shield in 2016. The tax shield allows an individual whose work income increases from one year to the next to retain a significant portion of his or her socio-fiscal transfers, that is, the work premium and the refundable tax credit for childcare expenses.

- The maximum increase in eligible work income relative to the previous year that may be taken into account for the purposes of the tax shield is \$3 000 per worker. The maximum increase for a couple where both spouses work is therefore \$6 000.

As of 2018, the government is increasing the tax assistance for work incentives by raising the maximum increase in eligible work income for the purposes of the tax shield from \$3 000 to \$4 000 per adult.

#### **□ Illustration of the enhanced tax shield**

Following parental leave shared equally between the spouses in 2017, a family could see its socio-fiscal transfers reduced the following year where both spouses return to work following parental leave. For example, for a couple earning minimum wage:

- the work premium would decrease from \$1 290 in 2017 to \$440 in 2018, for a loss of \$850;

The tax shield offsets a part of the loss incurred by the household. The \$1 000 increase in eligible work income per spouse will raise the tax shield by \$340, that is:

- a \$150 increase in the protection related to the work premium, to \$600;
- a \$190 increase in the compensation related to the refundable tax credit for childcare expenses, to \$475.

The compensation related to the tax shield will be \$1 075, as opposed to \$735 under the current system.

TABLE C.21

**Illustration of the enhancement of the tax shield for a couple that goes back to work following parental leave – 2018**  
(dollars)

	2017 (parental leave)	2018 (return to work)		Gain
		Current tax shield	Enhanced tax shield	
Work income <sup>(1)</sup>	21 202	45 000	45 000	—
QPIP benefits	15 036	—	—	—
<b>Total income</b>	<b>36 238</b>	<b>45 000</b>	<b>45 000</b>	<b>—</b>
<b>Socio-fiscal transfers<sup>(2)</sup></b>				
– Work premium	1 290	440	440	—
– Refundable tax credit for childcare expenses <sup>(3)</sup>	—	6 460	6 460	—
<b>Tax shield protection</b>				
– Total amount of protected work income for the couple <sup>(4)</sup>	—	6 000	8 000	2 000
– Compensation linked to the work premium	—	450	600	150
– Compensation linked to the refundable tax credit for childcare expenses	—	285	475	190
<b>Total – Tax shield</b>	<b>—</b>	<b>735</b>	<b>1 075</b>	<b>340</b>
<b>DISPOSABLE INCOME</b>	<b>44 790</b>	<b>44 818</b>	<b>45 158</b>	<b>340</b>

(1) The couple has two equal work incomes and both spouses are minimum-wage earners.

(2) Only the socio-fiscal transfers protected by the tax shield are presented.

(3) In 2018, the child is attending a non-subsidized childcare service at a total cost of \$9 500.

(4) Assuming a net increase in income of at least \$4 000 per spouse, or \$8 000 for the couple.

The couple's situation is presented in detail in the budget paper *Disposable Income: More Money for Each Quebecer*.

## ❑ Financial impact

Raising the maximum increase in eligible work income from \$3 000 to \$4 000 per worker will enhance the benefits of the tax shield for some 160 000 households.

All told, these households will see an annual gain of nearly \$12 million as of 2018-2019, or a total of nearly \$64 million over five years.

TABLE C.22

### Financial impact of the enhancement of the tax shield (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Increase in the maximum to \$4 000 per person for the purposes of the tax shield	—	-11.4	-12.4	-12.8	-13.3	-13.9	-63.8

#### Existing protection for parents whose children attend a subsidized childcare service

To benefit from the protection provided by the tax shield in respect of the refundable tax credit for childcare expenses, parents must have a child who attends a non-subsidized childcare service. The tax shield does not apply to the additional contribution for childcare.

- However, the additional contribution already contains a protection mechanism.

#### Protection mechanism in the additional contribution for childcare

The additional contribution and refundable tax credit for childcare expenses are not calculated over the same reference year.

- The refundable tax credit for childcare expenses is based on a person's income for the taxation year in which the childcare expenses are paid;
- The additional contribution is based on a person's income for the previous year.

Thus, a parent who goes back to work must pay an additional contribution based on the income received while on parental leave, which is generally lower than the parent's work income. The additional contribution payable will thus be lower.

In addition, families are protected against a significant drop in income, in particular following a breakup or parental leave.

- Even though the additional contribution is calculated on the basis of a parent's net income for the previous year, if the net income for the current year is less than \$51 340, no contribution is payable by the parent.

## 2.4 \$172 million for the extension of the RénoVert tax credit to March 31, 2019

When the March 2016 Québec Economic Plan was tabled, the government introduced the RénoVert refundable tax credit. This measure aims to encourage Québec homeowners to invest in eco-friendly renovation work to make their home more energy-efficient and thereby reduce greenhouse gas emissions in the residential sector.

The tax credit was extended by one year and was to end on March 31, 2018.

The March 2018 Québec Economic Plan extends the RénoVert refundable tax credit by another year.

- Homeowners will have until March 31, 2019 to enter into an eco-friendly renovation agreement with a qualified contractor and until December 31, 2019 to pay the renovation expenditures covered by the agreement.

### Generous tax assistance

The assistance provided by the RénoVert refundable tax credit is equal to 20% of the portion of qualified home renovation expenditures in excess of \$2 500. The maximum amount of the tax credit is \$10 000.

TABLE C.23

#### **Main parameters of the RénoVert refundable tax credit**

Qualified expenditures giving entitlement to the maximum tax assistance	\$52 500
Minimum amount of qualified expenditures	\$2 500
Tax credit rate	20%
Maximum amount of tax assistance	\$10 000
Terms for execution of work	Done by a qualified contractor
Deadline for entering into an agreement with a qualified contractor <sup>(1)</sup>	Before April 1, 2019

(1) The one-year extension of the RénoVert refundable tax credit takes effect on April 1, 2018.

## ❑ A wide range of recognized eco-friendly renovation work

The aim of the RénoVert refundable tax credit is to encourage Quebecers to make environmentally friendly decisions when renovating their homes.

TABLE C.24

### Main types of eco-friendly renovation work recognized for the purposes of the RénoVert refundable tax credit

Work relating to the envelope of a dwelling	Insulation of the roof, exterior walls, foundations and exposed floors  Waterproof sealing of the foundations, walls, doors and windows  Installation of doors, windows and a living roof
Work relating to the mechanical systems of the dwelling pertaining to:	Heating, air conditioning, water heating and ventilation
Work relating to water quality <sup>(1)</sup> and soil quality	Underground rainwater recovery tank, decontamination of fuel oil-contaminated soil
Renewable energy devices	Solar panels and domestic wind turbines

(1) Work relating to water quality carried out on a cottage is not recognized for the purposes of this tax credit.

## ❑ \$521 million for eco-friendly renovation work

RénoVert will grant nearly \$172 million in tax assistance to individuals who do eco-friendly renovation work after March 31, 2018.

— In the three years since it was introduced, the RénoVert refundable tax credit will have granted Québec homeowners almost \$521 million in total tax assistance.

TABLE C.25

### Tax cost of the RénoVert refundable tax credit (millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	Total
RénoVert (introduction and extension) <sup>(1)</sup>	138.6	168.9	41.8	—	349.3
Extension of RénoVert – March 2018 Québec Economic Plan	—	—	128.6	42.9	171.5
<b>TOTAL</b>	<b>138.6</b>	<b>168.9</b>	<b>170.4</b>	<b>42.9</b>	<b>520.8</b>

(1) Figures include introduction of the RénoVert refundable tax credit under the March 2016 Québec Economic Plan and the one-year extension under the March 2017 Québec Economic Plan.

## 2.5 **\$19 billion for measures in favour of individuals**

To leave more money in the pockets of Quebecers, the Québec government has implemented measures totalling nearly \$19 billion over the period 2014-2015 to 2022-2023 to reduce their tax burden.

Since the beginning of its mandate, and including the new initiatives in the March 2018 Québec Economic Plan, the government will have allocated nearly \$15.8 billion toward ensuring Quebecers' enjoy quality time and have a higher standard of living, in particular by easing their tax burden, making work effort more appealing and enhancing the assistance granted to families and seniors.

In particular, in its previous economic plans, the government:

- reduced Quebecers' tax burden by eliminating the health contribution, raising the basic personal amount and decreasing the bottom tax rate from 16% to 15%;
- incentivizing Quebecers to work by introducing the tax shield and enhancing the tax credit for experienced workers and the work premiums.

In addition, the government announced a reform of the school tax system, to the tune of nearly \$3.2 billion over five years, to reduce the school property tax for all homeowners.

TABLE C.26

**Financial impact of the reductions in Quebecers' tax burden<sup>(1)</sup>**  
 (millions of dollars)

	2014-2015 to 2017-2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
<b>New initiatives</b>							
March 2018 Québec Economic Plan <sup>(2)</sup>	—	-105.4	-114.6	-124.8	-136.6	-149.1	-630.5
November 2017 update of the Québec Economic Plan <sup>(3)</sup>	-1 083.2	-1 080.3	-1 046.8	-1 075.3	-1 106.9	-1 139.4	-6 531.9
Reform of the school tax system	—	-498.7 <sup>(4)</sup>	-679.3	-681.6	-680.5	-679.7	-3 219.8
<b>Measures already provided for</b>							
Reduction in the tax burden <sup>(5)</sup>	-1 762.9	-1 043.0	-1 028.0	-1 033.4	-1 038.8	-1 044.4	-6 950.5
Incentive to work <sup>(6)</sup>	-318.5	-220.9	-221.2	-221.6	-222.0	-222.4	-1 426.6
Other measures <sup>(7)</sup>	-56.8	-33.3	-33.7	-34.4	-34.9	-35.5	-228.6
<b>TOTAL</b>	<b>-3 221.4</b>	<b>-2 981.6</b>	<b>-3 123.6</b>	<b>-3 171.1</b>	<b>-3 219.7</b>	<b>-3 270.5</b>	<b>-18 987.9</b>

(1) The reductions in the tax burden include, in particular, the tax measures under the Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023.

(2) The measures in the March 2018 Québec Economic Plan do not include the extension of the RénoVert tax credit.

(3) The measures in the November 2017 update of the Québec Economic Plan include the decrease in the bottom tax rate from 16% to 15%, the supplement of \$100 per child for the purchase of school supplies and the enhancements to the work premiums announced in the November 2017 update of the Québec Economic Plan and the Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023.

(4) Refers to the entry into force of the proposed reform on July 1, 2018. Note that the school year runs from July 1 to June 30.

(5) The reduction in the tax burden includes the elimination of the health contribution and the increase in the basic personal amount.

(6) The incentive-to-work measure includes the introduction and enhancement of the tax shield, the enhancement of the tax credit for experienced workers and the increases in the work premiums announced in the March 2016 Québec Economic Plan.

(7) Other measures include the supplement for handicapped children with exceptional care needs, the tax credit for seniors' activities, expansion of the tax credit for donations, the subsidy for seniors to offset a municipal tax increase, extension of the deduction in respect of people living in remote regions to the Îles-de-la-Madeleine and automatic payment of certain refundable tax credits.

## ❑ Measures announced in the November 2017 update of the Québec Economic Plan

The government announced several tax measures in the November 2017 Québec Economic Plan to improve the standard of living for Québec households and grant them substantial tax relief as of the 2017 taxation year.

As a result, since 2017 Québec households have enjoyed:

- a reduction in the income tax payable on the first dollars of earned income;
- a supplement of \$100 per child for the purchase of school supplies.

In addition, as of the 2018 taxation year, the announced enhancements to the work premiums will give households without children greater incentive to work. Households will be able to receive automatic payment of certain tax measures.

These measures represent over \$1 billion in yearly tax relief for Québec households.

TABLE C.27

### Financial impact of the tax measures announced in the November 2017 update of the Québec Economic Plan (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Decrease in the bottom tax rate from 16% to 15% <sup>(1)</sup>	-971.4	-954.5	-887.1	-904.8	-922.9	-941.4	-5 582.1
Supplement of \$100 per child for the purchase of school supplies	-111.2	-112.0	-113.8	-115.8	-117.6	-119.4	-689.8
Enhancement of work premiums <sup>(2)</sup>	-0.6	-13.8	-45.9	-54.7	-66.4	-78.6	-260.0
Automatic payment of certain tax measures	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>-1 083.2</b>	<b>-1 080.3</b>	<b>-1 046.8</b>	<b>-1 075.3</b>	<b>-1 106.9</b>	<b>-1 139.4</b>	<b>-6 531.9</b>

(1) This reduction includes the impact of the decrease in the conversion rate for personal tax credits.

(2) Enhancements to the work premiums include the announcement in the November 2017 update of the Québec Economic Plan and the Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023.



## ■ Gain of over \$1 000 for middle-class families

Since 2017, families have benefited from the combined effect of the decrease in the bottom tax rate to 15%, the increase in the basic personal amount and the elimination of the health contribution.

In the case of a middle-class family with an income of \$88 100, the reduction in the tax burden represents a gain of over \$1 000 a year.

TABLE C.28

### Illustration of the tax relief for a couple (dollars)

	2016	2017	2018
<b>With two equal work incomes of \$22 500 (total income of \$45 000)</b>			
– Decrease in the bottom tax rate from 16% to 15% announced in the fall 2017 update	—	129	129
– Increase in the basic personal amount announced in the March 2017 Québec Economic Plan	—	110	110
– Elimination of the health contribution	200	200	200
<b>REDUCTION IN THE TAX BURDEN</b>	<b>200</b>	<b>439</b>	<b>439</b>
<b>With two equal work incomes of \$44 050 (total income of \$88 100)</b>			
– Decrease in the bottom tax rate from 16% to 15% announced in the fall 2017 update	—	560	560
– Increase in the basic personal amount announced in the March 2017 Québec Economic Plan	—	110	110
– Elimination of the health contribution	364	364	364
<b>REDUCTION IN THE TAX BURDEN</b>	<b>364</b>	<b>1 034</b>	<b>1 034</b>
<b>With two equal work incomes of \$62 500 (total income of \$125 000)</b>			
– Decrease in the bottom tax rate from 16% to 15% announced in the fall 2017 update	—	563	563
– Increase in the basic personal amount announced in the March 2017 Québec Economic Plan	—	110	110
– Elimination of the health contribution	400	400	400
<b>REDUCTION IN THE TAX BURDEN</b>	<b>400</b>	<b>1 073</b>	<b>1 073</b>

Note: You can estimate the reduction in your tax burden using the calculator "Estimate the reduction in your tax burden for 2016 to 2018" available on the website of the Ministère des Finances at: [www.finances.gouv.qc.ca](http://www.finances.gouv.qc.ca)  
Totals may not add due to rounding.

## ■ Gain of over \$500 for middle-class individuals living alone

Taken together, the tax relief measures will ease the tax burden on a middle-income individual living alone by over \$500 a year as of 2017.

In the case of a person living alone who has an income of \$44 050, the tax relief represents a gain of \$517 per year.

TABLE C.29

### Illustration of the tax relief for a person living alone (dollars)

	2016	2017	2018
<b>With a work income of \$25 000</b>			
– Decrease in the bottom tax rate from 16% to 15% announced in the fall 2017 update	—	72	72
– Increase in the basic personal amount announced in the March 2017 Québec Economic Plan	—	55	55
– Elimination of the health contribution	100	100	100
<b>REDUCTION IN THE TAX BURDEN</b>	<b>100</b>	<b>227</b>	<b>227</b>
<b>With a work income of \$44 050</b>			
– Decrease in the bottom tax rate from 16% to 15% announced in the fall 2017 update	—	280	280
– Increase in the basic personal amount announced in the March 2017 Québec Economic Plan	—	55	55
– Elimination of the health contribution	182	182	182
<b>REDUCTION IN THE TAX BURDEN</b>	<b>182</b>	<b>517</b>	<b>517</b>
<b>With a work income of \$75 000</b>			
– Decrease in the bottom tax rate from 16% to 15% announced in the fall 2017 update	—	281	281
– Increase in the basic personal amount announced in the March 2017 Québec Economic Plan	—	55	55
– Elimination of the health contribution	200	200	200
<b>REDUCTION IN THE TAX BURDEN</b>	<b>200</b>	<b>536</b>	<b>536</b>

Note: You can estimate the reduction in your tax burden using the calculator “Estimate the reduction in your tax burden for 2016 to 2018” available on the website of the Ministère des Finances at: [www.finances.gouv.qc.ca](http://www.finances.gouv.qc.ca)  
Totals may not add due to rounding.

## ❑ Reform of the school tax system

When the November 2017 update of the Québec Economic Update was tabled, the government announced its intention to reform the school tax system.

- The last major reform of the school tax system was nearly 25 years ago. Since then, the context of application has changed and certain adjustments are necessary.

The bill to reform the school tax system introduces major changes that would reduce the school property tax by more than \$3.2 billion over five years for all owners of immovables, businesses and individuals.

The proposed reform:

- establishes a single regional school tax rate based on the lowest effective tax rate for each region;
- establishes a basic exemption on the first \$25 000 of the value on the property assessment roll as of the 2018-2019 school year.

The government has also committed itself to compensate the school boards for the reduction in their school tax revenues through an equivalent increase in the government subsidy paid to enable them to maintain their funding levels.

The reforms five key objectives are to:

- stop taxpayers who do not have children receiving educational services from changing linguistic school boards;
- eliminate the unfairness stemming from differences in the rates applicable to taxpayers in a given region;
- reduce the tax burden on taxpayers;
- maintain the funding levels of the school boards;
- respect the taxing power of the school boards.



### **3. FURTHER INVESTMENTS TO SUPPORT FAMILIES AND COMMUNITIES**

The March 2018 Québec Economic Plan provides investments totalling of nearly \$2.3 billion to provide better support to families and communities with a view to improving their living standards. More specifically, the announced measures aim to:

- further support families with children, in particular by fostering family-work-study balance;
- help young people achieve their ambitions;
- provide further assistance to Aboriginal people;
- improve the quality of life for seniors;
- promote gender equality and counter domestic violence and sexual violence;
- modernize the justice system;
- facilitate access to affordable, quality housing;
- support community organizations;
- support the Secrétariat aux relations avec les Québécois d'expression anglaise;
- promote sustainable mobility.

TABLE C.30

**Financial impact of the measures to provide better support to families and communities**  
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Supporting families and fostering family-work-study balance	—	-1.5	-7.4	-24.1	-24.6	-23.6	-81.2
Helping young people achieve their ambitions	—	-6.5	-5.4	-5.4	-4.5	-4.5	-26.3
Providing further assistance to Aboriginal people	—	-18.5	-5.2	-5.3	-5.3	-5.2	-39.5
Improving the quality of life for seniors	—	-1.8	-3.8	-6.4	-15.8	-25.5	-53.3
Promoting gender equality and combatting domestic violence and sexual violence	-31.4	-5.1	-14.7	-14.9	-14.9	-14.8	-95.8
Modernizing the justice system	-7.6	-47.5	-65.8	-85.6	-94.8	-91.4	-392.7
Promoting access to affordable, quality housing <sup>(1)</sup>	-31.1	-24.1	-41.1	-13.4	-79.1	-118.6	-385.7
Supporting community organizations	—	-5.5	-8.5	-10.6	-10.6	-10.6	-45.8
Supporting the Secrétariat aux relations avec les Québécois d'expression anglaise	-1.9	-2.0	-4.4	-5.4	-5.4	-5.4	-24.5
Promoting sustainable mobility	—	-154.3	-180.2	-199.7	-262.2	-318.7	-1 115.1
<b>TOTAL</b>	<b>-72.0</b>	<b>-266.8</b>	<b>-336.5</b>	<b>-370.8</b>	<b>-517.2</b>	<b>-618.3</b>	<b>-2 259.9</b>

(1) The total for these measures includes the financial impact of \$78.3 million beyond 2022-2023.

### 3.1 \$81 million to support families

To help Québec families juggle their professional and family responsibilities, the government is advancing various measures to support parents in fostering their children's development, while creating the conditions they need to pursue studies or re-enter the labour market.

Under the March 2018 Québec Economic Plan, the government is investing \$81.2 million to support families with children:

- \$7.3 million for family-work-study balance;
- \$3.4 million to raise the reduced-contribution exemption for childcare services from 2.5 to 5 days earlier than planned;
- \$2.5 million to enhance the Together Against Bullying Financial Support Program;
- \$23.0 million to foster the development of the community social pediatrics network by supporting the Fondation du Dr Julien;
- \$45.0 million to support regional and local mobilization for early childhood development.

TABLE C.31

#### Financial impact of the measures to support families and foster family-work-study balance<sup>(1)</sup>

(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Fostering family-work-study balance <sup>(2)</sup>	—	-1.0	-1.5	-1.6	-2.1	-1.1	-7.3
Raising the reduced-contribution exemption for childcare services from 2.5 to 5 days for low-income households	—	—	-3.4	—	—	—	-3.4
Countering bullying <sup>(2)</sup>	—	-0.5	-0.5	-0.5	-0.5	-0.5	-2.5
Supporting the Fondation du Dr Julien	—	—	-2.0	-7.0	-7.0	-7.0	-23.0
Supporting regional and local mobilization for early childhood development	—	—	—	-15.0	-15.0	-15.0	-45.0
<b>TOTAL</b>	<b>—</b>	<b>-1.5</b>	<b>-7.4</b>	<b>-24.1</b>	<b>-24.6</b>	<b>-23.6</b>	<b>-81.2</b>

(1) Additional appropriations will be allocated to the Ministère de la Famille for the period 2018-2019 to 2022-2023.

(2) The amounts earmarked for 2018-2019 will be drawn from the Contingency Fund.

### 3.1.1 \$7 million to foster family-work-study balance

To support Québec families in their day-to-day lives, the government wants to enhance and promote the different measures already in place to facilitate family-work-study balance.

For that purpose, the government is announcing an investment of \$7.3 million over five years to implement various measures for fostering family-work-study balance. The announced measures are designed to, in particular:

- enhance and increase the childcare services available during March break and the summer holiday;
- implement a childcare pilot project for workers and student parents who work non-standard hours.

TABLE C.32

#### Financial impact of measures to foster family-work-study balance (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Fostering family-work-study balance	—	-1.0	-1.5	-1.6	-2.1	-1.1	-7.3

#### Prix reconnaissance conciliation travail-famille

To recognize employers' commitment to helping workers balance work and family responsibilities, the Ministère de la Famille created the Prix reconnaissance conciliation travail-famille (work-family balance award). The award aims to:

- recognize the efforts made by employers;
- promote good practice in work-family balance;
- inspire other employers to make an effort to improve work-family balance.

Every year, the Ministère de la Famille pays tribute to companies that show excellence in facilitating work-family balance for their employees.

To be eligible for the award, companies must have their head office or an office in Québec and must not have won the award before.



### 3.1.2 **\$3.4 million to raise the reduced-contribution exemption for childcare services from 2.5 to 5 days for low-income households earlier than planned**

When the Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023 was unveiled, the government announced that low-income families would be able to receive free childcare services 5 days a week as of January 2020.

Currently, low-income families receiving social assistance benefits are eligible to receive childcare services for 2.5 days at no cost.

#### **❑ Implementation of the measure ahead of schedule**

With the tabling of the March 2018 Québec Economic Plan, the government is announcing that the reduced contribution exemption for childcare will be raised from 2.5 to 5 days as of August 2018 rather than January 2020.

As a result, parents who are social assistance recipients will have access to reduced-contribution childcare services at no cost.

TABLE C.33

#### **Investment to raise the reduced-contribution exemption for childcare services from 2.5 to 5 days**

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Total
Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023 <sup>(1)</sup>	—	15.0	16.6	20.0	20.0	20.0	91.6
Raising reduced-contribution exemption from 2.5 to 5 days earlier than planned	—	—	3.4	—	—	—	3.4
<b>TOTAL</b>	<b>—</b>	<b>15.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>95.0</b>

(1) The amounts relating to the Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023 include the sums initially allocated to the Ministère de la Famille, that is, \$5 million for 2019-2020 and \$20 million for subsequent years. That is in addition to the sums reallocated for the purpose of moving up implementation of the measure, that is \$15 million in 2018-2019 and \$11.6 million in 2019-2020.

#### **Importance of early stimulation for disadvantaged children**

A 2012 survey on the development of children in kindergarten showed that children living in underprivileged neighbourhoods and children who did not attend childcare services on a regular basis before starting kindergarten are more inclined to experience difficulty in at least one aspect of their development.

These results show that the most vulnerable children benefit greatly from early stimulation, including regular attendance at a childcare centre.

Source: Institut de la statistique du Québec, *Enquête québécoise sur le développement des enfants à la maternelle 2012*.

### 3.1.3 \$2.5 million more to counter bullying

In 2015, the Québec government adopted the Concerted Action Plan to Prevent and Counter Bullying.

The action plan was endowed with a three-year budget of \$5.4 million for the period 2015-2016 to 2017-2018. As of 2018-2019, an annual amount of \$2.5 million is provided to fund the prevention and countering of bullying.

The March 2018 Québec Economic Plan provides \$0.5 million annually to further the fight against bullying, that is, \$2.5 million over five years.

From 2015-2016 to 2022-2023, the Québec government will have invested over \$20 million in anti-bullying measures.

TABLE C.34

#### Investment in the Together Against Bullying Financial Support Program (millions of dollars)

	2015- 2016	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Together Against Bullying Financial Support Program	0.4	1.5	3.5	2.5	2.5	2.5	2.5	2.5	17.9
New initiatives announced in the March 2018 Québec Economic Plan	—	—	—	0.5	0.5	0.5	0.5	0.5	2.5
<b>TOTAL</b>	<b>0.4</b>	<b>1.5</b>	<b>3.5</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>20.4</b>

### 3.1.4 \$23 million to give the Fondation du Dr Julien stronger support

The government wants to increase its support for community social pediatrics in order to improve the quality of life for children from underprivileged backgrounds and help give them an equal opportunity to succeed.

To that end, the March 2018 Québec Economic Plan allocates additional funding to the Fondation du Dr Julien.

Fondation du Dr Julien
<p>The mission of the Fondation du Dr Julien is to ensure that every child living in vulnerable circumstances has access to community social pediatrics care that enhances their well-being and helps them to develop to their full potential.</p> <p>To that end, the mission of the Fondation is to:</p> <ul style="list-style-type: none"> <li>– create new projects in community social pediatrics;</li> <li>– train and teach community social pediatrics;</li> <li>– promote the community social pediatrics approach to the public and different stakeholders;</li> <li>– raise awareness among public authorities about the preventive effects of community social pediatrics and its excellent cost/benefit ratio for society.</li> </ul>

In the March 2015 Québec Economic Plan, the government announced \$2 million in funding for the Fondation du Dr Julien in 2015-2016 and \$5 million a year from 2016-2017 to 2019-2020.

To continue its efforts to improve living conditions for underprivileged children, the government is allocating \$23 million more in funding over four years to the Fondation du Dr Julien. In so doing, it ensures funding of the foundation until 2022-2023.

TABLE C.35

#### Funding granted to the Fondation du Dr Julien (millions of dollars)

	2015- 2016	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
March 2015 Québec Economic Plan	2.0	5.0	5.0	5.0	5.0	—	—	—	22.0
Additional funding granted to the Fondation du Dr Julien	—	—	—	—	2.0	7.0	7.0	7.0	23.0
<b>TOTAL</b>	<b>2.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>45.0</b>

3.1.5 **\$45 million to sustain support for regional and local mobilization to advance early childhood development**

Encouraging early childhood development is a priority. To that end, the government must ensure that every child has access to quality services to foster their development.

The Québec government and the Fondation Lucie et André Chagnon joined forces to support community mobilization. Both partners grant financial support to initiatives that, in particular, engage families in disadvantaged communities in the development of children.

An additional \$45 million is being allocated to maintain the funding for supporting mobilization of local and regional partners.

Thanks to this investment, the government is ensuring funding until 2022-2023.

TABLE C.36

**Financial impact of the measures to sustain local and regional mobilization to advance early childhood development**  
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Sustaining local and regional mobilization to advance early childhood development	—	—	—	-15.0	-15.0	-15.0	-45.0

### 3.2 \$26 million to help young people achieve their ambitions

The government is continuing the recent-year efforts to help young people fulfill themselves, ensure the transition from preceding generations and participate fully in Québec's future development.

Supporting young people on their path to success will contribute to Québec's development and the well-being of Quebecers. The government is thereby ensuring that young people are fully equipped to achieve their ambitions.

The March 2018 Québec Economic Plan aims to provide additional support to young people who want to undertake projects in varying sectors of activity.

— The Secrétariat à la jeunesse will implement initiatives totalling more than \$26 million over five years.

TABLE C.37

#### Financial impact of the measures to help young people achieve their ambitions<sup>(1)</sup> (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Philanthropic funding platform aimed at the private sector	—	-2.3	-2.1	-2.0	-2.0	-2.0	-10.4
Program for funding local youth projects	—	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Creation of the Fonds pour la jeunesse	—	-0.8	-0.8	-0.9	—	—	-2.5
Support for young entrepreneurs with the Chantier de l'économie sociale	—	-0.9	-0.9	-0.9	-0.9	-0.9	-4.5
Emergence of projects to promote intergenerational exchanges	—	-1.3	-0.4	-0.4	-0.4	-0.4	-2.9
Funding for the Semaine des entrepreneurs à l'école	—	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
<b>TOTAL</b>	<b>—</b>	<b>-6.5</b>	<b>-5.4</b>	<b>-5.4</b>	<b>-4.5</b>	<b>-4.5</b>	<b>-26.3</b>

(1) Additional appropriations will be allocated to the Ministère du Conseil exécutif for the period 2018-2019 to 2022-2023.

The different measures to support young people in achieving their ambitions are presented in the budget paper *Young People: The Future of Québec*.

## Nearly \$3 billion for youth

The over \$26 million in initiatives aimed at young people is in addition to the investments announced in recent years. The initiatives are presented in the budget paper *Young People: The Future of Québec* and flow from the five strategic priorities of The 2030 Québec Youth Policy: Working Together for Current and Future Generations.

- The March 2018 Québec Economic Plan provides investments totalling \$920million for young people from fiscal 2017-2018 to fiscal 2022-2023.
- These investments come in addition to investments of nearly \$1.8 billion announced as part of the March 2017 Québec Economic Plan and its November 2017 update, as well as more than \$200 million announced in the 2016-2021 Youth Action Strategy in December 2016.

In total, more than \$2.9 billion will have been devoted to support for young people on their path to success from 2016-2017 to 2022-2023.

### Financial impact of all measures for young people

(millions of dollars)

	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
<b>March 2018 Québec Economic Plan</b>	—	–30.1	–111.1	–139.2	–168.2	–218.2	–253.6	–920.4
<b>Measures already announced</b>								
– Québec Economic Plan – November 2017 Update	—	–7.0	–20.0	–20.0	–20.0	–20.0	–20.0	–107.0
– March 2017 Québec Economic Plan	–19.5	–158.0	–279.7	–363.5	–429.6	–429.9	—	–1 680.2
– 2016-2021 Youth Action Strategy	–40.1	–42.3	–41.7	–40.8	–40.8	—	—	–205.7
<b>Subtotal</b>	<b>–59.6</b>	<b>–207.3</b>	<b>–341.4</b>	<b>–424.3</b>	<b>–490.4</b>	<b>–449.9</b>	<b>–20.0</b>	<b>–1 992.9</b>
<b>TOTAL</b>	<b>–59.6</b>	<b>–237.4</b>	<b>–452.5</b>	<b>–563.5</b>	<b>–658.6</b>	<b>–668.1</b>	<b>–273.6</b>	<b>–2 913.3</b>

Note: Totals may not add due to rounding.

### 3.3 \$48 million in further assistance for Aboriginal people

The government is continuing to deliver on its commitment to the social and economic development of Aboriginal communities and is making every effort to ensure equitable living conditions across Québec. To that end, the March 2018 Québec Economic Plan includes further investments of:

- \$25 million to support Aboriginal participation and input in wildlife and forestry issues;
- \$10 million to build a new regional rehabilitation centre in Nunavik;
- \$13 million to extend the Agreement on the Financing of Measures to Reduce the Cost of Living in Nunavik.

TABLE C.38

#### Investments and financial impact for further assistance for Aboriginal people (millions of dollars)

	Investments <sup>(1)</sup>	Financial impact					Total
		2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	
Supporting Aboriginal participation and input in wildlife and forestry issues	25.0	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
Building a new regional rehabilitation centre in Nunavik	10.0	-0.5	-0.2	-0.3	-0.3	-0.2	-1.5
Reducing the cost of living in Nunavik	13.0	-13.0	—	—	—	—	-13.0
<b>TOTAL</b>	<b>48.0</b>	<b>-18.5</b>	<b>-5.2</b>	<b>-5.3</b>	<b>-5.3</b>	<b>-5.2</b>	<b>-39.5</b>

(1) Investments also include infrastructure spending.

### 3.3.1 Supporting Aboriginal participation and input in wildlife and forestry issues

Forest and wildlife management and development are a central concern for Aboriginal communities located in forested areas. The government therefore wants to encourage partnerships with Aboriginal communities in wildlife and forestry issues to increase their involvement in territorial development projects.

To that end, the March 2018 Québec Economic Plan injects another \$25 million into the implementation of transformational measures enabling Aboriginal communities to participate in resource management in a meaningful manner, in particular with the common goal of fostering wildlife enhancement and sustainable forest management.

Additional appropriations will be allocated to the Ministère des Forêts, de la Faune et des Parcs for that purpose. The amounts earmarked for 2018-2019 will be drawn from the Contingency Fund.

<b>Aboriginal culture and tourism project in Montréal</b>
<p>DestiNations and Tourisme autochtone du Québec merged in 2016 for the purpose of developing a world-class Aboriginal culture and tourism project in Montréal.</p> <p>The main objectives of the projects are to:</p> <ul style="list-style-type: none"><li>– offer a profound, interactive Aboriginal tourism experience in Montréal;</li><li>– promote and highlight Aboriginal tourism in Québec;</li><li>– promote and put Québec Aboriginal cultures on the map;</li><li>– foster the production and creation of Aboriginal cultural materials;</li><li>– create a unifying project thanks to a program that reflects Aboriginal values.</li></ul> <p>The promoters are in the midst of finalizing their project. The Québec government is following this initiative with interest. The project will need the support of the Québec and federal governments and the Ville de Montréal.</p>



### 3.3.2 Building a new regional rehabilitation centre in Nunavik

The Isuarsivik Treatment Centre in Kuujjuaq is the only place in Nunavik to offer addiction treatment services. However, the current building is outdated and is not fit for all of the activities specific to the treatment of addictions. Nor can it meet the demand.

The government is therefore announcing financial support of up to \$8.5 million for the construction of a new regional addiction treatment centre and 12 housing units to help attract and retain specialized employees.

More functional and able to meet demand from the 14 northern villages, the new regional centre will be built in Kuujjuaq at an estimated total cost of \$32 million. The new centre will make it possible to:

- treat approximately 120 more people a year, which will considerably reduce the cost of transporting people to treatment centres in southern Québec;
- create a new family program, a promising approach to supporting long-term recovery and improving families' living conditions.

Local partners will contribute \$2 million and Québec intends to apply for federal infrastructure funding for this project. Furthermore, \$1.5 million from the Fonds du Plan Nord will be earmarked to enable the Société du Plan Nord to coordinate the project and fund pre-construction studies.

- The technical expertise of the Ministère de la Santé et des Services sociaux will be brought to bear in monitoring the construction project.

### 3.3.3 Reducing the cost of living in Nunavik

The Agreement on the Financing of Measures to Reduce the Cost of Living in Nunavik was signed between the Québec government and the Kativik Regional Government and Makivik Corporation in 2013.

The agreement grants funding to implement cost-of-living reduction measures and conduct a study on the high cost of living in Nunavik. The primary objectives of the measures are to:

- promote healthy lifestyles, taking into consideration Inuit culture and traditions;
- improve the socioeconomic conditions for the most disadvantaged;
- narrow the price gap between Nunavik and southern Québec for the average annual price of gasoline and a basket of groceries.

The government intends to continue supporting these initiatives in 2018-2019 by granting \$13 million in funding. The necessary sums will be made available to the Société du Plan Nord through the Fonds du Plan Nord.

<b>Enhance financial support for public safety in Aboriginal communities</b>
<p>Québec's Aboriginal communities face special economic and social development challenges. In particular, the growing Aboriginal population drives up the already significant service needs in these communities. The Québec government is upholding its commitments by enhancing its financial support of Aboriginal communities. Appropriations were granted to the Ministère de la Sécurité publique to that end.</p> <p>Following on the announcement of a significant increase in federal government funding for Aboriginal police services, the increased financial support from the Québec government will ensure Québec's share of funding for such services.</p> <p>These additional investments will help achieve the objective of ensuring a sustainable police force. Aboriginal communities will be able to consolidate their gains and cultivate a community vision of public safety that addresses future challenges. The Québec government is thus stepping up the efforts initiated, in concert with its partners, to preserve safe living environments.</p>

### 3.4 \$53 million to improve the quality of life for seniors

Seniors' quality of life is important to the government. To enable seniors to live in a safe environment and provide them with support commensurate with their needs, the government implemented two action plans:

- the 2012-2017 action plan Aging and Living Together: At Home, in One's Community, in Québec; and
- the Governmental Action Plan to Counter Elder Abuse 2017-2022.

In addition to those action plans, the government is providing another \$53.3 million in funding until 2022-2023:

- \$45.8 million toward active aging;
- \$5.5 million to help break the social isolation of older persons;
- \$2.0 million to support the expertise of the Aide Abus Aînés helpline.

Taking into account the sums reallocated by the Ministère de la Famille, investments will total \$59.2 million for the period 2017-2018 to 2022-2023.

TABLE C.39

#### Investments and financial impact for the measures to improve the quality of life for seniors<sup>(1)</sup> (millions of dollars)

	Investments	Financial impact						Total
		2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	
Additional measures for active aging	51.7	—	—	-1.9	-4.5	-13.9	-25.5	-45.8
Action Plan to Counter Elder Abuse 2017-2022								
— Supporting the Program to Develop Outreach Initiatives for Vulnerable Seniors <sup>(2)</sup>	5.5	—	-1.3	-1.4	-1.4	-1.4	—	-5.5
— Improving support for the Aide Abus Aînés helpline <sup>(2)</sup>	2.0	—	-0.5	-0.5	-0.5	-0.5	—	-2.0
<b>TOTAL</b>	<b>59.2</b>	<b>—</b>	<b>-1.8</b>	<b>-3.8</b>	<b>-6.4</b>	<b>-15.8</b>	<b>-25.5</b>	<b>-53.3</b>

(1) Additional appropriations totalling \$53.3 million for fiscal years 2018-2019 to 2022-2023 will be allocated to the Ministère de la Famille. The Ministère de la Famille will transfer the sums earmarked for the 2018-2023 action plan Aging and Living Together: At Home, in One's Community, in Québec to the departments responsible for implementing the various measures.

(2) The amounts earmarked for 2018-2019 will be drawn from the Contingency Fund.

## ❑ \$52 million for active aging

In the coming months, the government<sup>5</sup> will unveil the details of the measures in the 2018-2023 government action plan Aging and Living Together: At Home, in One's Community, in Québec, which is a continuation of the 2012-2017 action plan.<sup>6</sup>

The March 2018 Québec Economic Plan provides for an injection to enable the funding of \$51.7 million in new active aging initiatives between now and 2022-2023, namely:

- \$22.0 million to continue funding for informal caregivers;
- \$10.0 million in additional funding for the Age-Friendly Municipalities and Age-Friendly Québec programs;
- \$4.6 million to promote intergenerational relations;
- \$15.1 million to fund other measures.

Furthermore, over the course of the 2018-2023 action plan, the Société d'habitation du Québec will set aside at least 1 000 housing units for seniors under the AccèsLogis Québec program.

TABLE C.40

### Investments and financial impact for the additional measures aimed at active living (millions of dollars)

Investments	Financial impact						Total
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	
Continued funding for informal caregivers <sup>(1)</sup>	22.0	—	—	—	-7.0	-15.0	-22.0
Enhancement of the Age-Friendly Municipalities and Age-Friendly Québec programs	10.0	—	—	-0.7	-2.6	-6.3	-9.6
Promoting intergenerational relations	4.6	—	-1.1	-1.1	-1.1	-1.1	-4.4
Other measures	15.1	—	-0.8	-2.7	-3.2	-3.1	-9.8
<b>TOTAL</b>	<b>51.7</b>	<b>—</b>	<b>-1.9</b>	<b>-4.5</b>	<b>-13.9</b>	<b>-25.5</b>	<b>-45.8</b>

(1) Funding is secured for the period preceding the new investments.

<sup>5</sup> Soon, the Minister responsible for Seniors and the Minister of Health and Social Services will unveil the details of the planned measures in the 2018-2023 government action plan Aging and Living Together: At Home, in One's Community, in Québec.

<sup>6</sup> The government released the 2012-2017 action plan in May 2012. The plan flowed from the government policy Aging and Living Together, At Home, In One's Community, in Québec. Budget 2012-2013 laid out the financial support for seniors under the action plan.

## ■ Continued funding for caregivers to make daily life easier

L'Appui pour les proches aidants d'aînés is a non-profit organization funded in partnership by Sojecci II, a company of the Fondation Lucie et André Chagnon, and the Québec government.

Its mission is to help implement and fund support and respite services offered by community organizations that work in a concrete manner to improve the quality of life of those providing care to seniors.

Another \$22 million over two years is being provided to support and offer services to caregivers to make their daily life easier and improve their quality of life. This amount is in addition to the \$15 million a year already earmarked for the period preceding the new investments.

## ■ Age-friendly municipalities: better adapt living environments to seniors' needs

The Age-Friendly Municipalities initiative assistance program and the Age-Friendly Québec program are designed to help communities and organizations that work with seniors improve seniors' living environments to promote active aging.

- To help regional county municipalities be recognized as age-friendly municipalities, the government will make resources available to them to help them structure and coordinate an age-friendly municipality action plan in their territory.
- Additional amounts are also provided for the Age-Friendly Québec program for the purpose of establishing a recognition framework for honouring initiatives and funding projects by organizations that work with seniors.

The financial framework of the 2018-2023 government action plan Aging and Living Together earmarks \$10 million over five years to further fund the Age-Friendly Municipalities initiative assistance program and the Age-Friendly Québec program.

## **A senior-friendly living environment**

### **Age-friendly municipality recognition**

An age-friendly municipality is a municipality or regional county municipality that encourages active aging and promotes the participation of seniors in all aspects of life, in particular by adapting municipal policies, services and structures to the needs of seniors.

To be recognized as an age-friendly municipality, a municipality or regional county municipality must follow the age-friendly communities approach by, among other things, drawing up a municipal seniors' policy and an age-friendly community action plan. The municipality or regional county municipality will then be recognized as an age-friendly municipality by the Secrétariat aux aînés.

Age-friendly community recognition, started by the World Health Organization, highlights the quality of the age-friendly communities approach taken to enable seniors to remain active with their community as they get older.

### **Age-Friendly Québec program**

The Age-Friendly Québec program financially supports activities and initiatives aimed at adapting living environments to seniors' situations to enable them to remain in their communities by promoting their active participation in healthy, safe environments.

The Age-Friendly Québec program encourages partnerships and collaboration between all community interveners to carry out projects that offer activities to seniors or community action projects that address the needs of older persons. To support such projects, the program has two components:

- support province-wide projects, experimentation and research;
- support for community action.

### **“Age-friendly” approach: Québec is a world leader**

The World Health Organization considers Québec to be the most advanced society in the world when it comes to implementing the “age-friendly” approach and a world leader in developing innovative solutions to promote active aging.

## ■ **Fostering intergenerational relations**

With a view to forging ties between generations, two measures to encourage interaction between younger and older generations are being added to the 2018-2023 Aging and Living Together action plan, namely:

- creation of a local intergenerational mutual support network that brings together socially isolated seniors and troubled youth in targeted environments;
- an initiative to support student volunteering in recognized private seniors' residences to foster dialogue and solidarity between generations.

The 2018-2023 Aging and Living Together action plan provides \$4.6 million over five years for these measures.

## ■ **Other initiatives aimed at seniors**

Other initiatives are planned with a view to enhancing and optimizing practices and support tailored to the reality and needs of seniors.

The Minister responsible for Seniors and the Minister of Health and Social Services will be releasing the details of the directions of the measures under the 2018-2013 Aging and Living Together action plan.

## □ **\$5.5 million to reach out to socially isolated seniors**

The Program to Develop Outreach Initiatives for Vulnerable Seniors offers financial support to non-profit organizations that work with seniors. The purpose of the program is to hire outreach workers to identify seniors in vulnerable and at-risk situations and assist them in dealing with the appropriate resources in their area.

With 122 outreach initiatives, the program is a huge success in communities because it offers concrete and effective assistance to seniors.

Mindful of how successful the program is, the government is announcing \$5.5 million in funding over four years to increase the number of outreach workers across Québec.

- This investment will fund 30 new outreach initiatives for vulnerable seniors as of 2018-2019.

## ❑ **\$2 million to further support the Aide Abus Aînés helpline**

Older persons who are being mistreated can call the Aide Abus Aînés (AAA) helpline,<sup>7</sup> a provincial helpline and referral service exclusively for seniors and those who work with them.

The AAA helpline was introduced under the Governmental Action Plan to Counter Elder Abuse 2010-2015.

— The helpline has been very busy since day one, answering nearly 4 800 calls a year.

## ■ **Financial abuse**

Between January and August 2017, the most frequent calls to the AAA helpline were about financial and material abuse.

In February 2018, the government held a forum on financial and material abuse of seniors to address the issue, during which \$5.2 million in funding for the AAA helpline for the period 2017-2018 to 2021-2022 was announced.

— This funding will keep the helpline in operation and make it possible to offer more services.

This investment is part of the measures included in the Governmental Action Plan to Counter Elder Abuse 2017-2022.

The March 2018 Québec Economic Plan is an opportunity for the government to deliver further support to older persons who are victims of financial and material abuse.

— An additional \$2.0 million over four years is thus being provided to improve the support AAA helpline staff give to older persons who are being financially and materially abused.

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<sup>7</sup> You can call the AAA helpline at 1-888-489-2287.



### 3.5 Promoting gender equality and recognition of human rights

In recent years, the Québec government has taken numerous steps to promote more equal relations between men and women in Québec.

Gender equality, the fight against all types of violence and recognition of lesbian, gay, bisexual and trans (LGBT) people are just some of the social issues on which Québec must continue to take action.

#### 3.5.1 Gender equality

Gender equality is a deeply held value of Québec society, both economically and socially. Past initiatives taken by the Québec government have gone a long way toward improving the lives of women.

For example, reduced-contribution childcare services and the Québec Parental Insurance Plan have led to increased labour market participation of women.

- In 2017, the Québec employment rate for females aged 15 to 64 was 72.6%, 2 percentage points higher than the Canadian average. Moreover, Québec had the highest rate of all the Canadian provinces.

Framework bill on gender equality
<p>The Government Strategy for Gender Equality Toward 2021 provides for the adoption, by 2021, of a framework bill making equality in fact a right. The bill will be able to guide the planning and implementation of concrete initiatives aimed at making gender equality a reality through government strategies.</p> <p>The framework bill will take Québec one step closer to achieving gender equality in fact.</p>

## Numerous achievements in building equal relations in recent years

In recent years, the Québec government has taken numerous steps in the area of gender equality, including the following:

- In October 2016, it unveiled the 2016-2021 Government Strategy to Prevent and Counteract Sexual Violence. The strategy targets two problems, that is, sexual assault and sexual exploitation, and will invest over \$200 million in concrete measures involving 12 government departments and bodies.
- In February 2017, during the Rendez-vous national sur la main-d'œuvre, the government announced an investment of \$900 000 over five years to promote the socio-professional integration of immigrant women. The funding is aimed at informing and sensitizing immigrant women to gender equality in the context of socio-professional integration.
- In June 2017, it unveiled the Government Strategy for Gender Equality Toward 2021. Supported by more than \$80 million in funding over five years, the strategy includes 59 actions. Among them:
  - introduction of a framework bill aimed at making gender equality central to the government's concerns and priorities;
  - support for activities aimed at encouraging men to become allies in the quest for gender equality;
  - creation of a Québec gender equality index to track the progress of gender equality and inform decision making within the Québec government.
- In August 2017, the government introduced the 2017-2022 Intervention Strategy for Preventing and Countering Sexual Violence in Higher Education. The strategy sets out 19 measures, including one to support the establishment of a "single-window" reception, guidance and referral service for victims of sexual violence in each institution of higher education;
  - Bill 151, *An Act to prevent and fight sexual violence in higher education institutions*, was passed in December 2017.
- In December 2017, the 2012-2017 Government Action Plan on Domestic Violence was extended so that consultations could be held in 2018 for the purpose of informing a new action plan;
- In December 2017, the government held the Forum on Sexual Assault and Harassment. The measures and additional \$25 million in funding announced during the forum will give new impetus for, among other things, changing mentalities and inappropriate behaviour.

### 3.5.2 International recognition of the rights of LGBT people

People in the LGBT community have a hard time getting their rights recognized on the international stage.

Québec is a world leader and sets an example for several countries in the fight against discrimination based on sexual orientation, gender identity and expression. Moreover, one of the objectives of the 2017-2022 government action plan to fight homophobia and transphobia is to promote the advancement of LGBT rights outside Québec.

To continue protecting and promoting the rights of LGBT people internationally, Québec will support the creation of an international Francophone network for the protection and advancement of LGBT rights.

The network will have the following objectives:

- reinforce Québec's leadership and showcase its expertise on the world stage;
- act on the Québec government's commitments and civil society's recommendations regarding the need for a Francophone network;
- meet the objectives of Québec's new international policy by helping create a fairer, safer world.

### 3.6 \$96 million to fight domestic violence and sexual violence

The government undertook to fight sexual violence and all other types of violence affecting mostly women, such as domestic violence. However, social problems and issues, especially those that came to the fore through the global #MeToo Movement denouncing sexual assault, persist.

Taking into account the sums reallocated by the departments concerned in order to secure the funding needed to combat domestic violence and sexual violence, the March 2018 Québec Economic Plan provides investments totalling \$119.1 million by 2022-2023.

TABLE C.41

#### Investments and financial impact for fighting domestic violence and sexual violence (millions of dollars)

	Investments	Financial impact						Total
		2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	
Domestic violence								
– General component, including shelters <sup>(1)</sup>	69.7	–6.4	—	–10.0	–10.0	–10.0	–10.0	–46.4
– Aboriginal component <sup>(2)</sup>	14.4	—	–3.1	–2.7	–2.9	–2.9	–2.8	–14.4
<b>Subtotal – Domestic violence</b>	<b>84.1</b>	<b>–6.4</b>	<b>–3.1</b>	<b>–12.7</b>	<b>–12.9</b>	<b>–12.9</b>	<b>–12.8</b>	<b>–60.8</b>
Consolidation of gender equality measures <sup>(3)</sup>	10.0	—	–2.0	–2.0	–2.0	–2.0	–2.0	–10.0
Sexual violence <sup>(3)</sup>	25.0	–25.0	—	—	—	—	—	–25.0
<b>TOTAL</b>	<b>119.1</b>	<b>–31.4</b>	<b>–5.1</b>	<b>–14.7</b>	<b>–14.9</b>	<b>–14.9</b>	<b>–14.8</b>	<b>–95.8</b>

(1) Additional appropriations will be allocated to the Ministère de l'Économie, de la Science et de l'Innovation for 2017-2018. For the periods 2019-2020 to 2022-2023, additional appropriations will be allocated to the Ministère de la Santé et des Services sociaux. The amounts earmarked for 2017-2018 will be drawn from the Contingency Fund.

(2) Additional appropriations will be allocated to the government departments responsible for implementing the measures under the Aboriginal component. The amounts earmarked for 2018-2019 will be drawn from the Contingency Fund.

(3) Additional appropriations will be allocated to the Ministère de l'Éducation et de l'Enseignement supérieur. The amounts earmarked for 2017-2018 will be drawn from the Contingency Fund.

The details of the measures to combat domestic violence will be announced at a later date by the Minister responsible for the Status of Women.

### 3.6.1 **\$69.7 million to combat domestic violence**

To step up the fight against domestic violence, the government will implement new measures in this regard.

The measures could be aimed at, among other things:

- consolidating and increasing the intake capacity of shelters for women and children escaping domestic violence;
- improving how the justice system handles domestic violence cases.

#### ☐ **Adapt shelter services**

Going to a shelter is the first step for women who have fled a violent partner for their own safety. The services provided by shelters therefore need to be adapted to the diverse needs of such women.

It is critical that shelters offer intervention services that allow for a smoother transition for the women using them.

Other organizations provide intervention services to violent partners. To ensure effective intervention, shelters need to adapt their services to the reality of the men who use them.

#### ☐ **Other measures to combat domestic violence**

Other measures will be aimed at, in particular, improving judicial interventions.

### 3.6.2 **\$14 million in assistance adapted to the reality of Aboriginal communities**

New government initiatives will address the specific realities of First Nations and Inuit in domestic and family violence interventions.

The proposed initiatives will be consistent with the policy directions of the Government Action Plan for the Social and Cultural Development of the First Nations and Inuit 2017-2022 aimed at implementing a tailored approach in cooperation with Aboriginal partners.

The new initiatives will support culturally relevant and secure prevention and intervention efforts.

To that end, the government is announcing \$14.4 million in financial support to enable the different government departments and bodies concerned to provide greater support to Aboriginal people.

3.6.3 **\$10 million to consolidate equality measures**

In addition to the measures for combatting domestic violence, the Secrétariat à la condition féminine coordinates implementation of the Government Strategy to Prevent and Counteract Sexual Violence 2016-2021 and the Government Strategy for Gender Equality Toward 2021.

Investments totalling \$10.0 million are provided to consolidate the implementation of the commitments related to these measures and strategies.

Investments to prevent and counteract sexual violence
<p><b>Additional investments of \$25 million</b></p> <p>During the Forum on Sexual Assault and Harassment held on December 14, 2017, the government announced additional funding in the amount of \$25 million to:</p> <ul style="list-style-type: none"><li>– support activities to prevent sexual assault;</li><li>– encourage the disclosing and denouncing of sexual assault;</li><li>– enhance assistance and accompaniment services for victims, particularly during legal proceedings.</li></ul> <p>The Forum on Sexual Assault and Harassment was organized in response to the wave of sexual assault and harassment denunciations in 2017.</p>

### 3.7 An additional \$500 million to modernize the justice system

The plan to modernize the justice system contains \$500 million in investments between now and 2022-2023 to modernize processes by driving a cultural shift and to use technology to better serve citizens.

The plan sets out three objectives built around a strategy that will be implemented gradually:

- \$139 million to introduce innovative practices;
- \$289 million to bring the justice system in line with the latest technology;
- \$72 million to enable the justice system's principal stakeholders to communicate effectively and efficiently.

Including the \$175 million over four years announced by the government in 2016 to increase the number of judicial resources (judges, prosecutors, correctional services officers, etc.) in order to reduce delays, the total investment amounts to \$675 million.

The different measures to modernize the justice system are presented in the budget paper *Justice: A Plan to Modernize the Justice System*.

TABLE C.42

#### Investments and financial impact for the plan to modernize the justice system (millions of dollars)

	Investments <sup>(1)</sup>	Financial impact						Total
		2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	
Introduce innovative practices	139.3	—	-12.2	-21.3	-33.3	-35.9	-32.7	-135.4
Bring the justice system in line with the latest technology	288.7	-7.6	-24.7	-33.7	-38.7	-44.6	-44.9	-194.2
Enable the principal stakeholders to communicate effectively and efficiently	71.7	—	-10.6	-10.8	-13.6	-14.3	-13.8	-63.1
<b>TOTAL</b>	<b>499.7</b>	<b>-7.6</b>	<b>-47.5</b>	<b>-65.8</b>	<b>-85.6</b>	<b>-94.8</b>	<b>-91.4</b>	<b>-392.7</b>

(1) Investments represent the amounts allocated to technology infrastructure.

### 3.8 \$431 million to facilitate access to affordable, quality housing

The Québec government recognizes the importance for Québec households to live in affordable, suitable housing that matches their needs. That is why the government provides investments to:

- build new social housing;
- make housing more affordable for certain low-income households;
- adapt and renovate homes;
- further support residential construction projects;
- foster a private housing market in Nunavik.

The Québec Economic Plan allocates \$431 million to helping vulnerable households.

TABLE C.43

#### Investments and financial impact for facilitating access to affordable, quality housing (millions of dollars)

		Financial impact							
	Investments <sup>(1)</sup>	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Other years	Total
Construction of 3 000 social housing units <sup>(2)(3)</sup>	273.7	—	—	-3.3	-2.2	-75.7	-114.9	-77.6	-273.7
Allocation of 225 units under the Rent Supplement Program <sup>(2)(4)</sup>	5.2	—	-0.4	-1.0	-1.0	-1.0	-1.1	-0.7	-5.2
Foster home adaptations and renovation <sup>(2)(5)(6)</sup>	72.0	—	-12.8	-13.0	-6.2	—	—	—	-32.0
New residential response program for dry rot fungus and support for people affected by pyrrhotite and dry rot fungus <sup>(2)(4)</sup>	5.3	—	-1.2	-1.4	-2.4	—	—	—	-5.0
Further support residential construction projects <sup>(2)(4)</sup>	30.8	-30.8	—	—	—	—	—	—	-30.8
Housing assistance for Nunavik	44.0	-0.3	-9.7	-22.4	-1.6	-2.4	-2.6	—	-39.0
TOTAL	431.0	-31.1	-24.1	-41.1	-13.4	-79.1	-118.6	-78.3	-385.7

(1) The investments also include infrastructure spending.

(2) Additional appropriations will be allocated to the Ministère des Affaires municipales et de l'Occupation du territoire.

(3) The amount of \$273.7 million includes \$43 million in budgetary support for rent supplements.

(4) The amounts earmarked for 2017-2018 and 2018-2019 will be drawn from the Contingency Fund.

(5) This measure includes the Residential Adaptation Assistance Program, the RénoRégion Program, the Rénovation Québec Program and the Shelter Assistance Program.

(6) For 2018-2019, \$0.2 million will be drawn from the Contingency Fund.



### 3.8.1 **\$274 million for investment in affordable and social housing**

#### **❑ Construction of 3 000 new social housing units**

The Québec Economic Plan earmarks an investment of \$273.7 million to build social, community and affordable housing units under the AccèsLogis Québec program and allocate units available for a rent supplement.

- \$230.7 million will be injected into the construction of 3 000 new social housing units.
- \$43.0 million will go toward granting a rent supplement for a portion of the new units.

Furthermore, in keeping with standard practice, 10% of the planned units (300 units for this specific program) will be reserved for people who are homeless or at risk of homelessness and people with mental health problems.

Lastly, 100 other housing units will be set aside for projects related to shelters for women escaping domestic violence.

#### **AccèsLogis Québec**

The AccèsLogis Québec program allows housing offices, housing cooperatives and non-profit organizations (hereinafter, “promoters”) to make social, community and affordable housing available to low- or moderate-income households or to people who are experiencing difficulty and have special needs.

The program is designed so that the government, the promoter and the community (usually a municipality) provide financial support respectively covering 50%, 35% and 15% of the maximum eligible project costs.

The degree of financial assistance varies according to the territory, the targeted clientele and the size (number of rooms) of the housing unit.

Note that the government is continuing the review of all its housing programs, including the AccèsLogis Québec program with the aim of ensuring a better alignment of financial assistance and the reality of households and communities.

TABLE C.44

**Investments and financial impact for the construction of 3 000 new social housing units**  
(millions of dollars)

	Investments <sup>(1)</sup>	Financial impact							Total
		2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Other years	
Construction of 3 000 social housing units	230.7	—	—	-3.3	-2.2	-75.7	-109.9	-39.6	-230.7
Granting of rent supplements to a portion of the new units	43.0	—	—	—	—	—	-5.0	-38.0	-43.0
<b>TOTAL</b>	<b>273.7</b>	<b>—</b>	<b>—</b>	<b>-3.3</b>	<b>-2.2</b>	<b>-75.7</b>	<b>-114.9</b>	<b>-77.6</b>	<b>-273.7</b>

(1) Investments also include infrastructure spending.

This announcement, which is in addition to the investments announced in previous years, raises the total number of new units to 50 000 under Phase II of the social housing construction programs.

TABLE C.45

**Number of affordable housing units announced and investments made – Phase II<sup>(1)</sup>**  
(number and millions of dollars)

	Number of housing units	Investments <sup>(2)</sup>
<b>Budgets</b>		
2018-2019	3 000	274
2017-2018 <sup>(3)</sup>	3 000	272
2016-2017 <sup>(3)</sup>	1 500	136
2015-2016 <sup>(3)</sup>	1 500	134
2014-2015 <sup>(3)</sup>	3 000	256
2004-2005 to 2013-2014	25 000	1 689
Initial target – Phase II	13 000	592
<b>TOTAL</b>	<b>50 000</b>	<b>3 353</b>

(1) Phase I corresponds to investments announced in 2001 and previous years. Phase II corresponds to investments announced from 2002 to present.

(2) Amounts include budgetary support for rent supplements.

(3) The Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023 provides additional investments totalling \$38.8 million. These amounts were added to the investments previously announced.

## ■ Over 16 000 housing units to be delivered in the coming years

As at January 31, 2018, there were 13 305 housing units in progress:

- 5 733 will be delivered soon;
- 7 572 others are under preparation or pending.

Including the 3 000 new housing units announced, a total of 16 305 more social, community and affordable housing units will be available in the coming years.

TABLE C.46

### Construction of social, community and affordable housing<sup>(1)</sup> (number)

	In progress	Under preparation	Newly announced	Total
Number of housing units	5 733	7 572	3 000	16 305

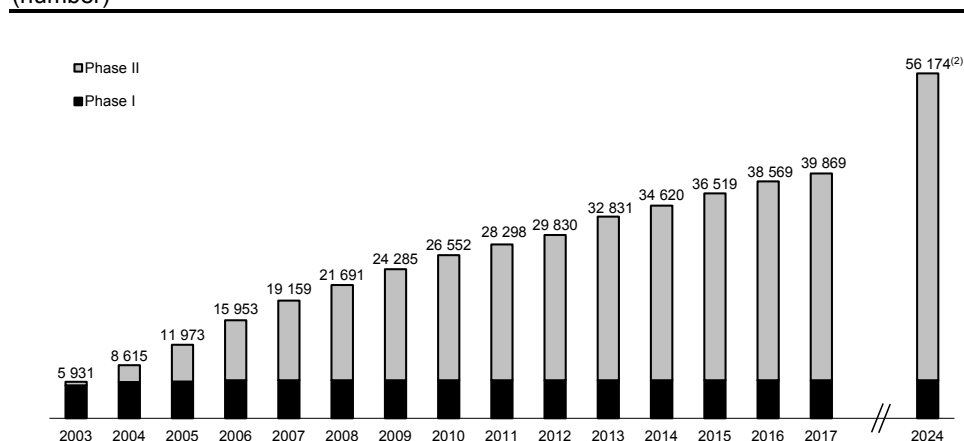
(1) As at January 31, 2018.

Source: Société d'habitation du Québec.

As at December 31, 2017, 39 869 social, community and affordable housing units had been delivered.

CHART C.1

### Social, community and affordable housing units built – Phase I and Phase II<sup>(1)</sup> (number)



Note: As at December 31 of each year.

(1) Phase I corresponds to investments announced in 2001 and previous years. Phase II corresponds to investments announced from 2002 to present.

(2) Projected number of units to be built by 2024.

Source: Société d'habitation du Québec.

## Access to social, community and affordable housing for over 265 000 households

The 3 000 housing units announced in the March 2018 Québec Economic Plan will raise the social, community and affordable housing stock to a total of 152 792 units.

### **Number of social, community and affordable housing units<sup>(1)</sup>**

Low-rental housing units (HLM)	74 186
Other social, community and affordable housing units in Québec	
– Available	39 869 <sup>(2)</sup>
– Under construction and to come before the announcement in the March 2018 Québec Economic Plan	13 305
– Announced in the March 2018 Québec Economic Plan	3 000
Federal housing stock <sup>(3)</sup> – Housing cooperatives and non-profit organizations	22 432
<b>TOTAL</b>	<b>152 792</b>

(1) Number of social, community and affordable housing units as at January 31, 2018.

(2) Including the 6 174 units built under Phase I and the 33 695 units built since the start of Phase II.

(3) Housing fully funded by the federal government.

Source: Société d'habitation du Québec.

In addition to the households benefiting from these housing units, there are also:

- 17 386 households that benefit or will benefit from a private rent supplement;
- 95 696 households that benefit from the Shelter Allowance Program.

### 3.8.2 \$5 million for the allocation of 225 new units under the Rent Supplement Program for private rentals

In 2014, Québec adopted the 2015-2020 interdepartmental action plan on homelessness to take action to prevent and reduce homelessness.

2015-2020 interdepartmental action plan on homelessness
<p>The 2015-2020 interdepartmental action plan on homelessness has two main objectives: to prevent and to reduce homelessness in Québec. The action plan stems from a collaborative effort between the Ministère de la Santé et des Services sociaux and 15 other government departments and bodies.</p> <p>It includes 31 actions grouped into five priority areas of intervention:</p> <ul style="list-style-type: none"> <li>– housing;</li> <li>– health and social services;</li> <li>– income;</li> <li>– education, social integration and socio-professional integration;</li> <li>– social cohabitation and court issues.</li> </ul> <p>The action plan conveys the message that fighting homelessness is a social responsibility, that necessary steps must be taken to reintegrate people living on the streets into society, and that everything possible must be done to prevent others from becoming homeless.</p>

Homelessness involves huge challenges. Across Québec, people from different sectors are working together to fight the issue and help homeless people find their place in society.

The March 2018 Québec Economic Plan is injecting \$5.2 million into the allocation of 225 new housing units under the Rent Supplement Program for private rentals. The program enables households to live in private-sector dwellings and pay a rent equal to 25% of their income. To give a greater number of homeless people access a privately owned rental dwelling, 150 units will be reserved for them.

TABLE C.47

#### Investments and financial impact for allocating 225 new units under the Rent Supplement Program for private rentals (millions of dollars)

Investments	Financial impact							Other years	Total
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023			
Allocation of 225 units under the Rent Supplement Program	5.2	—	-0.4	-1.0	-1.0	-1.0	-1.1	-0.7	-5.2

### 3.8.3 \$72 million more to promote home adaptations and renovations

The Québec Economic Plan includes \$72.0 million in funding to continue programs aimed at improving housing conditions for low-income households or those with special housing needs.

- \$25.0 million will be invested in the Residential Adaptation Assistance Program.
- \$20.0 million will be invested in the RénoRégion Program.
- \$25.0 million will be invested in the Rénovation Québec Program.
- \$2.0 million will be invested in the Shelter Enhancement Program.

TABLE C.48

#### Investments and financial impact for promoting home adaptations and renovations (millions of dollars)

	Investments	Financial impact					Total
		2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	
Residential Adaptation Assistance Program	25.0	—	—	—	—	—	—
RénoRégion Program	20.0	-3.8	-1.2	—	—	—	-5.0
Rénovation Québec Program	25.0	-8.8	-10.0	-6.2	—	—	-25.0
Shelter Enhancement Program	2.0	-0.2	-1.8	—	—	—	-2.0
<b>TOTAL</b>	<b>72.0</b>	<b>-12.8</b>	<b>-13.0</b>	<b>-6.2</b>	<b>—</b>	<b>—</b>	<b>-32.0</b>

The Residential Adaptation Assistance Program provides owners of homes or residential units with financial assistance to help cover the cost of adaptations needed to make the dwelling barrier-free for persons with disabilities. The program thereby makes it possible to adapt the living environment of disabled persons to enable them to stay in their homes longer. The funding allocated to this program will enable residential adaptations for some 1 400 persons with disabilities and the repair of approximately 4 300 pieces of specialized equipment.

The RénoRégion Program provides financial assistance to low- or modest-income owner-occupants in rural areas for work to correct major defects in their home. The investment in this program will help some 1 700 owner-occupants.

The Rénovation Québec Program financially supports municipalities that want to develop housing improvement programs in rundown residential areas. The amount earmarked for the program will make it possible to upgrade roughly 1 800 housing units.

The Shelter Enhancement Program provides financial assistance to non-profit organizations that administer shelters for women and children aged 28 and younger who are victims of family violence. The purpose of the program is to ensure the shelters are clean, safe and functional. The investment allocated to the program will enable the renovation of approximately 180 housing units.

<b>Investment in the Ville de Montréal</b>
<p>The “Réflexe Montréal” agreement gives the Ville de Montréal greater autonomy in the construction of affordable housing, residential adaptations for persons with disabilities and housing improvement in rundown residential areas within its territory.</p> <p>For that purpose, \$103.9 million of the investments provided in the March 2018 Québec Economic Plan for the construction of 3 000 housing units under the AccèsLogis Québec Program, the Residential Adaptation Assistance Program and the Rénovation Québec Program will be set aside for the Ville de Montréal. That amount represents 37% of the total investment in those three programs.</p>

**3.8.4 \$5 million for the creation of a new residential program and support for people affected by dry rot fungus and the Coalition d’aide aux victimes de la pyrrhotite**

Dry rot fungus can cause significant damage to the wooden structure of buildings. Numerous cases of dry rot have been reported in the last few years.

Dry rot fungus
<p>Dry rot fungus is a destructive fungus that feeds on wood and causes its decomposition. The fungus spreads rapidly and can grow through concrete and brick walls, quickly causing major damage to building structures. According to the Institut national de santé publique du Québec, the dry rot fungus does not pose a health risk.</p> <p>The fungus develops in specific conditions, such as environments that are too moist, poorly lit, poorly ventilated or with a temperature between 5°C and 26°C.</p>

Getting rid of the fungus requires decontamination and restoration work, which can be costly for families whose home is affected by dry rot.

To financially support households dealing with dry rot, the Québec Economic Plan provides \$5.0 million in funding over three years to set up a new dry rot response program to be administered by the Société d’habitation du Québec.



## ❑ Support households affected by dry rot and pyrrhotite

The government is granting funding to the Association Mérule pleureuse Québec to enable it to provide support services to homeowners dealing with dry rot.

At the request of the Centre d'expertise en analyse environnementale du Québec, Université Laval will be conducting research on the causes and effects of the dry rot fungus. The study will expand knowledge on detection, effective prevention and decontamination.

Funding is also being granted to Coalition d'aide aux victimes de la pyrrhotite. Pyrrhotite is a mineral found in concrete that can cause major cracks in foundations.

A total of \$0.3 million will be allocated in 2017-2018 to help households dealing with either of these problems.

TABLE C.49

### Investments and financial impact for supporting households affected by dry rot and pyrrhotite (millions of dollars)

	Investments	Financial impact						Total
		2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	
New dry rot residential program	5.0	—	-1.2	-1.4	-2.4	—	—	-5.0
Supporting households affected by dry rot and pyrrhotite	0.3	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>5.3</b>	<b>—</b>	<b>-1.2</b>	<b>-1.4</b>	<b>-2.4</b>	<b>—</b>	<b>—</b>	<b>-5.0</b>

### 3.8.5 \$31 million to further support certain housing projects

Owing to the recent interest rate hikes and higher construction costs in certain regions of Québec, additional funding is needed for certain housing projects.

To that end:

- \$22.2 million will be granted to the Ville de Montréal;
- \$4.8 million will be divided among various projects in remote regions;
- \$3.8 million will be allocated to the Adélar-Dugré housing complex in Trois-Rivières.

Taken together, these projects will receive \$30.8 million in funding in 2017-2018.

### 3.8.6 \$39 million in housing assistance for Nunavik

Nunavik is currently experiencing housing pressure. In particular, the region is dealing with overcrowded housing, a housing shortage and insufficient resources for proper maintenance of houses and equipment. These issues place a heavy burden on the Kativik Municipal Housing Bureau.

Taking into account the sums planned in the financial framework of the Société du Plan Nord and to support the housing market in Nunavik, the March 2018 Québec Economic Plan allocates \$44 million to initiatives aimed at helping maintain the social housing stock and foster the development of a private housing market.

TABLE C.50

#### Investments and financial impact for housing assistance in Nunavik (millions of dollars)

	Investments	Financial impact						Total
		2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	
Construction of warehouses in Nunavik <sup>(1)</sup>	22.1	-0.3	-7.0	-14.8	—	—	—	-22.1
Fostering the development of a private housing market in Nunavik								
– Construction of 45 private housing units <sup>(2)</sup>	15.9	—	-1.7	-7.6	-1.6	-2.4	-2.6	-15.9
– Buy-back fund <sup>(3)</sup>	5.0	—	—	—	—	—	—	—
– Rental-purchase pilot project <sup>(2)</sup>	1.0	—	-1.0	—	—	—	—	-1.0
<b>TOTAL</b>	<b>44.0</b>	<b>-0.3</b>	<b>-9.7</b>	<b>-22.4</b>	<b>-1.6</b>	<b>-2.4</b>	<b>-2.6</b>	<b>-39.0</b>

(1) These amounts will be funded using the available financial resources of the Société d'habitation du Québec.

(2) Additional appropriations will be allocated to the Ministère des Affaires municipales et de l'Occupation du territoire. The amounts earmarked for 2018-2019 will be drawn from the Contingency Fund.

(3) These amounts are currently provided for in the financial framework of the Société du Plan Nord.

#### ❑ Construction of warehouses in Nunavik

The Kativik Municipal Housing Bureau has several warehouses for storing the equipment used to renovate its social housing stock. Most of them are nearly 40 years old and have seriously deteriorated over time. Some of them are so rundown that the equipment they house could deteriorate.

To address this situation, the Kativik Municipal Housing Bureau will receive \$22.1 million in financial support from the Société d'habitation du Québec to build three warehouses.

## **❑ Foster the development of a private housing market in Nunavik**

A private housing market generally enables communities and individuals to create wealth. However, such a market is virtually non-existent in Nunavik. The high cost of buying and building a house, the tight credit conditions and the non-existence of a resale market are just some of the obstacles to developing a private market in the region.

The Québec government intends to take several initiatives to foster the development of a private housing market in Nunavik.

### **■ Acquisition and construction of 45 private housing units**

The Home Ownership and Renovation Program for the Kativik Region provides technical and financial assistance to people living in the northern villages covered by the program so that they can improve their housing conditions or buy a house.

The program has several modules, including “purchase and construction assistance”. The financial assistance granted through this module is equal to 75% of the maximum eligible construction costs determined by the Société d’habitation du Québec. The costs vary according to the type of housing unit. For example, the maximum cost for a 2-bedroom unit is \$375 000, which corresponds to financial assistance of \$281 250. An additional amount may be granted for dwellings located in the remotest villages.

To enable the acquisition and construction of 45 private housing units under the “purchase and construction assistance” module of the Home Ownership and Renovation Program for the Kativik Region, the March 2018 Québec Economic Plan provides total investments of \$15.9 million over five years.

### **■ Establishment of a buy-back fund**

To stimulate the private home resale market, the Société d’habitation du Québec will establish a buy-back fund to reassure home buyers and financial institutions, thereby making it easier for residents of Nunavik to obtain loans.

For the purposes of this measure, an amount of \$5.0 million currently included in the financial framework of the Société du Plan Nord will be put under the responsibility of the Société d’habitation du Québec.

### **■ Development of a housing pilot project**

To foster the emergence of a private housing market in the territory covered by the Kativik Municipal Housing Bureau, the Société d’habitation du Québec will set up a pilot project to enable renters to buy the dwelling they are renting.

The March 2018 Québec Economic Plan allocates \$1.0 million in 2018-2019 to the development and implementation of the pilot project.

### 3.9 \$46 million to further support community organizations

Community organizations are organizations based in the community that make a complementary contribution to public services.

The government recognizes the vital contribution of community organizations to the preservation and well-being of Quebec society. Overall, 15 government departments and 10 government bodies financially support nearly 5 000 organizations every year.

Community organizations will face a number of challenges in the coming years, particularly in the area of workforce availability. To help them meet those challenges and increase the services they provide to Quebecers, the government is increasing the amount of funding allocated to financial support programs for community organizations by \$46 million over the next five years.

The additional funding will enable community organizations to defray rising payroll costs, particularly the costs related to the planned minimum-wage increases.

TABLE C.51

**Additional investments to enhance financial support programs for community organizations**  
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Ministère de la Santé et des Services sociaux <sup>(1)</sup>	—	7.0	7.0	7.0	7.0	7.0	35.0
Other departments <sup>(2)</sup>	—	5.5	8.5	10.6	10.6	10.6	45.8
<b>TOTAL</b>	<b>—</b>	<b>12.5</b>	<b>15.5</b>	<b>17.6</b>	<b>17.6</b>	<b>17.6</b>	<b>80.8</b>

(1) The amounts will be taken from the additional funding allocated to the Ministère de la Santé et des Services sociaux.

(2) The investments shown in the table correspond to the additional appropriations to be allocated to the departments concerned. The amounts earmarked for 2018-2019 will be drawn from the Contingency Fund.

### 3.10 \$25 million in support for English-speaking Quebecers

On November 24, 2017, the government announced the creation of the Secrétariat aux relations avec les Québécois d'expression anglaise.

The mandate of the Secrétariat is to ensure that the concerns of English-speaking Quebecers are taken into consideration in the development of government policy directions and decisions, in conjunction with the concerned government departments and bodies.

Accordingly, the Québec Economic Plan provides funding of \$24.5 million over six years for the activities of the Secrétariat aux relations avec les Québécois d'expression anglaise.

The funding will be used to:

- support non-profit organizations and institutions in areas of activity related to the Secrétariat's mission;
- disseminate scientific knowledge that supports the vitality of English-speaking communities;
- help keep young English-speaking Quebecers in Québec through employment.

TABLE C.52

**Financial impact of the activities of the Secrétariat aux relations avec les Québécois d'expression anglaise<sup>(1)</sup>**  
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Supporting the Secrétariat aux relations avec les Québécois d'expression anglaise	-1.9	-2.0	-4.4	-5.4	-5.4	-5.4	-24.5

(1) Additional appropriations will be allocated to the Ministère du Conseil exécutif for fiscal years 2018-2019 to 2022-2023. The amounts earmarked for 2017-2018 will be drawn from the Contingency Fund.

### 3.11 **\$1.8 billion for major electric projects and strategic investments in sustainable mobility**

The government will soon be presenting the first sustainable mobility policy to be implemented in Québec. This policy will cover the movement of people and goods and all transportation modes, including public transit, active transportation as well as marine, rail and air transportation, in addition to work on the road network.

Investments totalling over \$13 billion are provided to support major and strategic electric public transit projects in the Montréal and Québec areas, namely:

- the Réseau express métropolitain (REM),<sup>8</sup> with an estimated value of \$6.3 billion;
- the extension of the Montréal metro blue line, which represents an investment of \$3.9 billion;
- Québec City's strategic transportation network, with investments amounting to approximately \$3.3 billion.

In addition, the March 2017 Québec Economic Plan provided for an additional investment of more than \$1.7 billion to support public transit across Québec.

The government has added another milestone, announcing new additional investments in the amount of \$1.8 billion to ensure the sustainable mobility policy is properly implemented, thereby increasing its commitment to more than \$3.5 billion by 2022-2023.

The various initiatives to consolidate and improve the movement of passengers and goods in all regions of Québec are presented in the budget paper *Electric Mobility: Sustainable Development of All Transportation Modes*.

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<sup>8</sup> The Réseau électrique métropolitain has been renamed the Réseau express métropolitain.

TABLE C.53

**Investments and financial impact for the measures to promote sustainable mobility**  
(millions of dollars)

	Investments <sup>(1)</sup>	Financial impact						Total
		2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	
Major and strategic electric projects	215.3	—	—	—	—	—	—	—
For high-performance and accessible public transit all over Québec	845.6	—	-27.1	-48.2	-88.4	-142.7	-193.3	-499.7
Initiatives relying on planning and innovation	170.0	—	-7.8	-32.9	-39.0	-43.8	-46.5	-170.0
Toward cleaner and higher-performance land transportation	429.2	—	-108.2	-84.6	-57.3	-59.7	-62.4	-372.2
Discover Québec by air: Significant support for regional air transportation	173.2	—	-11.2	-14.5	-15.0	-16.0	-16.5	-73.2
<b>March 2018 Québec Economic Plan</b>	<b>1 833.3</b>	<b>—</b>	<b>-154.3</b>	<b>-180.2</b>	<b>-199.7</b>	<b>-262.2</b>	<b>-318.7</b>	<b>-1 115.1</b>
March 2017 Québec Economic Plan <sup>(2)</sup>	1 720.9	-573.0	-124.0	-262.0	-269.0	-262.7	-230.2	-1 720.9
<b>TOTAL</b>	<b>3 554.2</b>	<b>-573.0</b>	<b>-278.3</b>	<b>-442.2</b>	<b>-468.7</b>	<b>-524.9</b>	<b>-548.9</b>	<b>-2 836.0</b>

(1) Investments also include infrastructure expenditures.

(2) The March 2017 Québec Economic Plan provided for financial impacts amounting to \$1 490.7 million over five years from 2017-2018 to 2021-2022.





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# 1. SUPPORTING SMBs IN ALL THE REGIONS IN THE TRANSFORMATION OF QUÉBEC'S ECONOMY

SMBs play a front-line role in Québec's economy. They represent an important source of innovation, in addition to supporting job creation. They also contribute to the vitality of the various economic sectors in all regions of Québec.

Thus, to stimulate the development and growth of SMBs, the March 2018 Québec Economic Plan provides for several initiatives, in particular:

- easing of their tax burden;
- support measures to stimulate their growth;
- measures to increase available financing.

In all, the March 2018 Québec Economic Plan provides more than \$2.3 billion between now and 2022-2023 to support SMBs in all regions of Québec.

TABLE D.1

## Financial impact of measures to support SMBs in all regions in the transformation of Québec's economy (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Easing the tax burden on SMBs	—	-228.9	-337.9	-438.7	-549.3	-614.0	-2 168.8
Stimulating the growth of Québec SMBs	-36.4	-7.2	-7.2	-6.2	-4.6	-4.6	-66.2
Increasing available financing for SMBs	—	-23.1	-26.4	-27.2	-5.8	—	-82.5
<b>TOTAL</b>	<b>-36.4</b>	<b>-259.2</b>	<b>-371.5</b>	<b>-472.1</b>	<b>-559.7</b>	<b>-618.6</b>	<b>-2 317.5</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

## 1.1 Easing the tax burden on SMBs

With the Québec Economic Plan, the government is acting to foster the growth of Québec SMBs, which are one of the main engines of economic activity.

The government has implemented initiatives enabling them to improve their competitiveness and grow, in particular, a significant easing of their tax burden.

The March 2018 Québec Economic Plan provides for new initiatives offering nearly \$2.2 billion in additional tax relief for SMBs over five years:

- a \$1.2-billion reduction in the Health Services Fund (HSF) contribution;
- a gradual reduction from 8% to 4% in the tax rate of SMBs in the service and construction sectors, representing tax relief of nearly \$1 billion.

These actions will help, in particular, to mitigate the impact of the minimum wage increase and the increase in payroll taxes resulting from enhancement of the Québec Pension Plan.

TABLE D.2

### Financial impact of the easing of the tax burden on SMBs (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Reduction in the Health Services Fund contribution	—	-154.9	-197.9	-228.6	-280.8	-339.5	-1 201.7
Gradual reduction from 8% to 4% in the tax rate of SMBs in the service and construction sectors	—	-74.0	-140.0	-210.1	-268.5	-274.5	-967.1
<b>TOTAL</b>	<b>—</b>	<b>-228.9</b>	<b>-337.9</b>	<b>-438.7</b>	<b>-549.3</b>	<b>-614.0</b>	<b>-2 168.8</b>



## ❑ Reduction of more than \$900 million per year in the tax burden on SMBs

When added to the other initiatives announced by the government since publication of Budget 2014-2015, the measures to ease the tax burden in the March 2018 Québec Economic Plan will provide SMBs with tax relief totaling more than \$900 million per year when fully implemented.

— Of this amount, \$614 million result from the initiatives announced in the March 2018 Québec Economic Plan.

TABLE D.3

### Measures to ease the tax burden on SMBs in the Québec Economic Plan (millions of dollars)

	Annual when fully implemented
<b>Measures in the March 2018 Québec Economic Plan</b>	
– Reduction in the Health Services Fund contribution	340
– Gradual reduction from 8% to 4% in the tax rate of SMBs in the service and construction sectors	275
<b>Subtotal</b>	<b>614</b>
<b>Measures announced before the March 2018 Québec Economic Plan</b>	<b>292</b>
<b>TOTAL</b>	<b>906</b>

Note: Totals may not add due to rounding.

### 1.1.1 Reduction in the Health Services Fund contribution

The March 2018 Québec Economic Plan provides for a gradual reduction in the HSF contribution rate as of the day following Budget Speech 2018-2019 for all Québec SMBs.

Thus, the HSF contribution rate applicable to businesses with a payroll of \$1 million or less will be reduced gradually as of January 1, 2022 to:

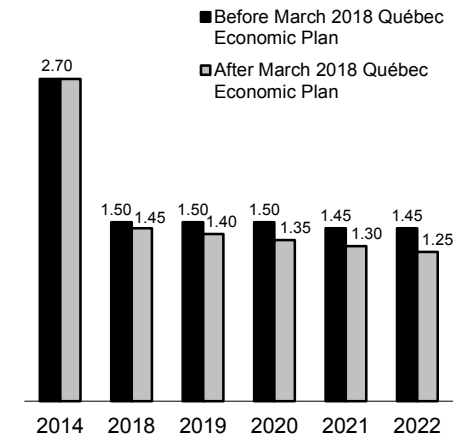
- 1.25% for the primary and manufacturing sectors, a reduction of nearly 55% compared to the rate in effect before June 2014;
- 1.65% for the service and construction sectors, a reduction of nearly 40% compared to the rate in effect before June 2014.

Also, the March 2018 Québec Economic Plan provides for a \$2-million increase in the payroll threshold giving entitlement to the reduced HSF contribution rate for SMBs, which will gradually rise from \$5 million currently to \$7 million as of January 1, 2022.

- The threshold will then be adjusted annually for 2023 and subsequent years based on growth in wages.

CHART D.1

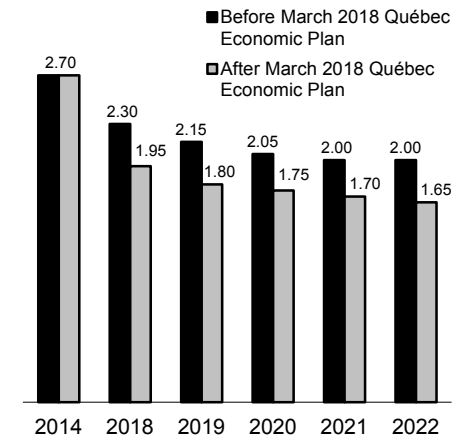
**Lower rate<sup>(1)</sup> of the HSF contribution for SMBs in the primary and manufacturing sectors**  
(per cent)



(1) The lower rate applies to SMBs with a total payroll equal to or less than \$1 million. The rate increases linearly to 4.26% for a total payroll between \$1 million and the threshold in effect, which is \$5 million.

CHART D.2

**Lower rate<sup>(1)</sup> of the HSF contribution for SMBs in the service and construction sectors**  
(per cent)



(1) The lower rate applies to SMBs with a total payroll equal to or less than \$1 million. The rate increases linearly to 4.26% for a total payroll between \$1 million and the threshold in effect, which is \$5 million.

## ❑ First increase in the payroll threshold giving entitlement to the reduced HSF contribution rate

The \$5-million payroll threshold allowing businesses to pay the reduced HSF contribution rate has remained unchanged since it was introduced in 1999.

This first increase in the threshold will, in particular:

- further reduce the HSF contribution rate for the 17 000 SMBs with a payroll greater than \$1 million but less than \$5 million;
- broaden access to the reduced contribution rate to 6 000 SMBs with a payroll between the current \$5-million threshold and the new \$7-million threshold.

TABLE D.4

### Change in the parameters of the HSF contribution for SMBs

	Before June 2014	2018	2019	2020	2021	2022
Rate for primary and manufacturing sectors	2.70%	1.45%	1.40%	1.35%	1.30%	1.25%
Rate for service and construction sectors	2.70%	1.95%	1.80%	1.75%	1.70%	1.65%
Payroll threshold giving entitlement to the reduced rate	\$5 million	\$5 million	\$5.5 million	\$6 million	\$6.5 million	\$7 million

Note: Rates in effect on the day following Budget Speech 2018-1019 for 2018 and on January 1 for subsequent years.  
The rate increases linearly to 4.26% for a total payroll of between \$1 million and the threshold in effect.

## ❑ Reduction of nearly \$340 million annually in the tax burden on SMBs

All of Québec's 245 000 SMBs will receive tax relief totalling nearly \$340 million per year, once the reduction is fully implemented, for a total of \$1.2 billion over five years.

- SMBs will be able to devote this additional cash liquidity to their expansion, in particular, by financing new investments and hiring additional workers.

TABLE D.5

### Financial impact of the reduction in the Health Services Fund contribution (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Reduction in the Health Services Fund contribution	—	-154.9	-197.9	-228.6	-280.8	-339.5	-1 201.7

## Significant payroll tax relief for all Québec SMBs

The contribution to the Health Services Fund (HSF) represents a fixed cost for businesses, which can impede job creation.

To encourage hiring of workers and improve the competitiveness of Québec businesses, the government has taken major steps since June 2014 to reduce the HSF contribution for SMBs, in particular:

- the reduction from 2.7% to 1.6% in the HSF contribution rate for SMBs in the primary and manufacturing sectors since January 1, 2015;
- the gradual reduction over three years from 2.7% to 2.25% in the HSF contribution rate for SMBs in the service and construction sectors since January 1, 2017;
- the additional reduction over five years in the HSF contribution rate for all SMBs since January 1, 2017:
  - 1.45% for the primary and manufacturing sectors,
  - 2.0% for the service and construction sectors.

With the March 2018 Québec Economic Plan, the additional reduction in the HSF contribution rate to 1.25% for the primary and manufacturing sectors and to 1.65% for the service and construction sectors will provide Québec SMBs considerable additional tax relief.

For example, compared with the situation before Budget 2014-2015:

- for a manufacturing SMB with a payroll of \$1 million, the HSF contribution rate will decline by \$14 500 per year (–54%), once the tax relief measure is fully implemented; for a manufacturing SMB with a payroll of \$5 million, the rate will decline by \$50 000 (–23%);
- for an SMB in the service and construction sectors with a payroll of \$1 million, the HSF contribution rate will decline by \$10 500 per year (–39%), once the tax relief measure is fully implemented; for an SMB in the service and construction sectors with a payroll of \$5 million, the rate will decline by \$43 500 (–20%).

### Illustration of the impact of HSF contribution rate reduction for SMBs in all sectors

Payroll	Budget 2014-2015	Primary and manufacturing as of Jan. 1, 2022		Service and construction as of Jan. 1, 2022	
	Rate (%)	Rate (%)	Gain (\$)	Rate (%)	Gain (\$)
\$1 million	2.70	1.25	14 500	1.65	10 500
\$2 million	3.09	1.75	26 800	2.09	20 000
\$3 million	3.48	2.25	36 900	2.52	28 800
\$4 million	3.87	2.76	44 400	2.96	36 400
\$5 million	4.26	3.26	50 000	3.39	43 500
\$6 million	4.26	3.76	30 000	3.83	25 800
\$7 million	4.26	4.26	—	4.26	—

### 1.1.2 Gradual reduction from 8% to 4% in the tax rate of SMBs in the service and construction sectors

As part of the Québec Economic Plan, the government reduced the tax rate of SMBs from 8% to 4%, effective April 1, 2015 for SMBs in the manufacturing sector and January 1, 2017 for SMBs in the primary sector.

In order for all Québec SMBs to benefit from a reduction in their tax rate, the March 2018 Québec Economic Plan provides for a gradual reduction from 8% to 4% in the tax rate of SMBs in the service and construction sectors, as of the day following Budget Speech 2018-2019.

— The rate will be reduced by one percentage point per year to 4% as of January 1, 2021.<sup>1</sup>

This initiative will allow SMBs in the service and construction sectors to benefit from the same tax rate as those in the primary and manufacturing sectors on their first \$500 000 of taxable income.

TABLE D.6

#### Change in the tax rate on income of SMBs

	Before June 2014	2018	2019	2020	2021
Primary and manufacturing sectors	8.0%	4.0%	4.0%	4.0%	4.0%
Service and construction sectors <sup>(1)</sup>	8.0%	7.0%	6.0%	5.0%	4.0%

(1) Rates in effect on the day following Budget Speech 2018-2019 for 2018 and on January 1 for subsequent years.

<sup>1</sup> Tax rates on dividends will be adjusted according to the reduction in the tax rate of small businesses to maintain integration of the personal and corporate tax systems.

## A competitive tax system for Québec SMBs

The measures reducing the Health Services Fund (HSF) contribution rate and the tax rate for SMBs announced as part of the Québec Economic Plan will significantly ease the tax burden on Québec SMBs.

For example, in 2022, compared with the situation before Budget 2014-2015, the tax burden on an SMBs with a taxable income of \$500 000 and a payroll of \$1 million will be reduced by:

- \$34 500 (–51%) if it is in the primary or manufacturing sector;
- \$30 500 (–46%) if it is in the service or construction sector.

### Illustration of the impact of the measures to ease the tax burden on SMBs in the Québec Economic Plan

(dollars, unless otherwise indicated)

		As of January 1, 2022	
	Budget 2014-2015	Primary and manufacturing	Service and construction
Income tax			
Taxable income <sup>(1)</sup>	500 000	500 000	500 000
Tax rate	8.0%	4.0%	4.0%
Income tax payable	40 000	20 000	20 000
HSF contribution			
Total company payroll	1 000 000	1 000 000	1 000 000
HSF contribution rate	2.70%	1.25%	1.65%
HSF contribution payable	27 000	12 500	16 500
TOTAL TAX BURDEN	67 000	32 500	36 500
Difference	—	–34 500	–30 500
Difference (per cent)	—	–51%	–46%

(1) Deductibility of the HSF contribution is not taken into account in the calculation of taxable income.

## ❑ Reduction of \$275 million per year in the tax burden on SMBs

With the tax rate being reduced by one half from 8% to 4%, the tax burden on 30 000 SMBs in the service and construction sectors will be eased. This reduction will represent nearly \$275 million per year as of 2022-2023, or nearly \$1 billion over five years.

— The reduction in the tax burden may total as much as \$20 000 per SMB annually.

TABLE D.7

### Financial impact of the gradual reduction from 8% to 4% in the tax rate of SMBs in the service and construction sectors (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Gradual reduction from 8% to 4% in the tax rate of SMBs in the service and construction sectors	—	-74.0	-140.0	-210.1	-268.5	-274.5	-967.1

## Easing of the tax burden for manufacturing SMBs

Since 2014, major steps have been taken to ease the tax burden on Québec SMBs in all sectors of activity, in particular, those in the manufacturing sector.

For example, compared with the situation before Budget 2014-2015:

- the tax burden on a small bakery with taxable income of \$125 000 and a payroll of \$200 000 will be reduced by \$7 900 per year, once the tax relief measure is fully implemented;
- the tax burden on an SMB doing 3D printing with taxable income of \$250 000 and a payroll of \$150 000 will be reduced by \$12 175 per year, once the tax relief measure is fully implemented;
- the tax burden on a furniture manufacturing business with taxable income of \$500 000 and a payroll of \$1 million will be reduced by \$34 500 per year, once the tax relief measure is fully implemented.

### Illustration of the impact of measures to ease the tax burden on manufacturing SMBs in the Québec Economic Plan

(dollars, unless otherwise indicated)

	Bakery		3D printing		Furniture manufacturer	
	2014	2022	2014	2022	2014	2022
<b>Income tax</b>						
Taxable income <sup>(1)</sup>	125 000	125 000	250 000	250 000	500 000	500 000
Tax rate	8.0%	4.0%	8.0%	4.0%	8.0%	4.0%
<i>Income tax payable</i>	10 000	5 000	20 000	10 000	40 000	20 000
<b>HSF contribution</b>						
Total company payroll	200 000	200 000	150 000	150 000	1 000 000	1 000 000
HSF contribution rate	2.70%	1.25%	2.70%	1.25%	2.70%	1.25%
<i>HSF contribution payable</i>	5 400	2 500	4 050	1 875	27 000	12 500
<b>TOTAL TAX BURDEN</b>	<b>15 400</b>	<b>7 500</b>	<b>24 050</b>	<b>11 875</b>	<b>67 000</b>	<b>32 500</b>
Difference	—	-7 900	—	-12 175	—	-34 500

(1) Deductibility of the HSF contribution is not taken into account in the calculation of taxable income.



## 1.2 Stimulating the growth of Québec SMBs

The resources available to SMBs are generally more limited than those of large businesses. This may impede investment projects that would be beneficial for their growth, such as innovation or marketing projects aimed at external markets.

To support SMBs, the March 2018 Québec Economic Plan provides \$66.2 million between now and 2022-2023 for initiatives to stimulate their growth:

- creation of Réseau200, which will bring together entrepreneurs and their peers from the business world;
- support for accelerators and incubators for Québec businesses;
- enhanced support for the creation of centres of excellence in the information and communication technologies (ICT) and digital technologies sectors;
- support for SMBs in the transformation of the economy;
- support for the digital transition in the tourism industry.

TABLE D.8

### Financial impact of measures to stimulate the growth of Québec SMBs (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Creation of Réseau200 <sup>(2)</sup>	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
Support for accelerators and incubators for Québec businesses <sup>(2)</sup>	-23.0	-2.4	-2.4	-2.4	-2.6	-2.6	-35.4
Enhanced support for the creation of centres of excellence <sup>(2)</sup>	—	-0.8	-0.8	-0.8	—	—	-2.4
Support for SMBs in the transformation of the economy	-3.4	—	—	—	—	—	-3.4
Support for the digital transition in the tourism industry <sup>(2)</sup>	-10.0	-2.0	-2.0	-1.0	—	—	-15.0
<b>TOTAL</b>	<b>-36.4</b>	<b>-7.2</b>	<b>-7.2</b>	<b>-6.2</b>	<b>-4.6</b>	<b>-4.6</b>	<b>-66.2</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

### 1.2.1 Creation of Réseau200

In furtherance of the recommendations of the Conseil consultatif sur l'économie et l'innovation, formed in fall 2016, the March 2018 Québec Economic Plan provides \$10 million over the next five years for the creation of Réseau200.

Réseau200 will bring together entrepreneurs whose businesses have reached the same stage of development. These entrepreneurs will be coached by peers from the world of business who have been confronted by similar challenges involving internationalization of their market.

Le Réseau200 is open to SMBs that have reached the break-even point and:

- have been operating for at least two years;
- have an annual income of more than \$5 million;
- are seeking to extend the marketing of their products and services outside Québec.

Setting up Réseau200 relies primarily on contributions from participating businesses. The network will receive assistance, in particular, from institutional investors such as Investissement Québec, various bodies in the business world and major Québec businesses.

Additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation to support the creation and the activities of Réseau200. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

## **The work of the Conseil consultatif sur l'économie et l'innovation**

The Conseil consultatif sur l'économie et l'innovation, formed in fall 2016, brings together 31 socioeconomic leaders of Québec with Monique F. Leroux as chair.

The Council was mandated to make recommendations to the government for the purpose of stimulating private investment, boosting innovation, strengthening Québec's competitiveness and stepping up the internationalization of Québec businesses.

The Council submitted two reports to the Québec government:

- on September 25, 2017, the Council submitted a report containing 12 main recommendations, four accelerators of success, an appeal for education and a stance on modernization of the government. The main recommendations are organized around four major themes: developing the talent and skills of Quebecers, stimulating the birth and growth of businesses, banking on Québec's strengths and building on modern and solid foundations;
- on February 15, 2018, the Council submitted a final follow-up paper in which it recommends more concrete projects to the government for the purpose of implementing the main recommendations made public in September 2017.

### **Actions taken as part of the March 2018 Québec Economic Plan**

The March 2018 Québec Economic Plan provides new investments that back up the Council's recommendations. These new investments are aimed at supporting, in particular:

- the education sector to promote educational success;
- implementation of the 2018-2023 national workforce strategy to be presented in the coming weeks;
- continuation of deployment of the Québec Digital Strategy;
- development of Québec's natural resources, particularly in the forestry and mining sectors;
- appropriation and marketing of innovations by businesses;
- growth of SMBs;
- strengthening Québec's leadership in promising fields such as artificial intelligence;
- the energy transition, in particular, to promote the acquisition of electric vehicles.

Appendix 2 provides more details on the actions announced in connection with the Council's recommendations.

### 1.2.2 Support for accelerators and incubators for Québec businesses

Accelerators and incubators play a major role in the development of numerous projects by entrepreneurs. By providing start-up businesses with various acceleration, development and financing services, accelerators and incubators enable entrepreneurs to launch their business project in best possible conditions.

Thus, the March 2018 Québec Economic Plan provides \$35.4 million for initiatives to support accelerators and incubators for Québec businesses:

- \$2.4 million for digital start-up exchanges between Québec and France;
- \$15 million for Inno-centre, an accelerator for innovative businesses;
- \$8 million for the Mouvement des accélérateurs d'innovation du Québec;
- \$10 million for business support programs at HEC Montréal.

TABLE D.9

#### Financial impact of measures to support accelerators and incubators for Québec businesses (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Québec-France digital start-up exchanges <sup>(2)</sup>	—	-0.4	-0.4	-0.4	-0.6	-0.6	-2.4
Inno-centre	-15.0	—	—	—	—	—	-15.0
Mouvement des accélérateurs d'innovation du Québec	-8.0	—	—	—	—	—	-8.0
Business support programs at HEC Montréal <sup>(2)</sup>	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
<b>TOTAL</b>	<b>-23.0</b>	<b>-2.4</b>	<b>-2.4</b>	<b>-2.4</b>	<b>-2.6</b>	<b>-2.6</b>	<b>-35.4</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

## ❑ **Québec-France digital start-up exchanges**

To stimulate business relationships between France and Québec in digital technologies, the March 2018 Québec Economic Plan provides \$2.4 million to set up a program to promote exchanges between France and Québec in start-ups specialized in this field.

Start-up exchanges enable young entrepreneurs, in particular, to meet the challenges associated with accessing financing and marketing their products and services abroad.

This program will support the hosting of start-ups both in Québec and in France so that they can receive the following services and advantages:

- personalized coaching, training and mentoring;
- easier access to financing;
- discovery of new markets and identification of potential partners.

To fund this measure, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

## ❑ **Inno-centre**

Inno-centre is an accelerator that has been supporting development and growth of innovative businesses for nearly 30 years. More specifically, Inno-centre supports businesses seeking to finance their growth by means of investment capital.

To support it in its mission, a \$4-million contribution to Inno-Centre was announced as part of the March 2017 Québec Economic Plan. This sum was used to:

- launch a new accelerator initiative for growing innovative SMBs;
- confirm the needs of innovative SMBs for specialized consulting services and their interest in financing by means of investment capital.

To enable Inno-centre to enhance its offering of services, in particular, by increasing the supply of consulting services and deploying new start-up business cohorts, the March 2018 Québec Economic Plan provides it with an additional \$15 million in support.

**❑ Mouvement des accélérateurs d'innovation du Québec**

The Mouvement des accélérateurs d'innovation du Québec is the first pan-Québec alliance of accelerators and incubators for technological and innovative businesses.

Among its members are District 3 of Concordia University, Centech affiliated with the École de technologie supérieure, Innocité associated with the Capital Intelligent investment fund, FounderFuel associated with the Real Ventures team, Espace inc. based in Sherbooke, Le Camp located in Québec, and La Piscine focusing on cultural and creative industries.

The March 2018 Québec Economic Plan provides \$8 million for the Mouvement des accélérateurs d'innovation du Québec to enhance the services offered by its members to businesses in the start-up phase.

This support is aimed at ensuring that more consulting interventions are offered by Québec accelerators and incubators to technological businesses, particularly those located in the regions. With this support, businesses will be better prepared to attract investments to finance their growth.

This support will also be used to step up technical and financial cooperation among incubators, accelerators, investment funds and research and innovation consortiums active in Québec.

The Campus des technologies de la santé
<p>Financing medical technologies is one of the priorities of the Québec Life Sciences Strategy. The Campus des technologies de la santé (CTS Santé), an accelerator in the medical technologies sector, plays an important role in bringing together investors interested in supporting this sector of activity.</p> <p>The mission of CTS Santé is to offer promising start-up businesses a structured framework that enables them to focus on developing their technology, achieve market dynamics and generate the international visibility they need for start-up and development.</p> <p>In addition to support services, CTS Santé, in collaboration with partners, offers financial support in the form of a convertible loan. Over the next three years, Capital régional et coopératif Desjardins (CRCD) will set aside a \$2-million envelope to finance, on certain conditions, CTS Santé businesses selected on certain conditions. In particular, these businesses will be required to have received backing from other financial partners at least equivalent to the amount of the loan granted by CRCD.</p> <p>Through the Mouvement des accélérateurs en innovation du Québec, \$400 000 will be made available to sustain CTS Santé's business support activities.</p>

## ❑ **Business support programs at HEC Montréal**

HEC Montréal is one of the founding partners in the Institute for Data Valorisation (IVADO), which brings together industry professionals and university researchers to develop cutting-edge expertise, particularly in data science and artificial intelligence.

HEC Montréal is also one of the university partners of the SCALE.AI supercluster regarding supply chains propelled by artificial intelligence. HEC Montréal will collaborate with the supercluster by offering its expertise in training, marketing and business development.

To enhance its offering in this field, HEC Montréal participates in two initiatives: the Montréal Creative Destruction Lab (CDL) and the NextAI accelerator.

As part of the March 2018 Québec Economic Plan, the government provides \$10 million in assistance over five years to support these initiatives.

For this purpose, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### ■ **Montréal Creative Destruction Lab**

The CDL is a coaching program targeted at science-based businesses with high growth potential. The program relies on a mentoring process in order to maximize net value creation by participating businesses. The CDL is particularly well adapted for start-ups associated with university laboratories.

The Montréal CDL's mission is to help technological start-ups specialized in artificial intelligence. Thanks to this program, lasting nine months, a total of nine cohorts of 25 start-ups will receive coaching over the next three years.

### ■ **Launching of NextAI at HEC Montréal**

NEXT Canada is a national non-profit organization devoted to developing and promoting entrepreneurship in Canada. NEXT Canada will launch the NextAI program at HEC Montréal, which will contribute to creating a world-class artificial intelligence ecosystem by offering entrepreneurs financing, support and mentoring.

NextAI is a program offering 225 hours of training over eight months. It is open to both Canadian and international students, professionals and entrepreneurs seeking to develop and bring to fruition ideas based on artificial intelligence.

Training will comprise workshops for industrial testing and workshops in indispensable business skills. Over the next three years, six cohorts of 50 businesses will participate in the program.

### **1.2.3 Enhanced support for creation of centres of excellence**

As part of the Digital Economy Action Plan launched in 2016, the government commits, in particular, to supporting the creation of centres of excellence in promising fields, such as financial technologies, artificial intelligence, intelligent transportation and consumer trade and services.

A call for projects was launched in summer 2017 and a large number of quality projects have been proposed.

In view of the success of the call for projects, the March 2018 Québec Economic Plan provides an additional \$2.4 million over three years to support the creation of centres of excellence in Québec.

This measure will encourage development in promising fields associated with the information and communication technologies sector so as to facilitate the creation and marketing of digital business solutions and accelerate the development of SMBs in these fields.

For this purpose, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.



### 1.2.4 Support for SMBs in the transformation of the economy

Entrepreneurial support improves the chances of success for entrepreneurs at all stages of their growth projects. To contribute to the business success of SMBs, support may take various forms, such as information exchange, consulting services, mentoring and training.

The March 2018 Québec Economic Plan provides \$3.4 million for measures to support SMBs in their growth projects:

- \$2 million for the Mouvement québécois de la qualité for organizing best business practices networks;
- \$0.7 million for Manufacturiers et Exportateurs du Québec for support to manufacturing businesses in all regions of Québec in their growth projects;
- \$0.7 million for the Chambre de commerce et d'industrie de Québec for its specialized support programs intended for entrepreneurs.

TABLE D.10

#### Financial impact of support measures for SMBs in the transformation of the economy (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Mouvement québécois de la qualité	-2.0	—	—	—	—	—	-2.0
Manufacturiers et Exportateurs du Québec	-0.7	—	—	—	—	—	-0.7
Chambre de commerce et d'industrie de Québec	-0.7	—	—	—	—	—	-0.7
<b>TOTAL</b>	<b>-3.4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-3.4</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

## **❑ Mouvement québécois de la qualité**

The Mouvement québécois de la qualité is a non-profit organization whose mission is to help businesses explore, share and implement best business practices in order to boost their performance internationally in their respective sectors of activity.

The March 2018 Québec Economic Plan provides \$2 million to support the Mouvement québécois de la qualité so that it can organize best business practices networks in all regions of Québec.

This sum will be used to support networks comprising eight to ten businesses as they are guided in implementing best business practices. Approximately 200 businesses are expected to participate in these networks in order to boost their performance and adopt innovative management practices.

## **❑ Manufacturiers et Exportateurs du Québec**

In many cases, manufacturing SMBs do not have the necessary resources to properly evaluate the possibilities offered by services and assistance available through government programs.

To better support them in their efforts, the March 2018 Québec Economic Plan provides \$0.7 million to help Manufacturiers et Exportateurs du Québec set up an offering of support for manufacturing businesses in all regions of Québec to ensure they have better access to various government assistance programs aimed at fostering their growth.

The offering of support will target businesses undertaking projects with the potential to boost their productivity and competitiveness and accelerate their digital transformation. Following a needs analysis, the team in place will be able to quickly provide information about the government assistance programs best adapted to each business.

To ensure that businesses are well informed about its services and to benefit from the expertise of each of its partners, Manufacturiers et Exportateurs du Québec will work in collaboration with Entreprises Québec, local and regional stakeholders, and economic development departments and organizations in all regions of Québec.

## **❑ Chambre de commerce et d'industrie de Québec**

The Chambre de commerce et d'industrie de Québec is an alliance of businesspeople in the greater Québec region from all sectors of the economy. It offers its members, in particular, skills development, business development, entrepreneurial recognition and networking services.

The March 2018 Québec Economic Plan provides \$0.7 million to support various initiatives of the Chambre de commerce et d'industrie de Québec.

This sum will be used to fund the following support programs:

- the Institut du mentorat entrepreneurial (IME Québec), which is intended for entrepreneurs operating SMBs with high growth potential and supports them in their innovation and internationalization processes;
- TRIADE, which helps businesses achieve their financing objectives for their expansion projects, in Québec and abroad;
- Écosystème RH, which supports businesses seeking to improve their human resources management.

This contribution will also be used to support the Chambre de commerce et d'industrie de Québec so that it can set up two new SMB support programs:

- the Conseil consultatif, which will enable growing SMBs to participate in an informal entity composed of independent experts;
- Connexion numérique, which is aimed at accelerating digital transformation of SMBs.

### 1.2.5 Support for the digital transition in the tourism industry

In recent years, digital technologies have revolutionized the process of preparing for personal or business travel. Obtaining information, making comparisons and booking reservations have been made far easier, thereby increasing competition. Also, digital technology can be used to share one's own experiences and compare notes with other tourists.

In this context, the March 2018 Québec Economic Plan provides \$15 million to encourage the adoption and integration of digital technologies by Québec tourism businesses, particularly SMBs. More specifically, these sums will be used to:

- implement a communication strategy, working together with the Alliance de l'industrie touristique du Québec,<sup>2</sup> to disseminate information and raise awareness among entrepreneurs concerning the potential gains associated with digital technologies;
- offer specialized support to these businesses so that they can make a successful digital transition, in particular, by assessing the business's digital capacity and formulating a strategic digital technology plan in alignment with its business strategy;
- financially supporting businesses that choose to pursue investment projects stemming from such an assessment and business plan;
- adjusting the destination's digital ecosystem, in particular, by updating the Québec government's official tourism website: [QuebecOriginal.com](http://QuebecOriginal.com).

The sums granted will be used to encourage digital transformation and revision of the business model for nearly 300 SMBs over the next four years.

- Québec businesses will be able to better respond to consumer demands and expectations, while also ensuring their competitiveness and profitability in the highly competitive environment in which they operate.

Likewise, the proposed initiatives will help in achieving the targets set by the Québec Digital Strategy, primarily the target of ensuring that all Québec businesses boost their digital intensity by 50% over the next five years.

For this purpose, additional appropriations will be granted to the Ministère du Tourisme.

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<sup>2</sup> Created in December 2015, the Alliance de l'industrie touristique du Québec has the mission, in particular, of supporting the development and marketing of Québec tourism and participating in that effort by encouraging the sharing of expertise and the emergence of innovative ideas.

### 1.3 Increasing available financing for SMBs

Access to financing is essential for the start-up and growth of Québec SMBs. It is a decisive factor in promoting job creation, regional economic development and innovation.

In addition to financing, technological businesses often profit from support provided by technical and financial experts to improve their growth prospects. In this context, the government is announcing additional sums earmarked for specialized investment funds that will be funded in collaboration with other investors.

Also, the government is continuing its support for tax-advantaged funds and the Chantier de l'économie sociale Trust so that they can continue apply their investment strategy in all regions of Québec.

Thus, the March 2018 Québec Economic Plan provides:

- \$61.5 million for Teralys Capital;
- \$2 million to capitalize the ACET Capital II fund;
- support for development of social economy enterprises, particularly by continuing its support for the Chantier de l'économie sociale Trust;
- support for activities of tax-advantaged funds.

TABLE D.11

#### Financial impact of measures to increase available financing for SMBs (millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Total
\$61.5 million for Teralys Capital <sup>(1)</sup>	—	—	—	—	—	—	—
\$2 million to capitalize the ACET Capital II fund <sup>(1)</sup>	—	—	—	—	—	—	—
Support for development of social economy enterprises <sup>(2)</sup>	—	-2.5	-0.3	—	—	—	-2.8
Support for activities of tax-advantaged funds	—	-20.6	-26.1	-27.2	-5.8	—	-79.7
<b>TOTAL</b>	<b>—</b>	<b>-23.1</b>	<b>-26.4</b>	<b>-27.2</b>	<b>-5.8</b>	<b>—</b>	<b>-82.5</b>

(1) This measure has no financial impact since it is an investment with expected return.

(2) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

## **Investment capital in Québec – Recent trends and new challenges**

Since the report of the task force on the role of the Québec government in venture capital (the Brunet report) in 2003, the government has made a major shift toward developing a high-performance private investment capital industry.

To take stock of Québec's situation with respect to investment capital, the government mandated KPMG to conduct a study covering 2004-2017 intended to produce a portrait of the investment capital financing chain in Québec, present the main findings in this regard and formulate recommendations.

### **A study that confirms improvement in the industry since 2004**

To summarize, the authors of the study note that the industry has improved on several levels since 2004, in particular thanks to:

- the growth in the size of the funds;
- specialization by managers;
- better returns;
- the greater presence of private and foreign investors in Québec.

However, even though the financing chain has matured, certain stages of business development and certain sectors of activity are not adequately covered by private funds.

### **The actions of the March 2018 Québec Economic Plan**

The March 2018 Québec Economic Plan provides for several initiatives that serve to implement the study's recommendations, in particular:

- maximizing Québec's share in the federal government's Venture Capital Catalyst Initiative, by supporting Teralys Capital's candidacy for this competition;
- paying close attention to sectors that have special and very high capital requirements, by announcing the government's intention to support venture capital funds in the life sciences and clean technologies sectors;
- stepping up support for the upstream entrepreneurial ecosystem, by providing government support to several incubators and accelerators, including ACET Capital II, the Mouvement des accélérateurs d'innovation du Québec, Inno-Centre, support programs for HEC Montréal and the Université de Sherbrooke's project of an integrated innovation chain for digital prosperity.

### 1.3.1 \$61.5 million for Teralys Capital

To maintain a position as a leader in venture capital investment in Canada, Québec must continue supporting large-scale initiatives that provide a solid footing for the financing of technological businesses.

For this purpose, the March 2018 Québec Economic Plan provides up to \$61.5 million to support Teralys Capital's candidacy for the federal government's Venture Capital Catalyst Initiative.

The Venture Capital Catalyst Initiative is aimed at distributing \$400 million into the Canadian technological business financing ecosystem by funding, among other things, large-scale private-sector-led funds of funds. The initiatives selected will be funded in partnership with strategic and institutional investors, and with the provinces concerned.

The Québec government's contribution is based on the matching funds method proposed by the federal government under which public sector contributions amount to no more than 30.7% of total capitalization and, where a provincial government is participating, the public sector contribution is split equally between governments.

Teralys Capital proposes to create a fund of funds with a target size of \$400 million to fund specialized venture capital funds, particularly in the information and communication technologies, life sciences and clean technologies sectors.

TABLE D.12

#### **Targeted capitalization for the new fund of funds managed by Teralys Capital** (millions of dollars)

	<b>Investment</b>
Provincial government	61.5
Federal government	61.5
Private partners	277.0
<b>TOTAL</b>	<b>400.0</b>

Funding Teralys Capital under the Venture Capital Catalyst Initiative would enable Québec to:

- benefit from a leverage of approximately \$5.50 from other investors for each dollar from the Québec government;
- ensure that the best performing Québec venture capital funds are quickly recapitalized so that there is no shortage of liquidity in the financing chain in Québec;
- inject additional capital into the Québec economy to finance the start-up and growth of businesses with high growth potential.

The federal government should announce the funds selected for the Venture Capital Catalyst Initiative in the course of 2018.

Details of Québec's participation in the new fund of funds managed by Teralys Capital will be made public by the Minister of the Economy, Science and Innovation and the Minister of Finance when the results of the Venture Capital Catalyst Initiative competition will be announced.



## Teralys Capital

Teralys Capital is a manager that funds private venture capital funds specialized in investing in technological businesses in the life sciences, information and communication technologies (ICTs), and clean and industrial technologies sectors.

The funds backed by Teralys Capital support technological businesses at various phases in their development, from start-up to expansion, including growth and purchasing of technological undertakings.

### Two funds of funds managed by Teralys Capital

Teralys Capital Fund of Funds was created in 2009 jointly by the Caisse de dépôt et placement du Québec, the Fonds de solidarité FTQ and the Québec government. The Québec government invested \$200 million in the Fund out of a total of \$600 million. As of September 30, 2017, Teralys Capital Fund of Funds has entirely allocated its capital to 17 venture capital and private investment funds, including:

- \$312.5 million in ICTs;
- \$212.3 million in the life sciences sector;
- \$55.7 million in the clean and industrial technologies sector.

Teralys Capital Innovation Fund was created in 2014 as part of the federal government's Venture Capital Action Plan. The Québec government invested in it \$62.5 million out of a total of \$375 million. As of September 30, 2017, Teralys Capital Innovation Fund has allocated 90% of its capital to 15 venture capital and private investment funds, including:

- \$161.6 million in ICTs;
- \$92.7 million in the life sciences sector;
- \$10 million in the clean and industrial technologies sector.

As of September 30, 2017, the funds backed by Teralys Capital have funded 101 Québec businesses for total investments of \$633.3 million.

Source: Teralys Capital.

### 1.3.2 \$2 million to capitalize the ACET Capital II fund

The Accélérateur de création d'entreprises technologiques (ACET) is a non-profit organization created in 2011 with the mission of generating, facilitating and accelerating the creation of innovative businesses. Through its activities, ACET is aimed at transforming university projects into businesses and helping the initiator of a university project to become an entrepreneur.

In 2013, ACET created the ACET Capital I fund to help technological entrepreneurs find adequate financing for starting their business. Since the fund has reached the end of its investment period, its financial partners have manifested their interest in funding the new ACET Capital II fund.

To ensure that ACET's emerging entrepreneurs continue to have access to financing and support services, the March 2018 Québec Economic Plan provides a \$2-million equity participation to support the ACET Capital II fund, in collaboration with other investors.

The ACET Capital II fund plans to invest in 20 businesses over the next four years. The targeted capitalization is \$7 million and will include equity participations of \$1.4 million by the National Bank of Canada and \$3.6 million by other private investors from the Québec business community.

TABLE D.13

#### Targeted capitalization for the ACET Capital II fund (millions of dollars)

	Amount allocated
Québec government	2.0
National Bank of Canada	1.4
Other private investors	3.6
<b>TOTAL</b>	<b>7.0</b>

As the Québec government's agent, Investissement Québec will be in charge of setting up this new fund. The government's participation will take the form of an investment with expected return. For this purpose, the amounts necessary for the Québec government's participation will be made available through an advance to the Economic Development Fund.

The details regarding the creation of this new fund will be made public in the near future by the Minister of the Economy, Science and Innovation and the other sponsors of the fund.

### 1.3.3 Support for development of social economy enterprises

The social economy, also referred to as collective entrepreneurship, is assuming an ever greater place in Québec. Moreover, Québec is internationally recognized in this field.

The social economy plays a strategic role in developing the territory and improving the quality of life throughout Québec.

Since it was launched in 2015, the Government Social Economy Action Plan has provided social economy enterprises with tools adapted to their needs so that they can develop and contribute to Québec's economic growth.

To further support the development of this sector in Québec, the March 2018 Québec Economic Plan provides for initiatives totalling \$2.8 million for:

- recapitalization of the Chantier de l'économie sociale Trust;
- increased funding for the Chantier de l'économie sociale.

TABLE D.14

#### Financial impact of measures to support development of social economy enterprises (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
\$10 million for recapitalization of the Chantier de l'économie sociale Trust <sup>(1)</sup>	—	-2.2	—	—	—	—	-2.2
Funding for the Chantier de l'économie sociale <sup>(1)</sup>	—	-0.3	-0.3	—	—	—	-0.6
<b>TOTAL</b>	<b>—</b>	<b>-2.5</b>	<b>-0.3</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-2.8</b>

(1) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

## ❑ **\$10 million for recapitalization of the Chantier de l'économie sociale Trust**

Since 2006, the Chantier de l'économie sociale Trust has offered patient capital to collective enterprises, without requiring repayment before 15 years. This type of financial assistance is well adapted to collective enterprises and can be used for start-up, development and expansion projects.

In 2018, all of the amount allocated will be committed and the Trust will have no more patient capital to invest in enterprises.

To insure recapitalization of the Trust, the March 2018 Québec Economic Plan provides for a repayable financial contribution of \$10 million to be granted on confirmation of participation by other financial partners.

The Québec government will work with the Trust's current financial partners, the Fonds de solidarité FTQ, Fondaction and the federal government to analyze various proposals aimed to recapitalizing the Trust to ensure it can continue its investment activities beyond 2018.

As the Québec government's agent, Investissement Québec will be in charge of recapitalizing the Trust.

For this purpose, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### **The Chantier de l'économie sociale Trust**

Created in 2006 on the initiative of the Chantier de l'Économie sociale, the Chantier de l'économie sociale Trust has as its chief mission the goal of fostering the expansion and development of collective enterprises by improving access to financing and providing better capitalization for social economy businesses.

The Trust was initially capitalized at \$52.8 million, broken down as follows:

- \$22.8 million from the federal government;
- \$20 million from tax-advantaged funds, including \$12 million from the Fonds de solidarité FTQ and \$8 million from Fondaction;
- \$10 million from the Québec government.

Between 2006 and 2017, the Trust supported 239 enterprises with total investments of \$374 million.

Source: The Chantier de l'économie sociale Trust.

## **❑ Increased funding for the Chantier de l'économie sociale**

The mission of the Chantier de l'économie sociale is to foster the social economy and support coordination among the stakeholder and partners in various sectors of activity. It creates conditions and tools conducive to the consolidation, experimentation and development of new niches and business projects.

— As the government's main partner in the social economy field, the Chantier de l'économie sociale pursues initiatives that are essential for the development and growth of the collective business model in Québec.

Thus, the March 2018 Québec Economic Plan provides a \$0.6-million increase over two years in the funding granted to the Chantier so that it can completely fulfill its missions, particularly during the implementation of the Government Social Economy Action Plan up through 2020.

To implement this measure, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### 1.3.4 Support for activities of tax-advantaged funds

Tax-advantaged funds play a major role in Québec's economic development. They invest in all sectors of activity and at all development stages of Québec businesses, mainly in SMBs.

Fondaction manages net assets of more than \$1.8 billion and more than 138 000 shareholders contribute to this fund for their retirement savings. Its investments, directly or through its partners, have helped to create and maintain many jobs in Québec and support the development of more than 1 200 SMBs that make a unique contribution to the Québec's social, economic and environmental development.

The Capital régional et coopératif Desjardins (CRCD) fund has as its specific mission the development of the resource regions and the cooperative movement. It has net assets of more than \$1.9 billion and more than 105 000 shareholders. CRCD, with its partner funds, supports the growth of more than 450 businesses, cooperatives and funds, thereby contributing to creating and maintaining thousands of jobs.

Considering the major contribution they make to financing Québec businesses, additional support will be granted to Fondaction and CRCD to enable them to pursue their investment objectives. Thus, the March 2018 Québec Economic Plan provides for:

- maintaining the 20% tax credit rate for purchasing Fondaction shares for a period of three years;
- changes to the parameters of CRCD concerning its share issues and the tax credit granted.

TABLE D.15

#### Financial impact of actions to support activities of tax-advantaged funds (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Maintaining the 20% tax credit rate for Fondaction	—	-6.8	-12.3	-13.4	-5.8	—	-38.3
Changes to CRCD parameters	—	-13.8	-13.8	-13.8	—	—	-41.4
<b>TOTAL</b>	<b>—</b>	<b>-20.6</b>	<b>-26.1</b>	<b>-27.2</b>	<b>-5.8</b>	<b>—</b>	<b>-79.7</b>

## ❑ **Maintaining the 20% tax credit rate for Fondaction**

Since it was created, Fondaction has stood out for its investments aimed at supporting, fostering and encouraging sustainable development in Québec SMBs. Over the years, it has developed considerable expertise in carrying out investments that generate a positive impact for society by reconciling social, territorial, environmental and economic concerns in its actions.

To provide Fondaction with the means to pursue this special mission, while facilitating its growth to an optimal size, the March 2018 Québec Economic Plan provides for changes in the parameters of the fund that will represent a cost of \$38 million for the government between now and 2021-2022.

Moreover, Fondaction has committed to investing a minimum of \$100 million over three years in businesses, funds or projects targeting the social economy, the fight against climate change and regional niches and centres of excellence.

## ■ **A higher rate of 20% for three additional years**

To enable Fondaction to grow to an optimal size as quickly as possible, the tax credit rate applicable to the purchase of Fondaction shares will remain at the higher 20% rate for the fund's fiscal year 2018-2019 beginning June 1, 2018 and its next two fiscal years.

Also, the cap on its annual share issues will be raised during this period. The cap will be:

- \$250 million for its fiscal year 2018-2019;
- \$275 million for its fiscal years 2019-2020 and 2020-2021.

## ■ Enhancing and consolidating Fondaction's distinction

Fondaction invests in Québec SMBs in all sectors of activity and prioritizes investments that have significant social spinoffs.

Thus, over the next three years, Fondaction commits to investing \$100 million in businesses, funds or projects that contribute to:

- making development fairer and more inclusive, particularly in the social economy;
- the fight against climate change, including the preservation of natural resources;
- success in strategies for developing niches and centres of excellence in the various regions of Québec.

Fondaction will submit an annual accountability report to the government regarding its investment plan.

<b>Fulfillment of Fondaction's commitment to invest \$50 million over two years in green technologies</b>
<p>As part of the March 2016 Québec Economic Plan, Fondaction had committed to developing its expertise in financing projects or businesses that contribute positively to reducing the impact of climate change by investing a minimum of \$50 million in the green technologies sector over two years.</p> <ul style="list-style-type: none"><li>– This objective has been achieved. Nearly \$60 million has been invested in this sector.</li></ul> <p>In making this commitment, Fondaction has distinguished itself both in Québec and abroad for its pivotal role in developing a greener economy. Fondaction's work helped highlight Québec's role as a leader in the fight against climate change at:</p> <ul style="list-style-type: none"><li>– conferences of the parties to the United Nations framework conventions on climate change (COP22 and COP23) and desertification (COP13);</li><li>– the One Planet Summit organized in France in December 2017 to mobilize the international community to achieve the objectives of the Paris climate agreement.</li></ul>



## ❑ **Changes to Capital régional et coopératif Desjardins parameters**

CRCD's mission is to invest in Québec SMBs, mainly those located in the resource regions, as well as in cooperatives. Since it was created in 2001, the government has supported its mission by allowing individuals who acquire CRCD shares to claim a tax benefit. The minimum length of time shares must be held by a shareholder is seven years.

- The objective is to encourage individuals to participate in Québec's economic development, while ensuring that CRCD has a reasonable period of time during which it can use the sums collected.

In exchange for this government assistance, an investment requirement was drawn up to ensure, in particular, that the sums collected are used to develop Québec entities. Thus, CRCD must invest a minimum of 63% of its portfolio in Québec businesses.<sup>3</sup> It must also invest at least 35% of this sum in the resource regions and in cooperatives by virtue of its special mission.

To enable CRCD to continue its financial interventions while increasing, in particular, its contribution in the regions, the March 2018 Québec Economic Plan provides for:

- creation of a new class of shares designed to defer share redemption rights by seven years so as to ensure capital availability over a longer period;
  - annual issues of this new class of shares, which will consist in a conversion of shares from the current category, will be limited \$100 million over the next three years;
  - a new non-refundable tax credit of 10% will be granted on the value of this share conversion;
- making new capital available for businesses;
  - annual share issues in current class of shares will be authorized for up to \$140 million over the next three years;
  - the tax credit rate for this class will be slightly reduced, from 40% to 35%.

Moreover, CRCD will continue its interventions in territories facing economic difficulties for a minimum of \$10 million over the next three years.

Thus, over the next three years, \$240 million will be made available annually to finance Québec businesses. These changes will represent a cost of \$41 million to the government between now and 2020-2021.

<sup>3</sup> This share is projected to increase by one percentage point per year, to 65% in 2020. Thus, for CRCD's fiscal year 2018, the investment requirement is 63%.

TABLE D.16

**New share issue and tax credit parameters for CRCD<sup>(1)</sup>**

	Current	New – For 3 years
<b>Current class of shares</b>		
Annual issues	\$135 million	\$140 million
Tax credit rate	40%	35%
Minimum holding period for shares	7 years	7 years
<b>New class of shares (share conversion)</b>		
Annual issues	—	\$100 million
Tax credit rate	—	10%
Minimum holding period for shares	—	7 years
<b>TOTAL OF ANNUAL ISSUES</b>	<b>\$135 million</b>	<b>\$240 million</b>

(1) According to CRCD's capital-raising periods beginning March 1 each year.

■ **Creation of a new class of shares to provide greater capital availability**

To maintain their right to claim the tax credit for purchasing CRCD shares, shareholders may not redeem their shares already held in the fund, even if the seven-year minimum holding period has expired.

Shareholders are holding on to their shares well beyond the required minimum period due to the fund's success combined with the tax benefit granted to shareholders. Over the years, the liquidity retained by CRCD for share redemption has increased considerably, limiting the sums available to invest in businesses.

To provide CRCD with great capital availability, a new class of shares will be created to allow certain shareholders in the fund to commit their redeemable capital for an additional seven-year period. The maximum annual volume of share issues in this new class will be limited to \$100 million for three years.

Thus, shareholders who hold shares that have reached or exceeded the seven-year minimum holding periods and who have not yet divested themselves of any of their redeemable shares may defer the redemption rights for such shares for another seven-year period. That will make capital available to the CRCD for investment for a total period of 14 years.

- To do so, shareholders must purchase shares in the new class in exchange for their redeemable shares, to a maximum \$15 000 per year including the return obtained on converted investments.
- Shareholders will receive a tax credit of 10% of the value of shares converted to this new class without triggering a capital gain, which will be realized only when the shares are eventually redeemed.

## ■ **New share issues of up to \$140 million**

To enable CRCD to continue its interventions, particularly in the resource regions and in territories facing economic difficulties, it will be allowed to make annual share issues of up to \$140 million for three years beginning with the 2018 share issue.

— At the end of the three-year period, the level of share issues will be reviewed.

Over the years, the CRCD has grown in size, the fund has become widely known and has demonstrated a good track record for returns. Given these new realities, the tax credit allowed for the purchase of the current class of CRCD shares will be reduced from 40% to 35% as of the 2018 share issue.

## ■ **Continuation of a \$10-million commitment for territories facing economic difficulties**

In Budget 2014-2015, the government had set the goal for CRCD to invest at least \$10 million over four years in territories facing economic difficulties. This commitment ended on December 31, 2017.

— The main objective was to improve access to financing needed to pursue investment projects in territories located far from major urban centres and facing economic difficulties.

This initiative has borne fruit since CRCD has largely met the goal set for it. It has invested more than \$16.7 million in 52 businesses located in the territories covered.

CRCD will continue this initiative by investing at least \$10 million over the next three years in territories facing economic difficulties.

The fund will submit an annual accountability report to the government regarding this commitment.

## ■ **Territories targeted**

The list of territories facing economic difficulties was reviewed using a new economic vitality index for the territories produced by the Institut de la statistique du Québec.

Among the 41 territories targeted, 22 are located in resource regions. They are therefore already a part of the regions eligible for CRCD's regional component. Thus, for a period of three years, 19 territories in the central regions will be added to those recognized for the purposes of the regional component of CRCD's investment requirement.

Moreover, in recognition of the level of the investments located in these territories, the first \$750 000 invested in a given business will be increased by 100% for the purposes of calculating CRCD's investment requirement and its regional component.

TABLE D.17

**Territories facing economic difficulties targeted by CRCD's \$10-million investment objective<sup>(1)</sup>**

<b>Resource regions (22)</b>			
Abitibi-Ouest	La Haute-Gaspésie	Le Golfe-du-Saint-Laurent	Mékinac
Avignon	La Matanie	Le Rocher-Percé	Shawinigan
Bonaventure	La Matapédia	Les Basques	Témiscamingue
Kamouraska	La Mitis	Les Îles-de-la-Madeleine	Témiscouata
La Côte-de-Gaspé	La Tuque	Maria-Chapdelaine	
La Haute-Côte-Nord	Le Domaine-du-Roy	Maskinongé	
<b>Central regions (19)</b>			
Acton	L'Islet	Les Appalaches	Nicolet-Yamaska
Antoine-Labelle	La Vallée-de-la-Gatineau	Les Etchemins	Papineau
Argenteuil	Le Granit	Les Sources	Pierre-De Saurel
Charlevoix-Est	Le Haut-Saint-François	Matawinie	Pontiac
D'Au-tray	Le Haut-Saint-Laurent	Montmagny	

Note: A territory is a regional county municipality (RCM) in the legal sense or a territory equivalent to an RCM.

(1) The territories targeted correspond to those in the two quintiles with the lowest economic vitality indices observed over the last three years for which data are available.

## 2. SUPPORTING APPROPRIATION AND MARKETING OF INNOVATIONS BY BUSINESSES

Innovation helps to generate new products and processes, which promotes growth in productivity. Moreover, marketing of innovations contributes to the creation of innovative businesses capable of carving out a place for themselves on international markets.

To increase the appropriation and marketing of Québec innovations, the March 2018 Québec Economic Plan provides nearly \$172 million between now and 2022-2023 to:

- promote mobilizing projects in Québec;
- support the restructuring the business model of the Centre de recherche industrielle du Québec (CRIQ);
- increase financial support for niches of excellence in the regions;
- support creation of the World Artificial Intelligence Organization in Montréal;
- support the Université de Sherbrooke's project of an integrated innovation chain for digital prosperity.

TABLE D.18

### Financial impact of measures to support the appropriation and marketing of innovations by businesses (millions of dollars)

	2017-2018 <sup>(1)</sup>	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Total
Implementing mobilizing projects in Québec <sup>(2)</sup>	-40.0	-25.0	-55.0	—	—	—	-120.0
Restructuring of the CRIQ's business model <sup>(2)</sup>	—	-3.5	-4.0	-5.0	-5.0	-5.0	-22.5
Increased financial support for niches of excellence in the regions <sup>(2)</sup>	—	-0.5	-1.5	-1.5	—	—	-3.5
Support for creation of the World Artificial Intelligence Organization in Montréal	-5.0	—	—	—	—	—	-5.0
Support for the Université de Sherbrooke's project of an integrated innovation chain for digital prosperity	-20.5	—	—	—	—	—	-20.5
<b>TOTAL</b>	<b>-65.5</b>	<b>-29.0</b>	<b>-60.5</b>	<b>-6.5</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-171.5</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

## 2.1 Promoting mobilizing projects in Québec

Thanks to its numerous advantages and its recognized expertise, particularly in promising new fields such as artificial intelligence (AI), Québec has the potential to be a leader in applied technologies and innovations.

Moreover, by fostering appropriation of innovations by businesses, the government enables more of them, particularly SMBs, to make the necessary investments and transformations to accelerate their growth and improve their competitiveness.

Thus, the March 2018 Québec Economic Plan provides support totalling \$120 million between now and 2019-2020 to support two initiatives to foster mobilizing projects that are strategic for Québec's economy:

- development of projects for supply chains optimized by artificial intelligence in Québec piloted by the SCALE.AI supercluster;
- launching of a call for mobilizing projects in other sectors that are strategic for Québec.

These actions help foster innovation projects in Québec businesses.

TABLE D.19

### Financial impact of initiatives to foster mobilizing projects in Québec (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Development of projects for supply chains optimized by AI <sup>(2)</sup>	-40.0	-5.0	-15.0	—	—	—	-60.0
Call for mobilizing projects <sup>(2)</sup>	—	-20.0	-40.0	—	—	—	-60.0
<b>TOTAL</b>	<b>-40.0</b>	<b>-25.0</b>	<b>-55.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-120.0</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

## 2.1.1 Development of projects for supply chains optimized by artificial intelligence

Efficiency in the supply chain is more than ever a crucial lever of value creation for all industries and an issue of competitiveness for economies. The dissemination of digital technologies and artificial intelligence have prompted a far-reaching transformation of global supply chains.

This is the context in which the SCALE.AI<sup>4</sup> supercluster, a collaboration ecosystem directed by the industry and grouped around the retail, manufacturing, digital technologies, logistics and transport sectors, is proposing to create intelligent supply chain networks thanks, in particular, to artificial intelligence.

Thus, the March 2018 Québec Economic Plan provides \$60 million to maximize the benefits of this project in Québec over the coming years.

### **□ Stimulating Québec's economy and consolidating its global leadership in the field of artificial intelligence**

Located in Montréal and operating over the Québec-Windsor corridor, the SCALE.AI supercluster has, to date, mobilized 118 industrial partners, facilitation organizations and world-class research institutes.

The supercluster seeks to carry out large-scale or transferable joint projects that will have a powerful impact on several key sectors of the economy.

— Together, these partners have already committed for projects totalling \$700 million, for the most part in Québec.

Moreover, Québec's technological leadership in artificial intelligence will help businesses to integrate into global value chains in the targeted sectors and combine with international partnerships.

— IVADO INC., located in Montréal and formed by the partners of the supercluster, will participate in the support and development of industrial technological projects.

This support by the government will make it possible to apply the latest technological advances to Québec industrial sectors to develop intelligent supply chains and consolidate Montréal's and Québec's leadership in the artificial intelligence sector.

To implement this initiative, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

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<sup>4</sup> SCALE.AI is one of five superclusters selected for the development of various fields under the federal government's Innovation Superclusters Initiative. It is therefore eligible for a share of the \$950 million in funding earmarked for Canada as a whole. This funding must be matched by industry dollar for dollar.

## **The supercluster project**

### **Ensuring technological leadership and economic prosperity**

The SCALE.AI supercluster's activities are aimed at applying to industrial sectors the latest advances in science and data analysis, internet of things, autonomous systems and blockchains for the purpose of designing new products, processes and services. These advances will help in:

- analyzing supply chains and better predicting product supply and demand;
- designing intelligent networks in logistics, transport and storage;
- setting standards that will regulate intelligent supply chains everywhere in the world.

### **Collaborating for accelerated innovation**

The SCALE.AI supercluster offers an approach to innovation that strongly encourages collaboration. In particular, it proposes to:

- group together businesses in all the vertical sectors targeted, including multinationals and start-ups;
- increase the opportunities for contact and convergence for the sake of formulating a shared vision;
- support the designing of shared solution platforms that can be created only by an ecosystem and promoting the emergence of a new culture characterized by collaboration and the sharing of data and intellectual property;
- catalyze the realization of transformative projects thanks to the development of experts' talents and advice.



## 2.1.2 Launching of a call for mobilizing projects in other cutting-edge sectors

As a result of the call for projects launched by the federal government, the government was able to gauge the interest of industry leaders and associations from various fields for forming investment partnerships to increase their growth potential, particularly by innovation.

To promote the realization of strategic mobilizing projects that are priorities for Québec, the March 2018 Québec Economic Plan provides \$60 million over two years to launch a call for projects.

### **□ The goals targeted by this new initiative**

The call for projects will lead to selecting the most promising projects for, among other things:

- marketing new products, processes and services with a view positioning businesses and helping them to expand by integrating into value chains;
- pursuing projects that are aimed at solving industry-wide problems and that will ultimately position the sector advantageously;
- supporting economy transformation projects, the new business models and marketing innovation.

In this respect, the proposed call for projects will promote:

- projects that will be strategically designed in collaboration with industry and will mobilize private and public economic stakeholders;
- alliances of businesses that will submit large-scale projects in which industry is ready to invest major sums.

For-profit businesses, cooperatives and non-profit organizations operating in the field of economic development will be eligible for assistance. Also, applicants must have major clients and an industrial cluster associated with them in their project.

Depending on the project, financial assistance may take one of two forms:

- a non-repayable contribution;
- a venture loan.

The parameters of the call for projects, such as clienteles and eligible activities, will be announced by the Minister of the Economy, Science and Innovation. The projects selected should be announced between now and the fall.

Additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

## 2.2 Restructuring the Centre de recherche industrielle du Québec's business model

Industry 4.0 offers Québec manufacturing businesses significant growth potential, as well as the opportunity to increase their productivity.<sup>5</sup>

However, the digital transformation associated with the 4.0 transition requires major investments, particularly in technology integration and workforce training.

To help Québec SMBs make this transition, the March 2018 Québec Economic Plan provides investments so that the Centre de recherche industrielle du Québec (CRIQ) can revise its business model.

— The CRIQ has been supporting businesses in Québec industrial sectors in their research and innovation efforts for nearly 50 years.

### ❑ **\$22.5 million to promote transition of businesses to innovative manufacturing**

The March 2018 Québec Economic Plan provides \$22.5 million over five years to support the restructuring of the CRIQ's business model to enable it to offer more support to businesses in their transition to innovative manufacturing.

This new business model, which aims at a closer fit between the CRIQ's supply of services and market needs and trends, will enable it to play a greater role in the transition of businesses toward Industry 4.0.

Restructuring the CRIQ's business model will enable it, in particular, to:

- implement new projects, for example:
  - 4.0 business accelerator programs,
  - technology showcases enabling businesses to display their facilities and know-how;
- create partnerships with key stakeholders in the manufacturing sector;
- adapt its services to market needs and bank on Industry 4.0 niches;
- broaden its presence in Québec by opening regional satellite offices.

To support the restructuring of the CRIQ's business model, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

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<sup>5</sup> Industry 4.0, also referred to as the factory of the future or the fourth industrial revolution, refers to the digital transformation of a manufacturing business by integrating changes, particularly in systems, processes, management methods, business models and workforce.

## ❑ **\$26 million to improve the CRIQ's infrastructures**

For the CRIQ to be able to restructure its business model, it must improve its real estate assets and procure new equipment. Thus, the CRIQ will invest nearly \$26 million over the next five years to improve its infrastructures. To do this, \$20.8 million will be provided in the Québec Infrastructure Plan 2018-2028. The CRIQ will self-finance \$5.2 million of the infrastructure costs.

These investments will be used, in particular, to finance:

- demonstration centres for innovative manufacturing in order to familiarize businesses with new technologies;
- a 3D printing centre where various equipment, training and demonstration workshops will be accessible to manufacturing businesses;
- leasehold improvements in the CRIQ's premises in Québec and Montréal and opening regional satellite offices in other cities in Québec.

## 2.3 Increased financial support for niches of excellence in the regions

The niches of excellence, created under the ACCORD initiative, play a major role in mobilizing private partners around structuring and collaborative projects in Québec's regions.

The March 2018 Québec Economic Plan provides \$3.5 million over three years to improve the operation of the niches of excellence so that they can implement their action plan and pursue structuring projects in innovation and market development.

The government's additional support for niches of excellence in the regions will be used to increase their funding in two ways:

- by increasing the government's annual basic contribution, beginning 2018-2019, for the operation of each of the niches;
- by granting an additional contribution of up to \$30 000 annually, beginning 2019-2020, proportional to the contributions from private partners.

This increased support will enable the niches to carry out structuring and collaborative projects and foster greater mobilization by businesspeople regarding the niches' actions.

For this purpose, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### **The ACCORD initiative**

The ACCORD initiative brings together, on a territorial basis and in recognized niches of excellence, economic and social stakeholders of a region to define a common strategy and create the necessary conditions to ensure the international competitiveness of their niche.

- Currently, the ACCORD initiative includes 34 niches and two hubs of excellence located in 15 administrative regions.
- Only the Montréal and Laval regions do not participate in the initiative since they have industrial clusters.

The niches of excellence include more than 6 100 businesses. More than 550 business leaders actively participate in managing the initiative.

## **2.4 Support for creation of the World Artificial Intelligence Organization in Montréal**

Montréal is recognized throughout Canada and internationally for its expertise in artificial intelligence. It is the headquarters for prestigious organizations, such as the Montreal Institute for Learning Algorithms (MILA) and the Institute for Data Valorisation (IVADO). It also hosts laboratories of major corporations in the digital economy sector, such as Facebook, Microsoft, Google, Samsung and Thales.

Banking on Montréal's leadership in artificial intelligence, the March 2018 Québec Economic Plan provides \$5 million to support the creation in Montréal of the World Artificial Intelligence Organization. This international governmental organization will be a forum enabling member countries to reach a consensus on the standards and practices by which this emerging sector is to be regulated.

The organization will also have the mission of ensuring consultation and cooperation between businesses in the private sector, the scientific and university communities and civil society stakeholders in order to remain up to date on trends, new needs and problems in the sector.

Also, its work will complement that of organizations and authorities tasked with structuring the Québec artificial intelligence cluster. In addition, it will be mandated to rally the international stakeholders who will become members in it, thus injecting added value to the Montréal ecosystem.

Montréal International will be in charge of efforts to promote the creation and launching of the World Artificial Intelligence Organization.

## 2.5 Support for the Université de Sherbrooke’s project of an integrated innovation chain for digital prosperity

Since 2010, the Université de Sherbrooke has participated in the project of an integrated innovation chain for digital prosperity in collaboration with numerous partners including the MiQro Innovation Collaborative Centre.

To enable the Université de Sherbrooke to pursue this initiative and apply it to new industrial sectors, the March 2018 Québec Economic Plan provides \$20.5 million that will be used, in particular, to purchase specialized new prototyping and tooling equipment.

Funded and recognized by several national and international partners, this initiative enables the creation of numerous research and development projects in microelectronics, training of a highly specialized workforce and creation of new technological products.

This initiative is in line with the government’s top priorities, including expansion of innovative manufacturing, development of artificial intelligence and specialized workforce training.

<p><b>Results of the integrated innovation chain for digital prosperity since its creation</b></p>
<p>The integrated innovation chain for digital prosperity comprises three organizations:</p> <ul style="list-style-type: none"><li>– the Institut quantique;</li><li>– the Interdisciplinary Institute for Technological Innovation (3IT);</li><li>– the MiQro Innovation Collaborative Centre (C2MI).</li></ul> <p>Since the project was launched in 2010, numerous public and private organizations have benefited from this innovation chain. Thus, thanks to this project:</p> <ul style="list-style-type: none"><li>– 800 research and development projects have been launched;</li><li>– 350 highly qualified professionals have been trained;</li><li>– 400 new products have been created.</li></ul>






Source: Université de Sherbrooke.

### 3. ACCELERATING BUSINESS INVESTMENT

To remain competitive on international markets and stand out from their competitors, Québec businesses must invest in integrating the latest innovations.

To accelerate private investments in all regions of Québec, the March 2018 Québec Economic Plan provides for new initiatives totalling more than \$270 million:

- increasing and extending the additional capital cost allowance to support acquisition of cutting-edge technologies;
- broadening the tax holiday for large investment projects to include development of digital platforms;
- better electricity discounts for major projects;
- investments in major tourism projects.

TABLE D.20

#### Financial impact of measures to accelerate business investment (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Increasing and extending the additional capital cost allowance to support acquisition of cutting-edge technologies	—	-19.4	-70.6	-95.9	-47.5	-7.6	-241.0
Broadening the tax holiday for large investment projects to include development of digital platforms	—	—	—	—	—	—	—
Better electricity discounts for major projects	—	—	—	—	—	—	—
Investments in major tourism projects	-30.0	—	—	—	—	—	-30.0
<b>TOTAL</b>	<b>-30.0</b>	<b>-19.4</b>	<b>-70.6</b>	<b>-95.9</b>	<b>-47.5</b>	<b>-7.6</b>	<b>-271.0</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

### **3.1 Increasing and extending the additional capital cost allowance to support acquisition of cutting-edge technologies**

To support businesses in their projects for acquiring cutting-edge technologies, the March 2018 Québec Economic Plan provides for increasing and extending the additional capital cost allowance for computer equipment and manufacturing and processing equipment.

For this purpose, the government is announcing:

- an increase from 35% to 60% in the additional capital cost allowance rate for investments made after the day of Budget Speech 2018-2019;
- a one-year extension of the measure, to March 31, 2020.

This increase in the additional capital cost allowance will allow businesses to deduct the full value of their investments in computer equipment and manufacturing and processing equipment within two years.

#### **❑ More than \$240 million to encourage businesses to acquire cutting-edge technologies**

Increasing and extending the additional capital cost allowance will allow businesses to reduce their tax payable and thus free up cash more quickly following their investments, which will increase their profitability and facilitate their financing.

The initiative, representing \$241 million in tax relief over the next five years, will annually benefit more than 30 000 Québec businesses investing to boost their productivity.



### Illustration of the effect of increasing the additional capital cost allowance

For the purposes of calculating their taxable income, businesses are allowed to deduct a portion of the investment expenses they have incurred.

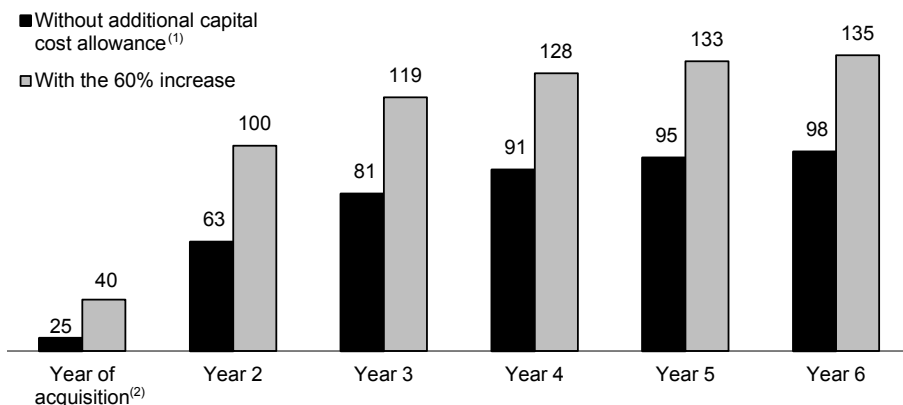
By increasing the additional capital cost allowance rate to 60%, the government will allow businesses to deduct the full value of their investments in manufacturing and processing equipment in two years.

- By comparison, without the additional capital cost allowance, businesses would have deducted only 63% of the value of their investment after two years.

Also, after six years, the additional capital cost allowance, which applies to the first two years in which the asset is used, will allow businesses to claim a tax deduction representing 135% of the value of their investment.

### Illustration of the effect of increasing the additional capital cost allowance for manufacturing and processing equipment

(accumulated capital cost allowance as a percentage of acquisition cost)



(1) The tax rules prescribe a 50% depreciation rate using the declining-balance method for manufacturing and processing equipment.

(2) For the year of acquisition, the tax rules stipulate half the rate of depreciation.

### 3.2 Broadening the tax holiday for large investment projects to include development of digital platforms

To encourage investment projects in the digital field, the March 2018 Québec Economic Plan provides for broadening the tax holiday for large investment projects to include digital platform development projects.

As of the day following Budget Speech 2018-2019, a corporation may apply to the Minister of Finance for a tax holiday for a large investment project to develop a digital platform.

#### ❑ Stepping up the digital transition of Québec's economy

In Québec, there are more than 250 000 specialized workers in the information and communication technologies field, in areas such as software development, multimedia, cloud computing or artificial intelligence.

Making digital platform development projects eligible for the tax holiday will encourage major projects in Québec. These projects will be able to bank on Québec's expertise in the field.

These investment projects may target a great many sectors of activity, including the retail, transportation, telecommunications, artificial intelligence and financial sectors.

Digital platforms
<p>A digital platform is a computing environment allowing management or use of service occupying a function as an intermediary in accessing information, products or services edited or provided by the corporation or by a third party.</p> <ul style="list-style-type: none"><li>– Beyond its technical interface, such a service organizes and prioritizes content in preparation for its presentation and delivery to the end-users.</li></ul> <p>A digital platform may be:</p> <ul style="list-style-type: none"><li>– an operating system;</li><li>– an execution environment;</li><li>– a web or applications server, in particular, a downloading platform;</li><li>– a web or software application.</li></ul>

## ❑ **\$2 billion in new investments in Québec**

Broadening the tax holiday to include large investment projects will help attract structuring digital projects in all regions of Québec.

— This measure will foster projects worth \$2 billion in total investments.

This support will provide Québec with significant economic spinoffs. At the operation stage, these new investment projects should:

— create nearly 1 000 direct and indirect jobs;

— contribute nearly \$200 million annually to Québec's GDP.

Also, these new projects will generate \$270 million in tax spinoffs.

### **Tax holiday for large investment projects**

The tax holiday for large investment projects allows an eligible corporation to enjoy a tax holiday of up to 15% of the value of eligible investments from:

- tax on income from eligible activities relating to their large investment project;
- the employer contribution to the Health Services Fund relating to wages for jobs related to activities attributable to their large investment project.

#### **Tax holiday eligibility criteria for large investment projects**

Like large investment projects in other eligible sectors of activity, a digital platform development project must meet the following criteria to qualify:

- investment expenses relating to the implementation of the large investment project in Québec must total \$100 million (or \$75 million in designated regions) on or before the end of the 60-month period following the date on which the initial certificate was issued;
- the project must involve activities carried out in Québec in eligible sectors of activity;
- the application for an initial certificate must be filed before the implementation of the large project begins, that is, before the business formally commits to launching its investment project;
- the application must also be filed before the end of the qualifying period for the tax holiday for large investment projects.

### 3.3 Better electricity discounts for major projects

Since the time they were launched, the electricity discount programs, that is, the Electricity Discount Program Applicable to Consumers Billed at Rate L and the Electricity Discount Program to Promote Greenhouse Development, have helped spur numerous investment projects throughout Québec, leading to significant economic spinoffs.

- When it was launched in the March 2016 Québec Economic Plan, the Electricity Discount Program Applicable to Consumers Billed at Rate L was expected to generate investments of up to \$2.6 billion by December 31, 2020.
- As of March 15, 2018, some 40 businesses have filed applications related to projects totalling investments of nearly \$1.7 billion in 13 sectors of activity, amounting to 65% of the investment target set by the measure.

To help businesses take full advantage of the favourable investment climate, the March 2018 Québec Economic Plan provides for:

- an adjustment in the maximum duration of the discount for large projects, which is extended from four to six years;
- a four-year deferral of the discount application period end date, which is moved back to December 31, 2028.

Business projects must be submitted by December 31, 2018 and implemented by December 31, 2020.

Principal sectors covered by the electricity rebate		
- Animal production and aquaculture	- Paper manufacturing	- Metal product manufacturing
- Forestry and logging	- Printing and related support activities	- Machinery manufacturing
- Mining and quarrying	- Petroleum and coal product manufacturing	- Computer and electronic product manufacturing
- Food processing	- Chemical manufacturing	- Electrical equipment, appliance and component manufacturing
- Beverage and tobacco product manufacturing	- Plastics and rubber products manufacturing	- Transportation equipment manufacturing
- Textile mills	- Non-metallic mineral product manufacturing	- Wholesale trade
- Wood product manufacturing	- Primary metal manufacturing	- Commercial greenhouses

## **❑ Adjustment in the maximum duration of the discount**

For certain projects, particularly large-scale projects, the current maximum duration of the discount, four years, is not long enough to provide sufficient assistance for their implementation.

Thus, businesses whose project meets the eligibility criteria and totals \$250 million or more for consumers billed at Rate L and \$5 million or more for consumers operating a commercial greenhouse may obtain an electricity discount with a maximum duration of six years, that is, a two-year extension.

## **❑ Four-year deferral of the discount application period end date**

The four-year deferral of the discount application period end date for electricity rebates will allow businesses implementing an eligible project to receive an electricity discount until December 31, 2028.

Businesses will be able to receive a maximum annual electricity discount of 20% for four years or six years, which will allow a reimbursement of up to 40% of the eligible investments made.

- The reimbursement may be as much as 50% of eligible investments where the project involves production methods that help to reduce greenhouse gas emissions.

## Using clean electricity produced in Québec to encourage investments

### **Principal parameters of the Electricity Discount Program Applicable to Consumers Billed at Rate L**

The Electricity Discount Program Applicable to Consumers Billed at Rate L gives eligible projects a maximum electricity discount of 20% over a period of four years, providing a refund of up to 40% of eligible investments made.

- Projects that reduce greenhouse gas emissions by 20% are eligible for a refund of up to 50% of eligible investments.
- For projects totalling \$250 million or more, the March 2018 Québec Economic Plan provides for an electricity discount with a maximum duration of six years, that is, a two-year extension.

To be eligible for electricity discounts, business projects must be carried out in Québec and reach a minimum investment threshold, corresponding to the lesser of:

- 40% of the annual electricity cost; or
- \$40 million in investments.

Projects must be submitted by December 31, 2018 and implemented by December 31, 2020. The March 2018 Québec Economic Plan provides for a four-year deferral of the discount application period end date, which is moved back to December 31, 2028.

### **Principal parameters of the Electricity Discount Program to Promote Greenhouse Development**

The Electricity Discount Program to Promote Greenhouse Development gives eligible projects a maximum electricity discount of 20% over a period of four years, providing a refund of up to 40% of eligible investments made.

- Projects that are aimed at converting the heating system to electricity are eligible for a refund of up to 50% of eligible investments.
- For projects totalling \$5 million or more, the March 2018 Québec Economic Plan provides for an electricity discount with a maximum duration of six years, that is, a two-year extension.

To be eligible for electricity discounts, business projects must be carried out in Québec in a commercial greenhouse and reach a minimum investment threshold, corresponding to \$125 000.

Projects must be submitted by December 31, 2018 and implemented by December 31, 2020. The March 2018 Québec Economic Plan provides for a four-year deferral of the discount application period end date, which is moved back to December 31, 2028.

Note: All the parameters, terms and conditions of the electricity discount programs are available on the Ministère des Finances du Québec's website: [www.finances.gouv.qc.ca](http://www.finances.gouv.qc.ca).

### **3.4 Investments in major tourism projects**

Québec has several major tourist attractions. In a context of stiffer international competition, due in particular to the emergence of new tourist destinations, these attractions must constantly modernize and innovate so that they can continue to attract tourists from here and abroad.

Updating Québec's tourism offering is a major lever for a destination's attraction potential and an important tool for competitiveness.

Thus, the March 2018 Québec Economic Plan provides \$30 million to support the completion of major investment projects.

These projects will generate significant economic spinoffs in the tourism regions concerned, as well as contributing to economic vitality and growth in these regions.

- These projects contribute, in particular, to encouraging foreign visitors to make lengthier stays at or near the tourist attraction, thanks to improved multi-activity offerings, as well as promoting year-round tourism.

Details of these investments will be announced by the Minister of Tourism.





## **4. CONTINUING THE DEPLOYMENT OF THE QUÉBEC DIGITAL STRATEGY**

The digital economy is present in all spheres of society, whether in the health sector, the cultural domain or the construction industry. It offers significant development and growth opportunities for Québec. The transformations associated with it, however, pose new challenges for citizens, public stakeholders, businesses and organizations, both economically, socially and culturally, as well as environmentally.

The expansion of the digital economy demands, in particular, implementing adequate high-performance infrastructures, but also developing a digital culture at all levels.

To promote and accelerate the expansion of digital economy in Québec, the government launched the Québec Digital Strategy in December 2017.

Structured around seven major policy directions and seven targets, the digital strategy provides an organized framework for all government actions in order to take advantage of the opportunities created by new technologies and adapt to new global trends.

### **4.1 Actions completed to date**

As part of the Québec Economic Plan, the government announced several initiatives to support businesses, organizations and citizens in appropriating and integrating digital technologies.

One of the actions contributing to the digital strategy, the Québec digital culture plan, with a \$110-million envelope, is designed to facilitate access to and development of digital cultural content.

Likewise, the Digital Economy Action Plan, unveiled in May 2016, is provided with nearly \$200 million to develop digital excellence.

— In addition to this sum, an investment of \$100 million is provided for establishing digital infrastructures in Québec's regions through the Québec branché program.

Additional support for digital transformation of the economy was also provided in the November 2017 update to the Québec Economic Plan, representing investments of \$367 million, to:

- ensure access to a high-performance digital network in all regions of Québec thanks to an additional \$300 million;
- develop next-generation technologies in Québec with the launch of the ENCQOR<sup>6</sup> project in 2017-2018, with \$67 million in Québec government support.

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<sup>6</sup> ENCQOR is the acronym for Evolution of Networked Services through a Corridor in Québec and Ontario for Research and Innovation.

## Québec Digital Strategy

The Québec Digital Strategy, which is the result of extensive consultations launched in summer 2016, defines a coherent government vision to help move Québec toward a digital society.

It is structured around seven strategic policy directions that will guide priorities for action over the next five years. A specific target was defined for each policy direction.

### Policy directions and targets

Policy directions	Targets
Reliable and flexible digital infrastructures	For 100% of citizens to have access to high-speed networks and for more than 90% of citizens to have access to ultra-high-speed networks of at least 100 Mbps for downloads and 20 Mbps for uploads
Education and development of digital skills for everyone	For all citizens to acquire greater digital skills so as to place Québec among OECD leaders in the field
Transparent and efficient public administration	For 90% of implementation of the Québec Digital Strategy's public administration policy orientation to be completed
Intelligent cities and territories	For at least 75% of citizens to benefit from the digital transformation of municipalities
An economy of digital excellence	For all Québec businesses to boost their digital intensity by 50%
Health connected to citizens	For 100% of citizens to be able to interact digitally with the health and social services network and its professionals
Enhancing our cultural profile, at home and abroad	For Québec's cultural offering to gain greater visibility and be more widely consulted on digital networks

Moreover, six cross-cutting principles, applying to each of these policy directions, will orient all of the actions undertaken in the digital field:

- transparency;
- open, secure and stable data;
- public participation;
- public value creation;
- experimentation, open innovation and collaboration;
- flexibility and efficiency.

To achieve these objectives, the strategy will be able to rely on concrete and structuring actions determined under the sectoral action plans that are already in place and those that are forthcoming.

## 4.2 \$1.9 billion in initiatives for the digital transition

To complement the initiatives already in place totalling \$930 million, the March 2018 Québec Economic Plan provides for additional measures representing more than \$1 billion in support tailored to different sectors of activity for their digital transformation:

- \$355 million for implementation of the digital action plan in education and higher education,<sup>7</sup> including two key measures that will be introduced shortly:
  - \$260 million for primary and secondary schools for the purpose, in particular, of promoting use of computer programs, acquiring cutting-edge technological equipment and developing the digital skills of teachers and staff,
  - \$95 million for higher education for the purpose, in particular, of establishing a virtual campus, a portal grouping together the institutions' offering of distance training, in collaboration with higher education institutions;
- \$116.3 million for initiatives in the cultural sector,<sup>8</sup> including:
  - introduction of a tax credit to support digital transformation of print media companies,
  - broadening of the tax credit for Québec film and television production to numerical platforms;
- \$72 million over five years for digital transformation of public bodies<sup>9</sup> to:
  - accelerate transformation for services to citizens and businesses to render them easier to access and simpler to use on mobile devices,
  - develop digital skills and adapt working methods throughout the Québec public administration,
  - develop shared services useful for all bodies and deploy shared resources throughout all public bodies;
- \$194.2 million to bring justice up to step with new technologies;<sup>10</sup>
- \$15 million to promote the digital transition in the tourism industry;<sup>11</sup>

<sup>7</sup> The initiatives of the digital action plan in education and higher education are presented in the budget paper *Education: A Plan for Success*.

<sup>8</sup> The initiatives in the cultural sector are presented in the budget paper *Culture : An Ongoing Commitment to Supporting Québec Culture*.

<sup>9</sup> The necessary sums are provided in the expenditure budget of the Secrétariat du Conseil du trésor.

<sup>10</sup> The initiatives aimed at bringing justice up to step with new technologies are presented in the budget paper *Justice: A Plan to Modernize the Justice System*.

<sup>11</sup> Details of this measure are presented in section 1.2.5.

- \$11 million to support the digital transformation in the construction sector;<sup>12</sup>
- \$2.5 million to enable the Financial Markets Administrative Tribunal to support the other administrative tribunals under the government's authority in the move toward digitizing their activities;
- \$241 million to enhance tax measures to foster appropriation of digital technologies by businesses:
  - an additional capital cost allowance to support acquisition of cutting-edge technology,
  - broadening the tax holiday for large investment projects to include digital platforms.

To date, investments of more than \$1.9 billion have been provided to support implementation of the digital strategy and the various sectoral action plans under its authority.

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<sup>12</sup> Details of this measure are presented in section 5.3.

TABLE D.21

### Principal investments under the Québec Digital Strategy (millions of dollars)

	Total investments through 2022-2023
<b>Initiatives already planned</b>	
Québec Digital Culture Plan	110.0
Digital Economy Action Plan	187.9
First phase of the Québec branché program	100.0
Introduction of an additional 35% deduction in capital cost allowance to encourage the digital transition in businesses	165.0
November 2017 Update: supporting digital transformation	366.6
<b>Subtotal – Initiatives already planned</b>	<b>829.5</b>
<b>March 2018 Québec Economic Plan</b>	
Digital action plan in education and higher education	355.0
Initiatives for the cultural sector	
– Support for cultural enterprises in the digital environment	40.0
– Introduction of a tax credit to support digital transformation of print media companies	64.7
– Adjustment of the tax credit for Québec film and television production	11.6
<b>Subtotal – Culture</b>	<b>116.3</b>
Digital transformation of public bodies	72.0
Plan to modernize the justice system	194.2
Digital transition in the tourism industry	15.0
Digital transformation in the construction sector	11.0
Sharing the Financial Markets Administrative Tribunal's expertise to digitize Québec's administrative tribunals	2.5
Tax measures to support the digital transition	
– Additional capital cost allowance to support acquisition of cutting-edge technology	241.0
– Tax holiday for large investment projects – digital platforms	—
<b>Subtotal – Tax measures</b>	<b>241.0</b>
<b>Subtotal – March 2018 Québec Economic Plan</b>	<b>1 007.0</b>
<b>TOTAL</b>	<b>1 936.5</b>



## 5. SUPPORTING KEY SECTORS OF THE ECONOMY

Québec benefits from a diverse economy that relies on a number of key traditional and technological sectors. The government intends to leverage Québec's strengths in these key sectors to ensure the development of all of its regions, promote its international standing and spur the growth of its economy.

In this context, to support key sectors of the economy, the March 2018 Québec Economic Plan provides more than \$655 million through 2022-2023 in order to:

- implement a new biofood policy;
- spur the growth of the clean technologies sector;
- support the digital transition in the construction sector;
- pursue the Maritime Strategy;
- support the financial, life sciences, aluminum and alcoholic beverage sectors.

TABLE D.22

### Financial impact of measures to support key sectors of the economy (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Implementing a new biofood policy <sup>(2)</sup>	—	-59.1	-70.8	-73.8	-74.5	-70.5	-348.7
Spurring the growth of the clean technologies sector	-30.0	-2.5	-8.5	-9.5	-10.5	-11.5	-72.5
Supporting the digital transition in the construction sector	—	-2.6	-2.6	-2.4	-2.4	-2.4	-12.4
Pursuing the Maritime Strategy	—	-6.5	-6.1	-1.1	-1.1	-0.5	-15.3
Supporting the financial sector	—	-17.0	-25.2	-31.8	-34.6	-12.3	-120.9
Supporting the life sciences sector	-10.0	-3.5	-6.0	-6.0	-6.0	-21.0	-52.5
Pursuing the Québec Aluminium Development Strategy	—	-11.0	-11.0	-11.0	—	—	-33.0
Supporting innovation in Québec's craft alcoholic beverage industry	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>-40.0</b>	<b>-102.2</b>	<b>-130.2</b>	<b>-135.6</b>	<b>-129.1</b>	<b>-118.2</b>	<b>-655.3</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Of these sums, \$38.7 million will be funded through appropriations already provided to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

## 5.1 Implementing a new biofood policy

The biofood sector is strategic to Québec's economy. In addition to contributing to food security, it is a major driver of economic activity and generates significant spinoffs across the province.

The business environment of the biofood sector is in the midst of a transformation. This is encouraging biofood companies to boost their productivity by relying on research and innovation. They must also invest in their organizations, both in terms of training and in machinery and equipment, in order to remain competitive and profitable, and to stand out from the competition while prioritizing sustainable development.

With this in mind, the government intends to present a biofood policy in the spring of 2018.

### **\$349 million to support the biofood sector**

To support the implementation of initiatives as part of the biofood policy, the March 2018 Québec Economic Plan provides investments of nearly \$349 million over five years.

The new initiatives, which will primarily take into account the targets set for 2025 following the Sommet sur l'alimentation (Food Summit) held in November 2017, and are centred on the following six strategic priorities:

- \$53.9 million to promote healthier, local food in Québec;
- \$180 million to spur investment in biofood production and processing;
- \$29.7 million to step up efforts in innovation and training in the biofood industry;
- \$19.8 million to help businesses implement responsible practices;
- \$62.8 million to promote the development of the biofood industry in Québec's territories;
- \$2.5 million to implement biofood policy initiatives.

The initiatives are presented in the budget paper, *Biofood: An Economic Priority and Opportunity to Improve Quebecers' Health*.



TABLE D.23

**Financial impact of measures aimed at promoting the biofood sector,  
by strategic priority**  
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Promoting healthier, local food in Québec <sup>(1)</sup>	—	-9.9	-11.1	-11.5	-10.7	-10.7	-53.9
Spurring investment in biofood production and processing <sup>(1)</sup>	—	-26.0	-37.0	-39.0	-41.0	-37.0	-180.0
Stepping up efforts in innovation and training in the biofood industry <sup>(1),(2)</sup>	—	-5.6	-6.4	-5.9	-5.9	-5.9	-29.7
Helping businesses implement responsible practices <sup>(1)</sup>	—	-2.7	-4.6	-4.5	-4.0	-4.0	-19.8
Promoting the development of biofood in Québec's territories <sup>(1)</sup>	—	-14.4	-11.2	-12.4	-12.4	-12.4	-62.8
Implementing biofood policy initiatives <sup>(1)</sup>	—	-0.5	-0.5	-0.5	-0.5	-0.5	-2.5
<b>TOTAL<sup>(3)</sup></b>	<b>—</b>	<b>-59.1</b>	<b>-70.8</b>	<b>-73.8</b>	<b>-74.5</b>	<b>-70.5</b>	<b>-348.7</b>

(1) Additional appropriations will be granted in 2018-2019 and subsequent years to fund this initiative.

(2) Investments of \$80 million are also provided in the 2018-2028 Québec Infrastructure Plan.

(3) Of these sums, \$38.7 million will be funded through appropriations already provided to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation. Additional appropriations of \$53.9 million in 2018-2019, \$62.3 million in 2019-2020, \$65.8 million in 2020-2021, \$66.5 million in 2021-2022 and \$61.5 million in 2022-2023 will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

## 5.2 Spurring the growth of the clean technologies sector

Québec is a leader in environmental initiatives and the fight against climate change. To accomplish this, it set itself ambitious targets, particularly with regard to reducing its greenhouse gas emissions. Achieving those targets hinges on the development of new technologies.

To benefit from the growing worldwide demand for clean technologies and to maximize their market share, Québec businesses must have the necessary tools to grow and position themselves advantageously on the markets.

In an effort to promote the development of Québec's clean technologies sector, the March 2018 Québec Economic Plan provides:

- \$72.5 million to implement an action plan for growth and clean technologies;
- \$50 million to support the clean technologies sector through venture capital.

TABLE D.24

### Financial impact of measures to spur the growth of the clean technologies sector (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Action plan for growth and clean technologies <sup>(2)</sup>	-30.0	-2.5	-8.5	-9.5	-10.5	-11.5	-72.5
\$50 million to support the clean technologies sector through venture capital <sup>(3)</sup>	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>-30.0</b>	<b>-2.5</b>	<b>-8.5</b>	<b>-9.5</b>	<b>-10.5</b>	<b>-11.5</b>	<b>-72.5</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

(3) This measure has no financial impact since it is an investment with expected return.

### 5.2.1 Action plan for growth and clean technologies

The clean technologies sector can play a key role in achieving Québec's environmental targets. Moreover, a number of major government initiatives support the development of clean technologies, such as the Climate Change Action Plan, the Energy Policy and the Transportation Electrification Action Plan.

The government intends to go further to support this sector and will soon present the action plan for growth and clean technologies.

#### **❑ \$72.5 million to implement the action plan for growth and clean technologies**

The March 2018 Québec Economic Plan provides an envelope of \$72.5 million to support the implementation of the action plan for growth and clean technologies. This plan aims to make the clean technologies industry more competitive and raise the awareness of businesses in all sectors regarding the importance of clean growth.

This plan will focus on three strategic priorities:

- developing eco-efficient businesses;
- enabling businesses in the clean technologies sector as well as those offering eco-responsible products and services to innovate and to conquer markets;
- creating a business climate that is favourable to growth and clean technologies.

With the action plan for growth and clean technologies, the Québec government will leverage funds made available by the federal government for the sector in Québec.

To fund this initiative, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### 5.2.2 **\$50 million to support the clean technologies sector through venture capital**

The March 2018 Québec Economic Plan provides up to \$50 million to improve access to funding for Québec businesses in the clean technologies sector by making capital available to fund their growth and accelerate the marketing of their products and services.

To accomplish this, the government plans to partner with experts in this sector and make joint investments with private investors in the new Cycle Capital Management (Cycle Capital) fund.

The Cycle Capital team plans to establish a new fund with a target size of \$300 million to finance businesses specialized in green chemistry, the new generation of biofuels, biomass conversion, sustainable transport, renewable energy, energy storage, energy efficiency and sustainable agriculture.

To obtain the participation of the Québec government, the fund must meet the following investment parameters:

- a fund with a minimum size of \$150 million;
- capital that will be matched on the basis of \$1 from the government for a minimum of \$2 from institutional, private and strategic investors;
- a minimum investment in Québec companies in the clean technologies sector corresponding to the capital provided by the Québec government;
- an investment policy, a governance model and a management team that follow business best practices.

As an agent of the Québec government, Investissement Québec will be in charge of administering this new fund. The government's participation will take the form of an investment with expected return. To this end, the sums required for the government's participation will be made available through an advance to the Economic Development Fund.

The details regarding the government's support of the new Cycle Capital fund will be released by the Minister of the Economy, Science and Innovation and the Minister of Finance once all of the investment terms and conditions have been established.

### **Cycle Capital Management**

Cycle Capital Management (Cycle Capital) is a venture capital investment platform in clean technologies with \$356 million dollars in assets under management.

Cycle Capital partners with entrepreneurs to invest in cutting-edge clean technologies companies that produce more with less, use fewer resources and transform these efficiency gains into significant returns.

Since its inception in 2009, Cycle Capital has supported 40 companies via the following four investment funds:

- Cycle Capital I, a fund created in 2009 and capitalized at \$80.4 million;
- Cycle C-3E, a seed fund created in 2011 and capitalized at \$42 million;
- Cycle Capital III, a fund created in 2013 and capitalized at \$109 million;
- Qingdao Haisi Cycle Fund, a fund created in 2017 and capitalized at \$125 million.

Cycle Capital plans to establish a new fund to support entrepreneurs in the clean technologies sector and to help build companies that are revolutionizing their industry by creating value and generating large-scale environmental benefits.

### 5.3 Supporting the digital transition in the construction sector

The construction sector is one of the largest sectors of Québec's economy, representing more than 6% of the province's GDP. In addition, the construction sector contributes to a major portion of public and private investment projects.

Digital technologies have already revolutionized a number of industrial sectors and their contribution to the construction sector will be just as significant. The digital transition will help boost the sector's productivity and reduce project costs.

The March 2018 Québec Economic Plan provides \$12.4 million over five years in order to:

- support the digital transformation in the construction sector;
- create a cluster in the construction industry.

TABLE D.25

**Financial impact of initiatives to support the digital transition in the construction sector**  
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Total
Supporting the digital transition in the construction sector <sup>(1)</sup>	—	-2.2	-2.2	-2.2	-2.2	-2.2	-11.0
Creating a cluster in the construction sector <sup>(1)</sup>	—	-0.4	-0.4	-0.2	-0.2	-0.2	-1.4
<b>TOTAL</b>	<b>—</b>	<b>-2.6</b>	<b>-2.6</b>	<b>-2.4</b>	<b>-2.4</b>	<b>-2.4</b>	<b>-12.4</b>

(1) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

### 5.3.1 Supporting the digital transformation in the construction sector

Like several other sectors of the economy, the construction sector must undertake a digital transition to boost its productivity. To this end, the March 2018 Québec Economic Plan provides \$11 million over five years to enable businesses in the construction sector to:

- adopt building information modeling to improve process efficiency;
- sponsor suppliers and partners to achieve the same digital level as their major clients, which will promote increased productivity and foster collaboration among partners;
- benefit from the growth on foreign markets of the prefabricated building segment, such as social and community housing and multi-unit properties.

To expedite the digital transition in the construction sector, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

Building information modeling
<p>Building information modeling provides a structured overview of a building's physical and functional properties. The model contains information about the features and relationships between every item making up the building. This information is shared among the various stakeholders in the construction project.</p> <p>When building information modeling is used in an appropriate environment, it can generate major efficiency gains. In fact, building information modeling facilitates the management of a building over time, throughout its useful life.</p>

### 5.3.2 Creating a cluster in the construction sector

The introduction of new digital measures and the various issues related to changes to procedures in the construction sector generated significant challenges for this industry in Québec.

However, industrial clusters enable stakeholders in the same industry to pool their knowledge and strengths in order to create true innovation hubs. This coordination would help generate new ideas and innovative approaches, which could lead to strategic projects and new procedures that would benefit the entire industry.

To create this type of synergy in the construction sector, the March 2018 Québec Economic Plan provides \$1.4 million over five years to fund a cluster bringing together the key players in the construction industry, which would enable them to:

- brainstorm about ways to promote innovation and competitiveness in the construction ecosystem;
- foster knowledge transfer among the various players.

The bodies that are active in the construction sector have also shown a strong interest in this type of initiative.

In order to create a new cluster, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.



## 5.4 Pursuing the Maritime Strategy

Québec's Maritime Strategy for the year 2030 is a major driver of economic development in all regions of Québec. In addition to the measures implemented to date under the Maritime Strategy, the March 2018 Québec Economic Plan provides additional funding in order to:

- establish the Fonds Bleu;
- support Québec's shipyards by setting aside \$250 million for them;
- fund the Réseau Québec maritime;
- fund studies aimed at developing industrial port zones and logistics hubs.

This will enable more than \$265 million in initiatives to be carried out as part of the Maritime Strategy.

TABLE D.26

### Financial impact of measures to pursue the Maritime Strategy (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Establishment of the Fonds Bleu <sup>(1)</sup>	—	-5.0	-5.0	—	—	—	-10.0
\$250 million to support Québec's shipyards <sup>(2)</sup>	—	—	—	—	—	—	—
Funding for the Réseau Québec maritime <sup>(3)</sup>	—	—	-1.1	-1.1	-1.1	-0.5	-3.8
Funding for studies aimed at developing industrial port zones and logistics hubs <sup>(1)</sup>	—	-1.5	—	—	—	—	-1.5
<b>TOTAL</b>	<b>—</b>	<b>-6.5</b>	<b>-6.1</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-0.5</b>	<b>-15.3</b>

(1) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

(2) This measure has no financial impact since it is an investment with expected return.

(3) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

Moreover, other initiatives in the March 2018 Québec Economic Plan will contribute to the attainment of the Maritime Strategy's objectives, in particular:

- the enhancement of the Québec Program to Fight Asian Carp;
- funding for watershed bodies;
- support for the development of fishing and aquaculture;
- the implementation of a program to protect species at risk and their habitats, including the beluga in the St. Lawrence River;
- support for the Centre de recherche sur les milieux insulaires et maritimes.

Overall, the initiatives aiming at contributing to the Maritime Strategy's objectives represent more than \$300 million in interventions between now and 2022-2023.

#### **5.4.1 Establishment of the Fonds Bleu**

Pursuing the government's policy directions under the Maritime Strategy requires a tailored, flexible funding structure to ensure the completion of the work under way. The March 2018 Québec Economic Plan therefore provides \$10 million to create the Fonds Bleu, a new envelope made available to the Secrétariat aux affaires maritimes.

This envelope may be used to fund initiatives over a two-year period, or until the end date of the Maritime Strategy action plan, which covers the 2015-2020 period. The endowment of the Fonds Bleu will be reviewed as part of the planning process for the second action plan, based on the established priorities.

The planned sums for the Fonds Bleu will fund initiatives that are in keeping with the objectives of the Maritime Strategy, such as:

- carrying out detail designs, which will be used in decision-making prior to implementing maritime projects;
- developing Québec's marine biotechnology sector, which will provide businesses in this industry with support and advice, adapted financing and international collaboration opportunities;
- supporting the implementation of new technologies in the maritime industry aimed at facilitating the industry's adoption of digital and smart technologies, as well as adapting ships and ports for the use of cleaner fuel;
- implementing measures to protect maritime territory and its ecosystems in watersheds;
- projects related to the preservation, enhancement and rehabilitation of the St. Lawrence River through the Fonds d'action Saint-Laurent.

To this end, additional appropriations will be granted to the Ministère du Conseil exécutif.

### 5.4.2 \$250 million to support Québec's shipyards

The shipbuilding industry has grown significantly in Canada, primarily due to the renewal of the Royal Canadian Navy and the Canadian Coast Guard's fleet of vessels undertaken by the Canadian government as part of the National Shipbuilding Strategy.

Québec's shipyards have the necessary expertise to benefit from this situation, particularly by building ships that integrate cutting-edge technological specifications and are capable of navigating in a northern climate.

Given the key role this sector plays in Québec's economy and the highly specialized jobs associated with it, the government would like to establish conditions that promote:

- shipbuilding in Québec's shipyards;
- the maintenance of a strong, sustainable maritime industry in Québec.

#### **❑ Easier access to the capital needed to carry out projects**

Carrying out shipbuilding projects require substantial investments in shipyards and entails high financing costs.

The March 2018 Québec Economic Plan provides for easier access to the capital needed to carry out projects.

The possibility for Québec shipyards to carry out their projects within a more flexible, affordable financing structure will:

- improve profitability by reducing volatility in financing conditions, particularly during construction periods;
- free up funds to modernize equipment and boost productivity;
- make them more competitive with regard to obtaining new contracts.

To this end, the March 2018 Québec Economic Plan provides an envelope of \$250 million for equity participation in Québec shipyard projects. This support will:

- spur shipbuilding in Québec;
- promote the maintenance of more modern, productive and competitive shipyards.

This initiative stems from one of the priority initiatives of the Maritime Strategy by the year 2030, which is to identify new financial means to support Québec's shipbuilding industry.

## **❑ An envelope made available to all shipyards in Québec**

All shipyards in Québec will be able to submit a project. Depending on the project, equity participation may be obtained at various stages of completion.

The envelope announced will be made available for equity participation in 2018-2019, and will be re-evaluated in accordance with demand and needs.

## **❑ Selecting projects that offer the greatest potential**

Shipyards may submit their projects to the attention of Investissement Québec.

As a prerequisite, projects must generate spinoffs in Québec, such as through the implementation of a reinvestment plan, demonstrate their profitability and offer satisfactory return prospects for the government.

Eligible projects that offer the greatest potential will be analyzed further for possible equity participation.

In the long term, the envelope announced in the March 2018 Québec Economic Plan will enable the government to count on equity participation in several projects, which will diversify the financial risk and contribute to the growth and sustainability of Québec shipyards.

As an agent of the Québec government, Investissement Québec will be responsible for implementing this initiative. The Ministère des Finances will also work in partnership with the Ministère de l'Économie, de la Science et de l'Innovation to implement the initiative. The government's participation will take the form of an investment with expected return.

### 5.4.3 Funding for the Réseau Québec maritime

The Réseau Québec maritime (RQM) was created on May 26, 2016 to bring together key players in research and innovation in maritime-related fields. As a leader in the realm of research, the network manages large-scale research projects, such as the *Odyssée Saint-Laurent* project,<sup>13</sup> for which funding of \$15 million was provided in the March 2017 Québec Economic Plan.

To ensure that the RQM has the financial resources to continue to assume its leadership role in maritime research, the March 2018 Québec Economic Plan provides additional appropriations of \$3.8 million to finance its activities.

This funding will enable the RQM to pursue its flagship *Odyssée Saint-Laurent* research project until its completion, which is planned for 2022.

To this end, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation.

### 5.4.4 Funding of studies aimed at developing industrial port zones and logistics hubs

Access to public infrastructures is often a crucial condition for making industrial investments in industrial port zones and logistics hubs.

To encourage the establishment of businesses and the completion of industrial projects, the March 2018 Québec Economic Plan provides \$1.5 million to support studies aimed at the development of industrial port zones and logistics hubs that are recognized by the government.

To apply this measure, the eligibility criteria will be expanded to include different types of studies.

In the long term, carrying out these studies will help determine infrastructure needs and assess the investments required in participating industrial port zones and logistics hubs.

To fund this measure, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

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<sup>13</sup> This project is managed in partnership with the France-Québec Institute for scientific cooperation to support the maritime sector.

## **Growth of international maritime transport: capitalizing on Québec's strengths**

### **International maritime transport: a booming industry**

Since the early 1990s, international maritime transport has been steadily on the rise.

Québec has key advantages it can use to capitalize on this growth, including its geographic location, which places it along the shortest route between Europe and the Great Lakes-St. Lawrence region, home to a large portion of the U.S. manufacturing industry.

Moreover, the maritime community has reported that the St. Lawrence River is underused. This is partially due to the physical limitations of this waterway, but also to the limited capacity of the ports along the St. Lawrence shipping channel.

### **Positioning Québec as a strategic location for maritime transport**

In this context, in 2018, the government will undertake a study of the prospective competitiveness and long-term growth of the international maritime transport of goods on the St. Lawrence River.

The study will also propose the parameters of a strategic vision of the commercial port system and the St. Lawrence waterway. It will support the players involved in order to improve their competitive positioning and ensure the long-term prosperity of this multimodal seaway as well as the businesses it serves.

The key stakeholders of Québec's maritime sector, including representatives of the port authorities concerned, will be consulted during this process.

Moreover, the Québec government will participate in the federal government's consultation process announced on March 12, 2018 regarding a review of Canada's port authorities. This review is aimed at optimizing the role of port authorities as strategic assets underpinning sustainable growth and trade and strengthening their position as key players in the economy.

## 5.5 Supporting the financial sector

The financial sector is a critical industry for the development of Québec's economy.

- In 2016, this industry accounted for 150 000 jobs, representing 4.2% of employment in Québec, and contributed to 6.3% of Québec's GDP.

Québec's financial sector is world-renowned. In fact, Montréal was ranked 12th out of the top 108 cities with an international financial centre in 2017.

To promote the development of Quebec's financial sector, the March 2018 Québec Economic Plan provides for:

- support the creation of Finance Montréal's a centre of excellence in financial technologies;
- additional resources for the Financial Markets Administrative Tribunal so that it can support other administrative tribunals in their transition to paperless operations.

Moreover, the parameters of the compensation tax for financial institutions applicable to payroll will be adjusted.

TABLE D.27

### Financial impact of measures to support the financial sector (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Supporting the creation of a centre of excellence in financial technologies at Finance Montréal <sup>(1)</sup>	—	-1.0	-2.0	-2.0	-2.0	-2.0	-9.0
Sharing the expertise of the Financial Markets Administrative Tribunal in order to digitize Québec's administrative tribunals <sup>(1)</sup>	—	-0.5	-0.5	-0.5	-0.5	-0.5	-2.5
Changes to the application of the compensation tax for financial institutions	—	-15.5	-22.7	-29.3	-32.1	-9.8	-109.4
<b>TOTAL</b>	<b>—</b>	<b>-17.0</b>	<b>-25.2</b>	<b>-31.8</b>	<b>-34.6</b>	<b>-12.3</b>	<b>-120.9</b>

(1) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

### 5.5.1 Supporting the creation of Finance Montréal's centre of excellence in financial technologies

The financial industry is undergoing a major transformation and Québec is ideally positioned to benefit from the adoption of new financial technologies, commonly referred to as fintech.

In the financial sector, the development of the use of new technologies often stems from innovative SMBs.

- To spur the development of this industry in Québec, a centre of excellence in financial technologies was established as part of the March 2017 Québec Economic Plan.

To pursue the development of the project and ensure its sustainability, the March 2018 Québec Economic Plan provides an additional investment of \$9 million over the next five years.

The centre of excellence will benefit from bringing together a large number of members of the fintech ecosystem in pursuit of a shared goal in a neutral environment.

- The centre will rely on the internationally recognized talent of employees in Québec's IT sector, particularly in the field of artificial intelligence.

To implement this initiative, appropriations will be granted to the Ministère des Finances.

<b>Finance Montréal's centre of excellence in financial technologies</b>
<p>By bringing together a large number of members of Québec's fintech ecosystem, Finance Montréal's centre of excellence in financial technologies aims to:</p> <ul style="list-style-type: none"><li>– support and guide fintech start-ups in their development, particularly by implementing an incubation and mentoring program;</li><li>– provide access to data and issues facing financial institutions in order to help fintech companies identify issues facing institutions and test their applications using actual data;</li><li>– organize various events, activities and training sessions on topics that are of interest to the sector.</li></ul>



### 5.5.2 **Sharing the expertise of the Financial Markets Administrative Tribunal in order to digitize Québec's administrative tribunals**

Having adopted the most efficient processes for handling files, the Financial Markets Administrative Tribunal has become a leader in the realm of administrative tribunals. This experience will benefit other administrative tribunals in improving their processes.

The March 2018 Québec Economic Plan provides \$2.5 million over five years, as well as additional staff, to enable the Financial Markets Administrative Tribunal to support other administrative tribunals under the government's responsibility in digitizing their operations.

To implement this initiative, appropriations will be granted to the Ministère des Finances. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

#### **Putting consumer interests first when it comes to sector oversight**

The government has focused a great deal on maintaining effective oversight that strikes a balance between consumer protection and the development of the financial sector. Bill 141 reflects this intention.

Among other measures, this bill transfers the responsibility previously held by the Chambre de la sécurité financière and the Chambre de l'assurance de dommages to the Autorité des marchés financiers and the Financial Markets Administrative Tribunal.

To ensure a smooth transition, up to five employees from the Chambres will join the Tribunal. In addition, five positions will be added to the Tribunal, enabling it to efficiently assume its growing responsibilities. Additional funding will be granted to the Tribunal to incorporate these new resources.

## Financial Markets Administrative Tribunal: a leader in paperless tribunals

The Financial Markets Administrative Tribunal met the challenge of going paperless by creating the “eTribunal du Québec,” which is 100% digital. Furthermore, it did so while complying with an ambitious deadline, on a limited budget and with Québec technology.

### **100% digital, making access to justice simple and user-friendly**

In fact, every step of processing a file is completely digital, with no paper used:

- secure online filing of procedures;
- fee payment;
- around-the-clock access to the complete online public registry;
- possibility for parties to consult and annotate exhibits, as well as carry out quick searches of a tribunal file;
- paperless hearings, allowing for documents to be presented on different screens;
- digital signatures and electronic transmission of decisions;
- electronic archiving of files in the registry.

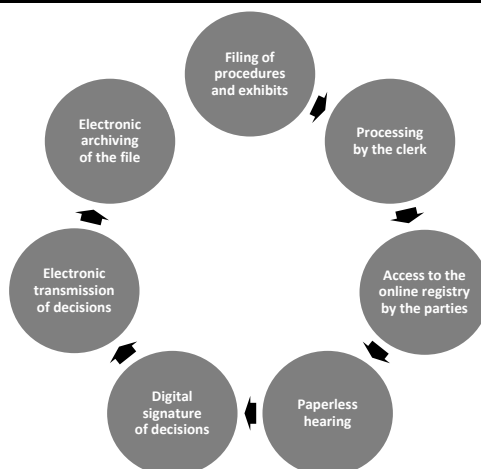
### **100% digital, making the process faster and more economical**

- No need to print, annotate and process multiple copies of documents.
- No fees, processing times or travel required to file paper procedures.

The digital transition allows for a more efficient overall process, which benefits everyone. Through this initiative, the Financial Markets Administrative Tribunal help modernize the Québec justice system.

### **Online format of a file**

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Source: 2016-2017 annual report of the Financial Markets Administrative Tribunal.

### 5.5.3 Changes to the application of the compensation tax for financial institutions

The majority of financial institutions that do business in Québec currently support an additional tax on payroll, or the compensation tax for financial institutions.

The March 2018 Québec Economic Plan provides for a reduction of the compensation tax for financial institutions and a limit on the total payroll that is subject to this tax.

Given the planned increase in payroll taxes as a result of the enhancement of the Québec Pension Plan, the level of this surtax will be minimized to ensure the sector's competitiveness.

Effective April 1, 2018, the rates applicable to amounts paid as wages will be adjusted, and by April 1, 2020, they will be as follows:

- 4.14% for banks, loan corporations, trust corporations and corporations trading in securities;
- 3.26% for savings and credit unions;
- 1.32% for other financial institutions.

TABLE D.28

#### Changes to the rates of the compensation tax for financial institutions on wages paid (per cent)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	As of April 1, 2024
Banks, loan corporations, trust corporations and corporations trading in securities	4.29	4.22	4.14	4.14	2.80	2.80	—
Savings and credit unions	3.39	3.30	3.26	3.26	2.20	2.20	—
Other financial institutions	1.37	1.34	1.32	1.32	0.90	0.90	—

In addition, depending on the type of financial institution, a limit on the total payroll subject to the compensation tax for financial institutions will be established in order to avoid penalizing companies with a greater presence in Québec:

- \$1.1 billion for banks, loan corporations, trust corporations and corporations trading in securities;
- \$550 million for savings and credit unions;
- \$275 million for other financial institutions.

These changes represent a financial impact of \$15.5 million in 2018-2019.

- For comparison purposes, the total compensation tax for financial institutions will be \$347 million this year.

## Modernization of the legislative framework for the financial sector

As an intermediary between individuals with financial means and those who need financing, the financial sector plays an important role in investment projects for businesses and the government.

To this end, the government has focused a great deal on oversight of the financial sector, with the aim of striking a balance between consumer protection and the development of the sector.

- In 2017, the government took concrete steps to bolster public confidence in the financial sector by presenting two important bills.

Bill 141, *An Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions*, implemented the reforms announced in the March 2016 Québec Economic Plan. In particular, this bill:

- creates a consultative committee of consumers and users of financial products and services within the Autorité des marchés financiers;
- lays the groundwork for regulation applicable to the online distribution of insurance products;
- amends the rules regarding the Fonds d'indemnisation des services financiers;
- adapts regulation applicable to the Desjardins Group to international standards.

In addition, Bill 150, *An Act respecting mainly the implementation of certain provisions of the Budget Speeches of 17 March 2016 and 28 March 2017*, introduced major reforms in the insurance industry aimed at:

- modernizing the right to co-ownership insurance;
- reviewing the rules regarding the ownership of damage insurance brokerage firms and their obligations to their clients;
- introducing group damage insurance in Québec's legal framework;
- introducing rules on assigning life insurance contracts to individuals who have no insurable interest in the life of the insured.

The ongoing reforms as part of these projects will lead to the creation of or updates to several regulations. A number of public consultations will be held in the coming year to ensure the success of these reforms.

## 5.6 Supporting the life sciences sector

Life sciences play a key role in Québec's economy. The Québec Life Sciences Strategy, which was launched in May 2017, confirmed the government's support of this industry by establishing the means to support its growth.

The March 2018 Québec Economic Plan provides for additional appropriations of an additional \$52.5 million to support this strategy over the next five years, to be broken down as follows:

- venture capital financing initiatives of up to \$50 million under the Québec-Ontario life sciences partnership;
- \$18.5 million to promote access to research data;
- \$9 million to support centres of excellence in the life sciences sector;
- \$15 million to enhance funding for the Fonds d'accélération des collaborations en santé;
- \$10 million to support the Montréal Clinical Research Institute.

TABLE D.29

### Financial impact of measures to support the life sciences sector (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
\$50 million under the Québec-Ontario life sciences partnership <sup>(2)</sup>	—	—	—	—	—	—	—
Promoting access to research data <sup>(3)</sup>	—	-2.5	-4.0	-4.0	-4.0	-4.0	-18.5
Supporting centres of excellence in the life sciences sector <sup>(3)</sup>	—	-1.0	-2.0	-2.0	-2.0	-2.0	-9.0
Enhancing funding for the Fonds d'accélération des collaborations en santé <sup>(4)</sup>	—	—	—	—	—	-15.0	-15.0
Supporting the Montréal Clinical Research Institute	-10.0	—	—	—	—	—	-10.0
<b>TOTAL</b>	<b>-10.0</b>	<b>-3.5</b>	<b>-6.0</b>	<b>-6.0</b>	<b>-6.0</b>	<b>-21.0</b>	<b>-52.5</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) This measure has no financial impact since it is an investment with expected return.

(3) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

(4) Additional appropriations will be granted in 2022-2023 to fund this initiative.

### 5.6.1 **\$50 million under the Québec-Ontario life sciences partnership**

Québec and Ontario are recognized as leaders in the life sciences sector and have worked in partnership for a number of years as part of the Québec-Ontario Life Sciences Corridor.

The March 2018 Québec Economic Plan provides for up to \$50 million to support funding initiatives of the life sciences via venture capital.

The Québec and Ontario governments are currently examining various options aimed at maximizing the spinoffs of these investments in both provinces.

Through the Québec-Ontario life sciences partnership, the Québec and Ontario governments would like to:

- support the growth and development of start-ups in the life sciences sector that have technologies with a strong potential for marketing abroad;
- provide businesses in Québec and Ontario with access to a sufficient level of financing to successfully complete their business projects;
- increase the share of private investment in venture capital financing for businesses in Québec and Ontario;
- spur job creation and cutting-edge research in the field of health care to improve the potential for innovative discoveries and marketing.

Details of the supported initiatives will be announced at a later date by the Minister of Economy, Science and Innovation and the Minister of Finance.

## 5.6.2 Promoting access to research data

In the March 2017 Québec Economic Plan, the government announced its intention to foster a favourable environment to facilitate access to certain information for research purposes. This data has significant scientific and economic potential, and making use of it is essential for ensuring research excellence.

A working committee was therefore established to develop a general procedure for accessing certain information for research purposes in order to expedite access for researchers.

- Under the coordination of the Ministère des Finances, the committee brings together representatives of the Ministère de la Santé et des Services sociaux, the Ministère de l'Économie, de la Science et de l'Innovation, the Institut de la statistique du Québec, the Régie de l'assurance maladie du Québec, the Commission d'accès à l'information, as well as the Secrétariat à l'accès à l'information et à la réforme des institutions démocratiques.

Following the committee's recommendations, the March 2018 Québec Economic Plan provides for the implementation of a new, simplified information access procedure for researchers.

### **□ Simplification of the access procedure for researchers**

The Institut de la statistique du Québec plays a key role in producing and disseminating statistical information for departments and bodies. It has expertise in data access and compliance with measures to protect personal information.

The methodological and operational skills of the Institut de la statistique du Québec will put it at the forefront of implementing the simplified access procedure, which will:

- establish a single service window for researchers;
- reduce processing times for access to information.

To implement this simplified procedure, the March 2018 Québec Economic Plan provides \$18.5 million over five years to be granted to the Institut de la statistique du Québec. To this end, additional credits will be granted to the Ministère des Finances.

## ■ **Implementation of a single service window for government services**

In the fall of 2018, a single service window will be implemented by the Institut de la statistique du Québec to provide a gateway for researchers wishing to obtain information from departments and bodies for their research.

- The first phase will consist in simplifying access to certain information held by the Ministère de la Santé et des Services sociaux and the Régie de l'assurance maladie du Québec.
- The committee will continue its work in order to expand the scope of application to other departments and bodies in later phases.

When necessary, researchers will benefit from guidance from the Institut de la statistique du Québec in preparing their requests to ensure that they are processed as quickly as possible.

## ■ **Reduction in processing times for accessing information**

The simplification of the access procedure will reduce the timeframe between a researcher's submission of a completed request and its approval, if applicable.

- For information available via the service window, the Institut de la statistique du Québec will be able to approve the access request and prepare a research file, including data matching, if necessary.
- The Institut de la statistique du Québec will provide access to research files in the Centre d'accès aux données de recherche de l'Institut de la statistique du Québec (CADRISQ) facilities or via secure remote access.
- Lastly, the Institut de la statistique du Québec will carry out an accountability report regarding researchers' requests and matched files.

The Commission d'accès à l'information will monitor the procedure and ensure that personal information is protected.

Amendments will be made to the *Act respecting the Institut de la statistique du Québec* to simplify and expedite access to information from departments and bodies.



## ■ Continuation of the committee's work

The committee will continue its work with a view to guiding and ensuring the advancement of the access procedure, in particular by analyzing best practices developed by other jurisdictions. Subsequent phases will include:

- applying the simplified access procedure for researchers to information files from other departments and bodies;
- the eventual use of the single service window by a broader clientele.

### **Illustration of the protection of personal information when processing researchers' requests**

Researchers will be able to request access to information from the Ministère de la Santé et des Services sociaux and the Régie de l'assurance maladie du Québec by submitting a request via the single service window.

If a researcher's request meets the access conditions, the Institut de la statistique du Québec will create a research file responding to the researcher's needs based on various information files.

- The Institut de la statistique du Québec will ensure that data remains anonymous. This includes making it impossible to trace an individual by using a combination of several pieces of information presented in the research file.
- Therefore, no personal information will be communicated to the researcher.

Moreover, researchers will have to sign an agreement with the Institut de la statistique du Québec setting out the conditions for using the research file.

Depending on the level of detail requested and the assurance required with regard to the protection of personal information, the Institut de la statistique du Québec will provide access to research files in the CADRISQ<sup>1</sup> facilities or via secure remote access.

Throughout the process, data will be maintained by the government's secure IT infrastructure. Furthermore, the Commission d'accès à l'information will monitor the process and ensure that personal information is protected.

Due to its other responsibilities, the Commission d'accès à l'information will be granted additional sums provided for in the expenditure budget of the Secrétariat du Conseil du trésor in order to add members, in particular to expedite the processing of review requests made in connection with information access requests.

<sup>1</sup> Centre d'accès aux données de recherche de l'Institut de la statistique du Québec.

### 5.6.3 Support to centres of excellence in the life sciences sector

Québec has quality research centres that are recognized across the country and have helped it gain an international reputation. This is the case, in particular, of the Institute for Research in Immunology and Cancer – Commercialization of Research (IRICoR) and the Quebec Consortium for Industrial Research and Innovation in Medical Technology (MEDTEQ).

The March 2018 Québec Economic Plan provides additional support of \$9 million over the next five years to these centres of excellence in Québec, which is broken down into \$4.1 million for IRICoR and \$4.9 million for MEDTEQ.

This is in addition to the amounts already set aside to support these two bodies under the Québec Life Sciences Strategy and the Québec Research and Innovation Strategy.

— Therefore, the Québec government's support of IRICoR and MEDTEQ will total nearly \$27 million over the next five years.

This funding will support the operations of IRICoR and MEDTEQ as well as the development of collaborative research projects.

To this end, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

TABLE D.30

#### Government support to centres of excellence in the life sciences sector (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
<b>Planned amounts</b>						
– IRICoR	2.3	1.4	1.4	1.4	1.7	8.2
– MEDTEQ	2.1	2.1	2.1	2.1	1.4	9.7
<b>Subtotal</b>	<b>4.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.2</b>	<b>17.8</b>
<b>Additional support in the March 2018 Québec Economic Plan</b>						
– IRICoR	0.5	0.9	0.9	0.9	0.9	4.1
– MEDTEQ	0.5	1.1	1.1	1.1	1.1	4.9
<b>Subtotal</b>	<b>1.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>9.0</b>
<b>TOTAL</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.2</b>	<b>26.8</b>

Note: Totals may not add due to rounding.

## IRICoR and MEDTEQ

### **IRICoR**

The Institute for Research in Immunology and Cancer – Commercialization of Research (IRICoR) is a not-for-profit drug discovery and commercialization centre based at the Institute for Immunology and Cancer (IRIC).

IRICoR's main objective is to rapidly translate highly innovative university scientific projects from IRIC and collaborating centres into high-value, innovative therapies.

### **MEDTEQ**

The Quebec Consortium for Industrial Research and Innovation in Medical Technology. MEDTEQ's mission is to accelerate the development of innovative technological solutions to benefit clinicians and patients. MEDTEQ supports their validation and integration in the healthcare system and their impact, both globally and locally, by bringing together the complementary skills of industrial and academic partners with those of healthcare providers.

### **5.6.4 Enhancing funding for the Fonds d'accélération des collaborations en santé**

The Québec government created the Fonds d'accélération des collaborations en santé with an envelope of up to \$75 million, \$60 million of which was already available as part of the financial framework of the Québec Life Sciences Strategy, which was launched in May 2017.

- An initial call for proposals with an expected commitment of \$40 million from the Québec government was launched in September 2017.
- Due to the popularity of the first call for proposals, a second one is planned for the coming year.

Given the industry's interest in this program and the quality of the proposals submitted in the first call for proposals, the March 2018 Québec Economic Plan provides an additional \$15 million in the envelope for the Fonds d'accélération des collaborations en santé. This will enable a call for proposals to be launched, which could fund initiatives until 2022-2023.

To this end, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation.

### 5.6.5 Support for the Montréal Clinical Research Institute

The Montréal Clinical Research Institute is a biomedical research centre that conducts fundamental and clinical biomedical research. It has a critical mass of qualified researchers, which gives it a competitive edge in grant competitions.

To build on the level of research carried out at the Montréal Clinical Research Institute, the March 2018 Québec Economic Plan provides an additional \$10 million in its funding. The will enable the Montréal Clinical Research Institute to:

- hire new researchers;
- maintain its research activities;
- support training for graduate students.

Recruiting new researchers should enable the organization to obtain additional funding through federal grants and international bodies. In addition, business creation is anticipated due to the new opportunities generated by additional research activities.

## 5.7 Pursuing the Québec Aluminium Development Strategy

Québec has a world-class aluminium industry with equipment manufacturers, specialized suppliers, primary aluminium producers and processors, as well as bodies that support innovation in the industry.

This is a strategic industry for Quebec.

- It supports nearly 30 000 jobs, mostly regional.
- It accounts for some 1 500 establishments in Québec.
- Aluminium products are Québec's second-largest export, and were valued at \$6.6 billion in 2017.

In June 2015, the government launched the first Québec Aluminium Development Strategy to support this strategic industry for Québec's economy.

- Funding for the Québec Aluminium Development Strategy relies on a financial framework covering the 2015-2018 period.

### ☐ **\$33 million to pursue the Québec Aluminium Development Strategy**

To ensure the continuity of the actions carried out under the Québec Aluminium Development Strategy, the March 2018 Québec Economic Plan provides \$33 million over the next three years.

TABLE D.31

#### **Financial impact of pursuing the Québec Aluminium Development Strategy** (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Québec Aluminium Development Strategy <sup>(1)</sup>	—	-11.0	-11.0	-11.0	—	—	-33.0

(1) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

This envelope will help support initiatives that focus on three strategic priorities:

- creating a favourable environment for aluminium processing in Québec;
- ensuring the competitiveness of businesses in the industry;
- bolstering the entire sector.

This will enable the government to encourage the mobilization of the entire sector and support its key implementation partners, particularly AluQuébec, in order to spur growth and increase the reach and influence of all parts of the aluminium value chain in Québec.

To continue implementing the Québec Aluminium Development Strategy, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### **AluQuébec and the aluminium smelter of the future**

AluQuébec is Québec's aluminium industry cluster. Its mission is to promote synergy between end-users and players in the aluminium industrial chain by focusing on training, innovation and technological development aimed at boosting the processing and use of aluminium. This organization has been the main forum for the aluminium sector since its inception in 2013.

AluQuébec will propose a new project to ensure the long-term viability of Québec's aluminium industry in a context of increased international competition. It aims to become the aluminium smelter of the future.

The success of this project primarily hinges on technological changes in areas where Québec has significant strengths, including:

- the development of artificial intelligence;
- advances in automation and robotization.

These technologies will enable the creation of a new plant model that benefits all industry players. To achieve this, members of the aluminium cluster will be called on to provide their expertise and the tools at their disposal in order to actively implement this approach.

To carry out this project aimed at becoming the aluminium smelter of the future, funding of \$1 million over the next three years will be granted to AluQuébec and will be drawn from the funds available for the pursuit of the Québec Aluminium Development Strategy.

## 5.8 Supporting innovation in Québec's craft alcoholic beverage sector

Québec's craft alcoholic beverage sector is rapidly growing. In fact, Québec is seeing the emergence of a vibrant, sophisticated spirits industry that is generating spinoffs in many of its regions. In addition, the cider industry is continuing to grow through innovation.

To promote the development of Québec's distilling and cider industry, the March 2018 Québec Economic Plan provides for:

- enhancing support for Québec distillers;
- supporting the spirits bottling industry;
- undertaking a review of legislation with respect to the cider sector.

### 5.8.1 Enhancing support for Québec distillers

The March 2017 Québec Economic Plan expanded the Programme d'appui au positionnement des alcools québécois dans le réseau de la Société des alcools du Québec (PAPAQ) to include products made by holders of permits for the small-scale production of alcohol and spirits and by distiller's permit holders.

To support the marketing of new Québec spirits and promote distilling in Québec, the March 2018 Québec Economic Plan provides for the enhancement of the program with regard to spirits made from raw materials from Québec and distilled by the producer, beginning in 2018-2019.

The following changes will be made to the program:

- for spirits made using raw materials from Québec and distilled at least once by the producer, the maximum amount of assistance of \$30 000 per product category has been changed to \$50 000 per product;
- for spirits composed entirely of alcohol distilled by the producer and using raw materials exclusively from Québec, the maximum amount of assistance of \$30 000 per product category has been changed to \$75 000 per product.
  - For products that are aged for at least three years, assistance of \$2 per bottle will be added to the maximum assistance amount of \$75 000 per product.

The funds required for implementing this increase will be drawn from the program's available funds.

TABLE D.32

**Changes to financial assistance for holders of permits  
for the small-scale production of alcohol and spirits  
and for distiller's permit holders**

<b>Categories<sup>(1)</sup></b>	<b>Parameters of PAPAQ 2017-2018</b>		<b>Parameters of PAPAQ 2018-2019</b>	
	<b>Assistance</b>	<b>Limit<sup>(2)</sup></b>	<b>Assistance</b>	<b>Limit<sup>(2)</sup></b>
Spirits made using raw materials from Québec	4% of sales	\$30 000 per product category <sup>(3)</sup>	4% of sales	\$30 000 per product category <sup>(3)</sup>
Spirits made using raw materials from Québec and distilled at least once by the producer	4% of sales	\$30 000 per product category <sup>(3)</sup>	4% of sales	\$50 000 per product
Spirits entirely composed of alcohol distilled by the producer using raw materials exclusively from Québec	14% of sales	\$30 000 per product category <sup>(3)</sup>	14% of sales	\$75 000 per product
Spirits entirely composed of alcohol distilled by the producer using raw materials exclusively from Québec and aged for at least three years	14% of sales + \$2 per bottle	\$30 000 per product category, <sup>(3)</sup> including the \$2 increase	14% of sales + \$2 per bottle	\$75 000 per product, with the addition of the \$2 increase

(1) The spirits must contain at least 23% alcohol by volume.

(2) The maximum amount of assistance per company is \$200 000 per year.

(3) The product categories are as follows: fruit eau-de-vie, gin, liqueur, rum, vodka, whisky and non-standardized beverages (not included in other categories).

### 5.8.2 Support for the spirits bottling industry

To enable Québec spirits bottling companies to be competitive on the international scene and to protect jobs in this sector in Québec, the March 2018 Québec Economic Plan provides for the authorization to bottle spirits imported on behalf of a third party.

Legislative amendments will clarify the roles and responsibilities of permit holders regarding this newly established right.

Bottling spirits on behalf of a third party is not currently authorized in Québec. Distiller's permit holders therefore must own the alcoholic beverages that they bottle. This obligation is a constraint that has hindered the development of the spirits bottling sector in Québec.



### 5.8.3 Reviewing legislation regarding the cider sector

Cider production is firmly established in Québec and the number of producers continues to climb. This sector stands out through its creativity and constant innovation.

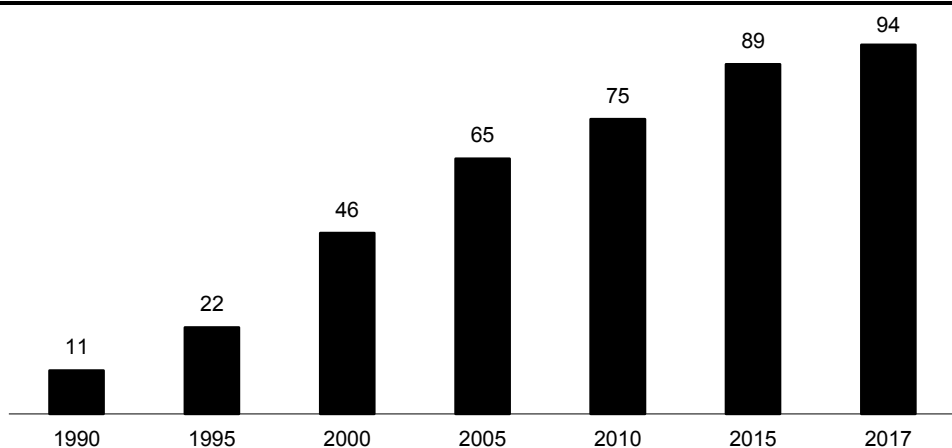
- Examples of this include the creation of fire cider and the implementation of the protected geographical indication “ice cider”, which have enabled Québec ciders to gain an international reputation.

As consumer demands and tastes continue to evolve, cider producers wish to remain at the forefront by creating new products while focusing on the authenticity of Québec products.

To support this innovation and growth in the Québec cider sector, amendments need to be made in order to modernize the *Regulation respecting cider and other apple-based alcoholic beverages*. These amendments will enable innovations in the production and naming of alcoholic beverages made by cider and apple-based beverage producers, such as the authorization to produce sparkling fire cider.

GRAPH D.3

#### **Growth in the number of Québec cider producers**



Note: The number of cider producers includes holders of permits for the small-scale production of cider and cider maker's permit holders. Producers with both permits were only counted once.

Sources: Régie des alcools, des courses et des jeux and Ministère des Finances du Québec.

## A fast-growing sector

As at February 2, 2018, there were 564 active permits in the alcoholic beverage production and manufacturing sector in Québec.

### Number of alcohol production permits<sup>(1)</sup> in effect in Québec – February 2, 2018



(1) Industrial permit.

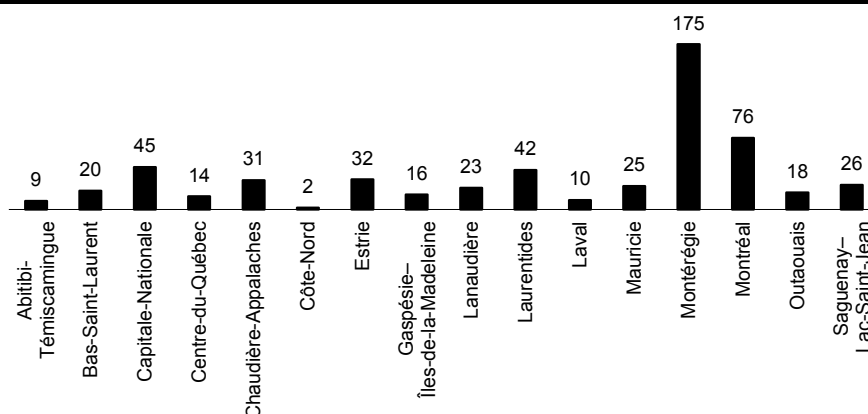
(2) Small-scale production permit held by an agricultural producer, which covers one or more of the following categories: wine, cider, mistelle, liqueur, alcoholic beverages made from maple syrup, berries or rhubarb, mead, alcohol or spirits.

Sources: Régie des alcools, des courses et des jeux and Ministère des Finances du Québec.

### Economic spinoffs for all Québec regions

All of Québec's regions benefit from the development and economic spinoffs of the alcoholic beverage sector.

### Number of alcohol production permits<sup>(1)</sup> by region – February 2, 2018



(1) This number includes both industrial and small-scale production permits.

Sources: Régie des alcools, des courses et des jeux and Ministère des Finances du Québec.

## 6. MEETING LABOUR MARKET CHALLENGES

Between May 2014 and February 2018, 222 600 jobs were created in Québec. Québec's economy is on course to reach the job creation target fixed at 250 000 over five years. For 2017 alone, 90 200 jobs on average were added compared to 2016 and the unemployment rate in Québec declined to 6.1%, the lowest rate observed on an annual basis since Statistics Canada began its Labour Force Survey in 1976. This results show how substantial are the economic gains achieved.

Over the coming years, Québec's economic growth will in large part depend on the labour market's capacity to adapt to worker and employer needs and meet the challenges of demographic change and rapidly developing new technologies.

The Québec Economic Plan has provided structuring measures in support of jobs that have generated conclusive results.

— In this respect, nearly \$1.2 billion has been provided since June 2014 to support workers and employers and improve training.

### 6.1 \$810 million in additional actions to meet the challenges of the labour market

To continue these efforts and meet upcoming challenges, the government will, over the next few weeks, present the 2018-2023 national workforce strategy.

This strategy will be based, in particular, on \$810 million in additional investments provided in the March 2018 Québec Economic Plan.

The initiatives are presented in the budget paper *Employment: Meeting Labour Market Challenges*.

TABLE D.33

#### Financial impact of measures to meet labour market challenges (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Better understanding current and future workforce needs	—	-4.0	-5.0	-5.0	-5.0	-5.0	-24.0
Having access to a sufficient workforce	-29.9	-70.6	-83.4	-85.6	-87.2	-88.8	-445.5
Ensuring a skilled workforce	-20.0	-28.6	-46.1	-58.6	-61.5	-62.7	-277.5
Adapting the workplace	—	-3.0	-15.0	-15.0	-15.0	-15.0	-63.0
<b>TOTAL<sup>(2)</sup></b>	<b>-49.9</b>	<b>-106.2</b>	<b>-149.5</b>	<b>-164.2</b>	<b>-168.7</b>	<b>-171.5</b>	<b>-810.0</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Of these sums, \$14 million will be drawn from the government's remuneration envelope.

## ❑ Commitments for the labour market

As part of this strategy, the government will present the means it intends to pursue to meet worker and employer employment needs.

For this purpose, the government is making three major commitments to improve its practices and obtain tangible results rapidly:

- implement, as of fall 2018, a more flexible process for developing vocational and technical studies programs;
  - Thus, once the partners have reached full agreement concerning a training need, the design and production phase for program of study will take a maximum of 18 months, thus enabling teaching institutions to offer training more rapidly.
- implement, in 2018, a new process for receiving and processing immigration applications under the Regular Skilled Worker Program;
  - With this new system, a person will state his or her interest in immigrating to Québec. If the individual's statement of interest meets established criteria, he or she will be invited to complete an immigration application.
  - This new system will significantly reduce application processing time for this program. Thus, the lead time for issuing a certificat de sélection du Québec will be reduced to six months for regular cases process in the statement of interest system.
- provide, annually once the measure is fully implemented, support by Emploi-Québec to more than 15 000 businesses and more than 150 000 individuals in an employment integration approach.

These commitments will be among the initiatives announced at the presentation 2018-2023 national workforce strategy, planned for spring 2018.

## **Rendez-vous national sur la main-d'œuvre**

In February 2017, the government held the Rendez-vous national sur la main-d'œuvre, which brought together representatives from various labour market constituencies. The Rendez-vous was primarily an opportunity to take stock of the workforce situation.

Rendez-vous also traced the government's major policy directions for the purpose of properly preparing the current and future workforce to meet the needs of tomorrow's labour market and respond to the new economic realities involving, in particular, innovation, digital technologies and globalization.

- Courses of action were thus determined on the basis of discussions held during the Rendez-vous national sur la main-d'œuvre, and some of them had already been implemented in the March 2017 Québec Economic Plan.

### **Follow-up to the Rendez-vous national sur la main-d'œuvre**

The Rendez-vous also provided an introduction to the 2018-2023 national workforce strategy, which, in particular, will ensure continuity with initiatives launched by the government in recent years.

- The policy directions and measures that will be announced as part of the strategy will stem from the findings and courses of action raised in the course of the Rendez-vous.

The initiatives announced as part of the Québec Economic Plan will be integrated into the forthcoming, 2018-2023 national workforce strategy to be presented in spring 2018 by the Minister of Employment and Social Solidarity.



## 7. PROMOTING THE ECONOMIC DEVELOPMENT OF ALL THE REGIONS

The initiatives implemented under the Québec Economic Plan to support the economy of the regions have helped to put Québec on the path to growth.

To continue on this path and take advantage of the full potential of the regions, the March 2018 Québec Economic Plan provides for new initiatives totalling more than \$417 million to promote the economic development of all regions.

TABLE D.34

### Financial impact of measures to promote the economic development of all regions (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Fostering economic diversification in the regions	-1.8	-11.0	-14.5	-17.5	-18.0	-20.0	-82.8
Strengthening Québec's forestry sector	-87.6	-9.0	-10.0	-10.0	-5.0	-5.0	-126.6
Ensuring the conservation and development of wildlife and wildlife habitats	-49.0	-7.5	-15.8	-20.1	-11.1	-12.0	-115.5
Financially supporting projects to extend the natural gas distribution network in the regions	—	-8.5	-10.0	-18.0	—	—	-36.5
Developing the mining sector	-12.0	-5.3	-6.8	-7.3	-0.8	-0.8	-33.0
Developing Northern Québec	—	-0.3	-11.0	-10.8	-0.9	—	-23.0
<b>TOTAL</b>	<b>-150.4</b>	<b>-41.6</b>	<b>-68.1</b>	<b>-83.7</b>	<b>-35.8</b>	<b>-37.8</b>	<b>-417.4</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

## 7.1 Fostering economic diversification in the regions

Québec's regions and municipalities are a source of pride and a resource that contribute to the economic, social and cultural development of all of Québec. They can rely on numerous key sectors of economic activity to stimulate their development, such as the tourism industry, culture, the agri-food sector and natural resources.

To support the regions in diversifying their economy, the March 2018 Québec Economic Plan provides an additional \$82.8 million over five years for:

- renewal of the Fonds d'aide aux initiatives régionales for the Gaspésie–Îles-de-la-Madeleine region;
- support for the Centre de recherche sur les milieux insulaires et maritimes;
- establishment of the Fonds de diversification économique pour le territoire de la MRC des Appalaches, endowed with a funding envelope of \$50 million;
- support for territories facing economic difficulties.

TABLE D.35

### Financial impact of measures to foster economic diversification in the regions (millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Total
Renewal of the Fonds d'aide aux initiatives régionales for the Gaspésie–Îles-de-la-Madeleine region <sup>(1)</sup>	—	–6.0	–6.0	–6.0	–6.0	–6.0	–30.0
Support for the Centre de recherche sur les milieux insulaires et maritimes	–1.8	—	—	—	—	—	–1.8
Establishment of the Fonds de diversification économique pour le territoire de la MRC des Appalaches <sup>(1)</sup>	—	–2.5	–3.5	–5.0	–5.0	–5.0	–21.0
Support for territories facing economic difficulties <sup>(1)</sup>	—	–2.5	–5.0	–6.5	–7.0	–9.0	–30.0
<b>TOTAL</b>	<b>–1.8</b>	<b>–11.0</b>	<b>–14.5</b>	<b>–17.5</b>	<b>–18.0</b>	<b>–20.0</b>	<b>–82.8</b>

(1) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.



### 7.1.1 **Renewing the Fonds d'aide aux initiatives régionales for the Gaspésie–Îles-de-la-Madeleine region**

In addition to being a major tourism hub, the Gaspésie–Îles-de-la-Madeleine region abounds in marine, forest, mining and agricultural resources. The region is also an innovation hub and is recognized for its expertise in the wind-power sector.

To support diversification and economic development in this region, the Fonds d'aide aux initiatives régionales (FAIR), a program launched in 2013 and designed for the Gaspésie–Îles-de-la-Madeleine region, has helped fund more than 400 economic development projects.

The sums invested by the government under this program have helped create or maintain nearly 2 000 jobs in the region and generate investments of nearly \$170 million.

In view of the success obtained by the FAIR, the March 2018 Québec Economic Plan provided for continuing its funding for the next five years.

For this purpose, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

#### **Fonds d'aide aux initiatives régionales**

The Fonds d'aide aux initiatives régionales has six components, providing support for:

- the business environment, providing financial assistance to organizations that promote regional economic development by providing their expertise to entrepreneurs;
- economic projects, providing financial support for carrying out research and development activities, investment projects and launching new businesses;
- funding of salaries for professionals, aimed at supporting the hiring of qualified professionals for the purpose of boosting productivity and diversifying markets for businesses;
- development of local municipalities, to offer them financial support for activities to maintain, develop and improve recreo-tourism, cultural and leisure infrastructures;
- funding of wage measures, aimed at hiring the services of skilled resources to support organizations with specific needs for coordination of special projects, events and certain activities;
- projects stemming from the Stratégie d'intervention gouvernementale pour le développement de la région Gaspésie–Îles-de-la-Madeleine, which reserves a maximum annual sum of \$1 million to support funding of projects stemming from the strategy but not corresponding to any of its components.

### **7.1.2 Support for the Centre de recherche sur les milieux insulaires et maritimes**

Located in the Îles-de-la-Madeleine and affiliated with the Université du Québec à Rimouski, the Centre de recherche sur les milieux insulaires et maritimes (CERMIM) is an applied research centre that supports innovation in insular and maritime communities.

CERMIM stands out thanks to its accomplishments in three areas of applied research:

- management of risks related to climate change;
- the environment and sustainable development;
- social and economic issues.

Since 2010, CERMIM has also extended its role to businesses located in the regions to facilitate their access to research and development resources and make them more competitive.

To support CERMIM's activities, the March 2018 Québec Economic Plan provides \$1.8 million to support this organization.

Over the coming years, CERMIM's activities will ensure development of a capacity for innovation in the territory, transferable to the provincial, national and international levels.

The government's support for CERMIM's activities will also help boost the economic, social and environmental spinoffs for organizations supported and will contribute to implementation of government strategies related to the environment and the maritime sector.

### 7.1.3 Establishment of the Fonds de diversification de la MRC des Appalaches

The territory of the Les Appalaches RCM was hard hit when asbestos production shut down.

To support this region in diversifying and transforming its economy, the March 2018 Québec Economic Plan provides for establishing the Fonds de diversification économique pour le territoire de la MRC des Appalaches, endowed with a budget envelope of \$50 million. This program is aimed at supporting, in particular:

- projects involving the new generation of entrepreneurs;
- projects for designing new products or processes;
- investment projects aimed at business creation or expansion;
- conducting feasibility studies.

The program will serve as an economic lever to stimulate private investments and promote job creation. Assistance will be granted primarily in the form of loans and loan guarantees and on a risk-sharing basis between financial partners.

Administration of the program will be entrusted to Investissement Québec under the Economic Development Fund. The terms and conditions will be spelled out at a later date by the Minister of Economy, Science and Innovation and the Minister for Small and Medium Enterprises, Regulatory Streamlining and Regional Economic Development.

For this purpose, additional appropriations will be granted to the Ministère de l'Économie, de la Science et de l'Innovation. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### 7.1.4 Support for territories facing economic difficulties

The Québec Economic Plan has provided all the regions of Québec with numerous tools designed to foster their economic development, in particular:

- the Fonds d'appui au rayonnement des régions, stemming from the adoption of the *Act mainly to recognize that municipalities are local governments and to increase their autonomy and powers*, which is intended to support the regions as they take charge of their economic development by implementing structuring projects at the regional level;
- the Fonds de développement des territoires, whose management was entrusted to the RCMs, which allows each of them to establish its own intervention priorities and establish support policies for their community.

Moreover, whether it results from being located far from major centres, bordering on a large city competing directly with it to attract businesses, or being in a difficult cyclical economic situation, certain territories face challenges to their vitality that demand special initiatives.

To support territories facing economic difficulties, the March 2018 Québec Economic Plan provides an additional \$30 million over five years.

The terms and conditions will be announced at a later date by the Minister of Municipal Affairs and Land Occupancy.

For this purpose, additional appropriations will be granted to the Ministère des Affaires municipales et de l'Occupation du territoire. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

**Use of sums in the Fonds d'appui au rayonnement des régions**

**A program to support regional development**

The Fonds d'appui au rayonnement des régions (FARR) was created in April 2017 and made available to all the regions in order to help them invest in mobilizing projects having a regional impact.<sup>1</sup>

- The sums provided by FARR are used entirely to fund development projects in line with the priorities determined by each of the regions. The projects funded are thus distinctively focused on regional promotion.
- To do this, the regions must establish their own selection committee which, through a process of regional collaboration and involvement, will be able to choose the most promising projects with respect to the priorities it has identified.

Creation of FARR is in line with the approach taken by the 2018-2022 Government Strategy to Ensure the Occupancy and Vitality of Territories, which was made public on December 11, 2017.

**Maximizing the use of the sums available to FARR**

Currently FARR is a government program. To offer rapid and direct support to the various regions of Québec, ensure predictability and facilitate long-term planning of their economic development, changes will be made to FARR so that the sums provided can be used to the fullest in the same way as a fund.

In 2018, joint work involving the Ministère des Finances, the Ministère des Affaires municipales et de l'Occupation du territoire and municipal partners will seek to determine the best mechanism to reach this goal.

<sup>1</sup> The cities of Montréal and Québec are not eligible for FARR since they have their own funds, the Fonds de développement économique de Montréal and the National Capital and National Capital Region Fund.

## 7.2 Strengthening Québec's forestry sector

Québec's forests play a front-line role economically, socially and environmentally.

In recent years, the government has supported several initiatives aimed at ensuring sustainability of the forestry sector, preservation of jobs tied to this sector and regional development.

The Forum Innovation Bois held in October 2016 and the presentation of its results in September 2017 identified the actions that must be taken to enable the forestry sector to boost its productivity for the benefit of all regions.

— Accordingly, the government intends to launch the next *Stratégie de développement de l'industrie québécoise des produits forestiers 2018-2023* in spring 2018.

To support the forestry sector, the March 2018 Québec Economic Plan provides additional sums totalling nearly \$127 million for:

- increasing the amounts allocated for the Programme Innovation Bois;
- support for development of private forests;
- the fight against the spruce budworm;
- additional reforestation in public forests;
- support for the industry through innovative solutions.

TABLE D.36

### Financial impact of initiatives to strengthen the Québec forestry sector (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Increasing the amounts allocated for the Programme Innovation Bois <sup>(2)</sup>	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
Support for development of private forests	-41.1	—	—	—	—	—	-41.1
Fight against the spruce budworm	-40.0	—	—	—	—	—	-40.0
Additional reforestation in public forests <sup>(2)</sup>	—	-4.0	-5.0	-5.0	—	—	-14.0
Support for the industry through innovative solutions	-6.5	—	—	—	—	—	-6.5
<b>TOTAL</b>	<b>-87.6</b>	<b>-9.0</b>	<b>-10.0</b>	<b>-10.0</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-126.6</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

### 7.2.1 Increasing the sums for the Programme Innovation Bois

To encourage increased competitiveness of the forest products industry, the March 2016 Québec Economic Plan announced a \$22.5-million envelope over five years for the implementation of the Programme Innovation Bois.

- The parameters of this program, which is aimed particularly at encouraging applied research and the creation of innovative products and processes for the forest products industry, were presented at the Forum Innovation Bois held in October 2016.

Given the large number of promising projects presented to the government, the March 2017 Québec Economic Plan announced a \$22.5-million increase over five years, thereby doubling the program's total envelope to \$45 million.

- A large portion of this envelope is committed for innovation projects showing promising prospects for the forestry industry.

To carry through with innovative projects to support the growth of the forest products industry, the March 2018 Québec Economic Plan provides for an additional enhancement of the Programme Innovation Bois of \$25 million over five years, boosting the program's envelope to \$70 million.

For this purpose, additional appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

TABLE D.37

#### **Envelope for the Programme Innovation Bois** (millions of dollars)

	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
March 2016 Québec Economic Plan	2.5	5.0	5.0	5.0	5.0	—	—	22.5
March 2017 Québec Economic Plan	—	2.5	5.0	5.0	5.0	5.0	—	22.5
March 2018 Québec Economic Plan	—	—	5.0	5.0	5.0	5.0	5.0	25.0
<b>TOTAL</b>	<b>2.5</b>	<b>7.5</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>10.0</b>	<b>5.0</b>	<b>70.0</b>

## 7.2.2 Supporting development of private forests

Private forests generate nearly 25 000 direct jobs. They represent 16% of Québec's productive forests, but account for 33% of Québec's forest potential.

Over the past 30 years, the Québec government has made major investments in private forests in view of their contribution to supplying the wood-processing industry.

The Assistance Program for the Development of Private Forests (APDPF) is a significant lever for boosting timber harvesting. It allows silvicultural work to be carried out in all regions of Québec by providing support to forest owners in their efforts to develop their woodlots.

To take advantage of the opportunities afforded by private forests, the March 2018 Québec Economic Plan provides \$41.1 million in additional support to the regional agencies for private forest development.

The regional agencies have as their mission to guide and promote the development of private forests, in particular, by:

- preparing and implementing a protection plan in their territory;
- financial and technical support for protection and development.

The \$41.1 million in additional support will allow them to:

- support and increase timber production in private forests;
- limit timber losses due to the spruce budworm by preventive harvesting, as well as restoring the areas affected to production;
- restore poorly regenerated areas to production, including areas affected by the spruce budworm, and maintain these areas.

Thanks to this work, the Québec government protects past public investments in private forest development, in addition to creating favourable conditions for boosting timber harvests from private forests.

### 7.2.3 Fight against the spruce budworm

Since 2006, Québec's public and private forests have been affected by an epidemic of spruce budworm (SB). This epidemic is currently spreading and is posing a challenge to the forestry sector.

- It is causing heavy losses in forest production in addition to hindering natural stand regeneration.

In 2017, more than 7 million hectares were affected by this insect pest, mainly in the Saguenay–Lac-Saint-Jean, Côte-Nord, Bas-Saint-Laurent, Gaspésie–Îles-de-la-Madeleine and Abitibi-Témiscamingue regions.

The Société de protection des forêts contre les insectes et maladies (SOPFIM) plays a front-line role in the fight against the SB, in particular by aerial spraying of biological insecticides on the worst affected stands in public and private forests.

Since 2009, more than 200 000 hectares have been covered by aerial spraying each year to combat the negative effects caused by the SB and thereby preserve the most vulnerable tree species.

However, the financial needs for such initiatives have been constantly on the rise due to the epidemic's rapid spread.

To protect stands in public and private forests and do so as rapidly as possible to mitigate the epidemic's long-term impacts, the March 2018 Québec Economic Plan provides an additional \$40 million for SOPFIM.

- These sums will be used, in particular, to increase the areas covered by aerial spraying by SOPFIM in response to the spread of the epidemic to territories that had not previously been affected.



#### **7.2.4 Additional reforestation in public forests**

The spruce budworm epidemic has direct negative impacts on timber harvests and on the regenerative capacities of the regions affected.

- Stands are sometimes harvested earlier than was planned in order to limit the spread of the epidemic or save high-risk area.

Natural forest regeneration is then slower and less abundant than it would normally be. Reforestation needs are therefore greater than anticipated and the efforts required are more onerous.

To meet reforestation needs, the March 2018 Québec Economic Plan provides \$14 million for work related, in particular, to site preparation and planting.

For this purpose, additional appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### 7.2.5 Support for development of the industry through innovative solutions

Improved productivity in forestry businesses in recent year is partially attributable to the fruitful collaboration between the forest industry, the government and recognized public research organizations, such as FPInnovations.

The government wishes to continue its partnership with FPInnovations. For this purpose, the March 2018 Québec Economic Plan provides an additional \$6.5 million to:

- train a highly qualified workforce to meet the needs of forestry businesses;
- take advantage of the resources offered by Québec's hardwood forests.

Advances in the use of new technologies and the development of new processes in the forest industry are considerable. These advances generally require special skills that must be mastered by the personnel in businesses and the workforce available for recruitment.

- By providing made-to-order technical interventions to forestry businesses and by offering innovative solutions to the problems facing the industry, FPInnovations will meet the needs of training a highly qualified workforce, which will help the industry's overall productivity.

Also, the government intends to support the forest industry by backing structuring pilot projects that will help address two major issues facing hardwood forests: management of degraded forests and optimization of the use of harvested timber.

#### **Chantier sur la forêt feuillue**

As part of the Chantier sur la forêt feuillue, a program to incentivize low-quality wood processing (pulp) was launched to support private promoters engaged in industrial projects using high volumes of low-quality wood from Québec hardwood forests, particularly in regions faced with a lack of users.

Continuing this work will make it possible to test certain structuring solutions to address two major issues facing hardwood forests: management of degraded forests and optimization of the use of harvested timber.

To consolidate the gains achieved with the Chantier sur la forêt feuillue, improve the contribution from hardwood forests to collective wealth and test structuring solutions to the recurrent problem facing hardwood forests, two new measures are proposed:

- the pilot project for harvesting timber in low-value forests in southern Québec;
- the pilot project for setting up and running a sorting yard.

## 7.3 Ensuring the conservation and development of wildlife and wildlife habitats

Québec's wildlife is diverse and represents a unique resource. The government has an important role to play in promoting and protecting Québec's biodiversity to ensure the sustainability of wildlife and wildlife habitats.

Accordingly, the March 2018 Québec Economic Plan provides \$115.5 million to ensure the conservation and development of wildlife and wildlife habitats.

TABLE D.38

### Financial impact of measures to ensure the conservation and development of wildlife and wildlife habitats

(millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Protection of endangered species <sup>(2)</sup>	—	-3.0	-5.0	-5.0	—	—	-13.0
Enhancement of the Program to Fight Asian Carp <sup>(2)</sup>	—	-1.0	-2.0	-2.0	—	—	-5.0
Support for development of the network of hunting and fishing controlled zones <sup>(2)</sup>	-15.0	-1.0	-1.0	-1.0	-1.0	-1.0	-20.0
Development of infrastructures in the Duchénier Wildlife Sanctuary	-10.0	—	—	—	—	—	-10.0
Development of green spaces in urban areas	-20.0	—	—	—	—	—	-20.0
Implementation of an integrated business solution for sale of hunting, fishing and trapping permits <sup>(2)</sup>	—	-1.0	-3.0	-4.0	-3.0	-3.0	-14.0
Salmon fishing development plan	-4.0	—	—	—	—	—	-4.0
Investments in Sépaq establishments <sup>(2)</sup>	—	-1.5	-4.8	-8.1	-7.1	-8.0	-29.5
\$15 million for maintaining accessibility to public lands <sup>(3)</sup>	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>-49.0</b>	<b>-7.5</b>	<b>-15.8</b>	<b>-20.1</b>	<b>-11.1</b>	<b>-12.0</b>	<b>-115.5</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

(3) Investments of \$15 million are provided in the 2018-2028 Québec Infrastructure Plan.

### 7.3.1 Protection of endangered species

The Québec government has the responsibility to protect wildlife and wildlife habitats, in particular, species of wildlife that are endangered or vulnerable, such as the beluga or the western chorus frog.

Conservation of wildlife habitats has important benefits for the community, particularly in regard to safety, public health and citizen accessibility to the territory.

Accordingly, the March 2018 Québec Economic Plan provides \$13 million to fund biodiversity conservation initiatives.

This sum will be used, in particular, to:

- strengthen regulatory oversight in regard to wildlife habitat protection and conservation;
- establish financial partnerships with conservation organizations for purchasing land and doing land restoration work;
- acquiring better knowledge about at-risk wildlife populations.

For this purpose, additional appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### 7.3.2 Enhancement of the Program to Fight Asian Carp

Phase 1 of the Québec Program to Fight Asian Carp was announced in the March 2016 Québec Economic Plan as part of the 2015-2020 Action Plan of Québec's Maritime Strategy's to prevent the spread of Asian carp.

- This first phase called for, in particular, conducting a risk analysis for Québec and determining possible management and mitigation measures.

The first phase, now drawing to a close, aided in the planning of management measures to limit the rapid spread of Asian carp from the Great Lakes.

To step up government actions in the fight against Asian carp, the March 2018 Québec Economic Plan provides \$5 million for implementing phase 2 of the Program to Fight Asian Carp.

Phase 2 will, in particular, help block or limit the spread of Asian carp not only in the St. Lawrence River, but also in inland waters.

For this purpose, additional appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### **7.3.3 Support for development of the network of hunting and fishing controlled zones**

Controlled zones (zecs) are fishing, hunting and outdoor recreation areas that allow numerous Quebecers and foreign tourists to enjoy the resources of Québec's wildlife and plant life.

- Created 40 years ago, the network of zecs today covers an area of 48 000 km<sup>2</sup> in 63 zecs located in 12 regions.

Zecs mainly offer hunting and fishing, as well as outdoor recreation and camping, in addition to providing protection for wildlife and plant life in their territories.

- To offer high-quality services to their visitors and allow for protection of animal and plant species, zecs must, in particular, maintain an extensive road network in addition to providing adequate reception facilities.

The government wishes to support the operation and development of the zec network. Thus, the March 2018 Québec Economic Plan provides \$20 million, in particular, to:

- diversify the offering of tourism activities in zecs;
- ensure maintenance and renovation of reception infrastructures;
- maintain roads used by visitors;
- promote protection of wildlife and wildlife habitat.

Accordingly, additional appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### **7.3.4 Development of infrastructures in the Duchénier Wildlife Sanctuary**

For 40 years, the Duchénier Wildlife Sanctuary has contributed to the renown of the Bas-Saint-Laurent region by offering tourism and recreation services for hunting and fishing in a territory of nearly 275 km<sup>2</sup>.

— The territory of this wildlife sanctuary includes 139 bodies of water, the greatest such concentration south of the St. Lawrence River, in addition to having one of the most extensive deer yards in eastern Québec.

To maintain its assets, the Duchénier Wildlife Sanctuary intends to carry out a modernization project in collaboration with several regional partners. The project consists, in particular, in:

- renovating and restoring reception infrastructures;
- using green energies;
- developing wildlife and recreo-tourism spaces;
- improving client service.

To support the Duchénier Wildlife Sanctuary in carrying out this project, the March 2018 Québec Economic Plan provides \$10 million in support.

### **7.3.5 Development of green spaces in urban areas**

Green spaces in urban areas contribute to the quality of life of citizens, in particular, because of their benefit to the environment and health. Also, they can be major tourist attractions and generate positive economic spinoffs for the surrounding communities.

For this purpose, the March 2018 Québec Economic Plan provides \$20 million to:

- improve accessibility to rivers;
- manage urban forests.

## ❑ Improving accessibility to rivers

The revitalization of the Rivière Saint-Charles provided citizens with one of the most beautiful linear parks in the Québec region, in addition to offering an example of eco-friendly and sustainable development.

The Ville de Québec intends to continue in this vein with an ambitious plan to revitalize and develop its rivers. This project will focus on sometimes neglected sectors and restore access to the rivers for citizens.

- This initiative is in line with the government's commitment to supporting eco-friendly and sustainable development projects that will benefit present and future generations.

For this purpose, the March 2018 Québec Economic Plan provides \$17 million to support the city in launching this project.

## ❑ Managing urban forests

The Ville de Québec has provided numerous examples of successful urban planning projects that have resulted in accessible and attractive public gathering places. The construction of the Promenade Samuel-De Champlain is an example of a project crowned with success.

In the same vein, the city is planning a linear trail running along the Falaise de Sillery. This nearly three-kilometer-long trail will connect several of the large estates and points of interest located in this historic district.

To support the city in carrying out this project, the March 2018 Québec Economic Plan provides \$3 million in financial assistance to help launch the first phase of the linear trail.

### 7.3.6 Implementation of an integrated business solution for sale of hunting, fishing and trapping permits

Hunting, fishing and trapping generate \$2.4 billion in economic benefits annually, in addition to supporting more than 13 000 full-time jobs. Each year, an average of 1.3 million hunting, fishing and trapping permits are sold in Québec.

The government is responsible for issuing hunting, fishing and trapping permits through brick-and-mortar sales outlets.

The March 2018 Québec Economic Plan provides \$14 million to implement an integrated business solution for the sale of hunting, fishing and trapping permits by creating an online Faune portal, which will provide, among other things:

- online sale of hunting, fishing and trapping permits via a secure connection for users;
- data collection, in particular, concerning wildlife inventories, number of permits sold and results of user opinion polls.

The permit purchasing process will thus be improved for the clientele. Also, the computer system that manages sales of permits and registration will be modernized.

For this purpose, additional appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### 7.3.7 Salmon fishing development plan

Salmon sport fishing is an important economic activity for several regions of Québec, generating estimated annual economic spinoffs of \$50 million and more than 1 500 direct jobs.

To make Québec a choice destination among those offered to anglers from around the world, the March 2017 Québec Economic Plan provided \$10 million in investments to develop salmon fishing in Québec.

To accelerate development in this sector, the March 2018 Québec Economic Plan provides additional investments of \$4 million.

Thus, the sums allocated for continuing the salmon fishing development plan will be used mainly to:

- invest in reception, access and accommodation infrastructures;
- protect the species and manage its habitat;
- count its population.

The salmon fishing development plan results from a collaboration between the Ministère des Forêts, de la Faune et des Parcs and the Fédération québécoise pour le saumon atlantique aimed at developing salmon sport fishing.

TABLE D.39

#### Financial impact of measures in the salmon fishing development plan (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
March 2017 Québec Economic Plan	-2.0	-2.0	-2.0	-2.0	-2.0	—	-10.0
March 2018 Québec Economic Plan	-4.0 <sup>(1)</sup>	—	—	—	—	—	-4.0
<b>TOTAL</b>	<b>-6.0</b>	<b>-2.0</b>	<b>-2.0</b>	<b>-2.0</b>	<b>-2.0</b>	<b>—</b>	<b>-14.0</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.



### 7.3.8 Investments in Sépaq establishments

The mission of the Société des établissements de plein air du Québec (Sépaq) is to ensure the accessibility, promotion and protection of the public lands and equipment entrusted to it by the government. Over the years, Sépaq has proven to be an important tourism lever for the province.

As part of its mandate, Sépaq operates and manages national parks, wildlife reserves and tourist centres that contribute significantly to the economy of various Québec regions.

The March 2018 Québec Economic Plan provides new investments to permit Sépaq to enhance its role as a regional economic engine:

- \$70 million in additional investments in Sépaq establishments;
- construction of the predator pavilion at the Aquarium du Québec;
- refurbishment of the roads leading to new sectors in the Parc national de la Pointe-Taillon.

To provide funding for these investments, additional appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

#### **☐ \$70 million in additional investments in Sépaq establishments**

In order to boost the tourism industry, the Québec Economic Plan provides \$70 million in additional investments in Sépaq establishments over the next five years.

- \$40.3 million will be devoted to upgrading Sépaq's built heritage. These investments will help meet infrastructure maintenance needs so that Sépaq can continue to offer a high-quality tourism product, while ensuring the safety and comfort of visitors.
- \$24.8 million will be invested in new tourism infrastructures. These investments will help boost the number of visitors to its establishments and generate significant economic spinoffs for numerous communities, including Île d'Anticosti, where hunting, fishing and resort activities will be developed.
- \$4.9 million will be used for preservation of shorelines and fishing habitats.

## **❑ Construction of the predator pavilion at the Aquarium du Québec**

The March 2018 Québec Economic Plan provides an investment of more than \$50 million for construction of a predator pavilion at the Aquarium du Québec. This will include, in particular:

- a dozen tanks to hold species such as great sharks, piranhas, barracudas and alligators;
- classrooms and conference rooms, as well as an education and awareness space for ecosystem preservation.

This new pavilion will place the Aquarium du Québec in the first rank of major international aquariums and will thus become an attraction helping to boost tourism in the Capitale-Nationale region.

## **❑ Refurbishment of the roads leading to new sectors in the Parc national de la Pointe-Taillon**

To increase the extent of the protected area in Québec's territory, the government recently announced the enlargement of the Parc national de la Pointe-Taillon. This park, located on the far northeast shore of Lac Saint-Jean, attracts a large number of visitors each year.

Enlargement of the park will render the Saint-Gédéon and Saint-Henri-de-Taillon sectors accessible to the public. In addition, to ensure safe travel for motorists and cyclists, work will be launched to upgrade road access.

The March 2018 Québec Economic Plan provides a total of \$3.5 million to upgrade road access to the new hubs of activity in the Parc national de la Pointe-Taillon.

### 7.3.9 **\$15 million for maintaining accessibility to public lands**

Québec has several thousands of kilometers of multi-purpose roads that allow the public to participate in a variety of economic and recreational activities, such as hunting, fishing, resorts, recreo-tourism and gathering certain forest products.

A great many of these access roads were built by the forest industry for forestry operations. However, when the forest industry halts its activities in a given sector, multi-purpose roads, particularly those crossing rivers and streams with bridges or culverts, can gradually deteriorate to where they become impassable.

Closing bridges for safety reasons can prevent road access to immense sectors where several economic or recreational activities associated with natural resources are carried on.

To upgrade water-crossing structures on multi-purpose roads, the March 2018 Québec Economic Plan provides investments totalling \$15 million. These investments are provided for in the 2018-2028 Québec Infrastructure Plan.

## 7.4 **Financially supporting projects to extend the natural gas distribution network in the regions**

Natural gas is a profitable transition energy for Québec that contributes to the reduction of greenhouse gases. Over the coming years, this form of energy will play an increasingly important role in supporting Québec's economic development and the competitive position of Québec businesses worldwide.

The government thus wishes to encourage access to natural gas for the greatest possible number of regions within Québec. Better access to natural gas will allow businesses to invest in improving their energy efficiency while reducing their carbon footprint.

For this purpose, the March 2018 Québec Economic Plan provides an additional \$36.5 million to financially support new projects designed to extend the natural gas distribution network in different regions of Québec, particularly Montérégie, Estrie and Chaudière-Appalaches, where Énergir recently targeted major projects with economic potential.

Of this amount, \$2.2 million will be reserved for conducting a study concerning the possibility of extending the gas network to the Saguenay–Lac-Saint-Jean region.

The projects funded will include a contribution by the natural gas distributor or the communities.

— These investments to extend the natural gas distribution network will avoid affecting the fees paid by consumers.

The amount provided in the March 2018 Québec Economic Plan comes in addition to the \$44.9 million already allocated for projects to extend the gas distribution network from Lévis to Sainte-Claire and the gas distribution network in Thetford Mines, in Saint-Éphrem-de-Beauce and in Saint-Marc-des-Carières, located in the Portneuf RCM.

- For example, the 72-km extension from Lévis to Sainte-Claire, launched in January 2017, has allowed some 100 buildings to be connected to the natural gas distribution network, more than double what was originally expected, and encouraged new investments in the region. This extension has, in particular, allowed the Kerry factory in Sainte-Claire to invest \$24 million to add a production line and convert equipment, thereby consolidating 220 jobs and creating 32 more.
- Moreover, the project to extend the network in the Thetford Mines region, which is in the course of being approved by the Régie de l'énergie, could help consolidate 1 300 jobs and would offer an affordable source of energy to local businesses, including the Boulangerie St-Méthode in Adstock, René Matériaux Composites in Sainte-Clotilde-de-Beauce and Dundee Technologies Durables in Thetford Mines.

To finance this measure, additional appropriations of \$8.5 million en 2018-2019, \$10 million in 2019-2020 and \$18 million in 2020-2021 will be granted to the Ministère de l'Énergie et des Ressources naturelles. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

<p><b>Call for projects to supply liquefied natural gas to the Côte-Nord</b></p>
<p>The development of Northern Québec is large-scale project for which the government wishes to maximize all benefits. Supplying the Côte-Nord and the Nord-du-Québec with natural gas would be a major advantage for these regions.</p> <ul style="list-style-type: none"> <li>- From an environmental standpoint, this form of energy reduces greenhouses gas emissions by industries, the majority of which currently use fuel oil and diesel.</li> <li>- From an economic standpoint, it can boost the profitability of existing businesses and businesses contemplating locating in the Côte-Nord and Nord-du-Québec regions since using natural gas helps makes them more competitive.</li> </ul> <p>Accordingly, the March 2018 Québec Economic Plan provides for a call for projects that will be launched to determine one or more suppliers to provide liquefied natural gas in the Plan Nord territory.</p> <p>The call for projects, planned for 2018, will be conducted jointly by the Société du Plan Nord and the Ministère de l'Énergie et des Ressources naturelles. They will be responsible for the financial and environmental cost-benefit analysis for each of the proposals received. When the call for projects is completed, recommendations will be transmitted to the government concerning the project with the best potential.</p>

## 7.5 Developing the mining sector

Developing geoscientific knowledge is essential in order to provide businesses with data that can boost their chances of making discoveries. Also, in an increasingly competitive environment, it is to Québec's advantage to develop technologies that can boost mining yield.

For this purpose, the March 2018 Québec Economic Plan provides \$33 million to:

- extend funding for the Natural Resources Fund – Mining Heritage Component for ten years;
- support innovation in the Québec mining sector;
- encourage mining in accordance with the principles of sustainable development;
- subscribe for capital stock of the Société de développement de la Baie-James.

TABLE D.40

### Financial impact of measures to develop the mining sector (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Extending funding for the Natural Resources Fund – Mining Heritage Component for ten years	—	—	—	—	—	—	—
Supporting innovation in the Québec mining sector	-4.5	-4.5	-6.0	-6.5	—	—	-21.5
Encouraging mining in accordance with the principles of sustainable development	-7.5	-0.8	-0.8	-0.8	-0.8	-0.8	-11.5
Subscribing for \$10 million of the capital stock of the Société de développement de la Baie-James	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>-12.0</b>	<b>-5.3</b>	<b>-6.8</b>	<b>-7.3</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-33.0</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

### **7.5.1 Extending funding for the Natural Resources Fund – Mining Heritage Component for ten years**

To ensure stable funding for the work of Géologie Québec and support mineral exploration, the March 2018 Québec Economic Plan provides for an extension of funding for the mining heritage component of the Natural Resources Fund for 2018-2028.

The mining heritage component of the Natural Resources Fund has as its mission, in particular, to support:

- acquisition of geoscientific knowledge, in particular, by funding Géologie Québec;
- research and development, as well as entrepreneurship.

#### **☐ Supporting the acquisition of geoscientific data**

The acquisition of geoscientific knowledge is the first stage in mining development. It can lead to the discovery of new deposits and, ultimately, the opening of new mines.

This knowledge encourages exploration, in particular, because it makes it easier to obtain the financing required for such work, while reducing the associated risks.

All Québec geoscientific data collected over the past 150 years are deposited in the Système d'information géominière du Québec and are accessible to everyone online.

#### **☐ Funding for the fund**

The mining heritage component of the Natural Resources Fund is funded out of royalties paid by mining companies for exploiting Québec's mineral resources. Thus, a maximum of \$20 million, deducted from mining royalties, will be paid into the fund each year for the next ten years.

### 7.5.2 Supporting innovation in the Québec mining sector

To maintain its position as a leader, the Québec mining sector must continue developing the best exploration and mining technologies.

To support innovation in the Québec mining sector, the March 2018 Québec Economic Plan provides \$21.5 million in funding by 2020-2021. These sums will be used, in particular, to:

- support different research bodies specialized in applied technologies in the mining sector;
- support the work of the Consortium de recherche appliquée en traitement et transformation des substances minérales;
- support new research target connected with new realities facing the mining industry (GHGs, environmental standards, electrification of mines, etc.).

The sums required to support innovation in the mining sector will be drawn from the mining heritage component of the Natural Resources Fund.

### 7.5.3 Encouraging mining in accordance with the principles of sustainable development

Mining companies face several social obligations and responsibilities associated with their activities.

To encourage mining in accordance with the principles of sustainable development, the March 2018 Québec Economic Plan provides \$11.5 million by 2022-2023 to:

- reduce the environmental footprint of mining, in particular, by optimizing the reuse of mine tailings;
- better address the social and environmental issues connected with development in the sector.

TABLE D.41

#### Encouraging mining in accordance with the principles of sustainable development

(millions of dollars)

	2017-2018 <sup>(1)</sup>	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Total
Reducing the environmental footprint of mining	-7.5	—	—	—	—	—	-7.5
Encouraging the mining sector to better address social and environmental issues	—	-0.8	-0.8	-0.8	-0.8	-0.8	-4.0
<b>TOTAL</b>	<b>-7.5</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-11.5</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.



## **❑ Reducing the environmental footprint of mining, in particular, by optimizing the reuse of mine tailings**

Development of mineral resources in Québec's territory must be pursued with a view to sustainable development.

To reduce the environment footprint of mining, the March 2018 Québec Economic Plan provides \$7.5 million to support work focusing, in particular, on:

- prevention and mitigation of the industry's impacts on the environment, including reuse of mine tailings;
- improvement in the capacity of Québec businesses to stand out thanks to sustainable development.

In this respect, the Université du Québec en Abitibi-Témiscamingue, the Cégep de l'Abitibi-Témiscamingue and the Centre technologique des résidus industriels have formed an organization whose goal is to develop innovative solutions for scaling ore treatment processes that are consistent with the principles of sustainable development.

The government's investment in this organization will provide the Abitibi-Témiscamingue region with hydrometallurgy expertise and infrastructures, as well as enhancing existing environmental protection expertise.

## **❑ Encouraging the mining sector to better address social and environmental issues connected with its development**

Mining companies face several social obligations and responsibilities associated with their activities. In some cases, these obligations and responsibilities may generate significant costs.

To encourage the mining sector to better address social and environmental issues, the March 2018 Québec Economic Plan provides that mining companies will henceforth be allowed to deduct, in calculating their mining tax, the costs incurred to carry out social and environmental impact studies for their projects.

By encouraging companies to carry out social and environmental impact studies that meet the highest standards and to share the results obtained through a community consultation process, the government is seeking to:

- ensure that Québec's natural resources are developed in a manner that is consistent with the principles of sustainable development;
- encourage mining companies to adequately inform citizens;
- reconcile economic prosperity, the interests of local communities and respect for living environments.

Introducing the allocation for environmental studies represents a financial impact of \$4 million over the next five years.

### **The allocation for environmental studies**

The allocation for environmental studies is designed to allow an operator to deduct an amount from annual mining profits that may not exceed the balance of the cumulative environmental studies expense account at the end of the fiscal year.

- Briefly, the cumulative account will include 50% of the costs of environmental studies incurred by the operator.

#### **Costs incurred to carry out social and environmental impact studies**

Costs associated with social and environmental impact studies incurred by a mining company include, in particular:

- the basic social and environmental study;
- the environmental impact study.

For example, costs incurred for these studies include:

- professional fees;
- costs related to specialized consulting services;
- employee salaries.

However, the fees paid to the Bureau d'audiences publiques sur l'environnement, such as fees related to hearings and procedures, will not be eligible for the allocation for environmental studies.

### **7.5.4 Subscribing for \$10 million of the capital stock of the Société de développement de la Baie-James**

The Société de développement de la Baie-James (SDBJ) is an important partner in carrying out development and economic diversification projects in the James Bay territory.

Thanks to investments of more than \$26 million in nearly 150 projects, the SDBJ has acquired, over the past 15 years, specialized expertise in projects in this territory.

To contribute to the pursuit of its mission, the March 2018 Québec Economic Plan provides for an additional subscription for \$10 million of the SDBJ's capital stock.

This additional subscription will allow the Société to invest more in enterprises active in the territory, in collaboration with its different partners, including the Cree Nation Government, the James Bay Regional Administration and the other partners of the James Bay Capital Network.

## 7.6 Developing Northern Québec

The Plan Nord is a key component of the Québec Economic Plan.

In recent years, the government has launched multiple initiatives to develop the immense potential available north of the 49th parallel and maximize its spinoffs for all Quebecers.

Thanks to these actions, new projects generating jobs and prosperity continue to be developed in the Plan Nord territory.

- The recommissioning of the Lac Bloom mine, made possible thanks to participation by the Mining and Hydrocarbon Capital Fund and access to the infrastructures of the Société ferroviaire et portuaire de Pointe-Noire acquired by the Québec government in 2016, is a good example of a promising economic project for the Côte-Nord region.
- The launching of a major project to repair the route de la Baie-James, in collaboration with the federal government, is another such example for the Nord-du-Québec region.

Québec's attractiveness for mining investments, confirmed again this year by the Fraser Institute's *Annual Survey of Mining Companies*, bodes well for continuing sustained development in the territory.

In the coming year, the government will provide the Société du Plan Nord with an envelope of more than \$86 million to launch initiatives intended, in particular, to:

- complete certain investments already under way to develop the Plan Nord territory;
- foster new economic development projects north of the 49th parallel;
- improve living conditions and health security for people in the North.

More specifically, the March 2018 Québec Economic Plan provides sums totalling \$23 million over five years for:

- additional investments to finalize construction work on two sections of route 138;
- investments for the development of the Société ferroviaire et portuaire de Pointe-Noire;
- support for repair work on multi-resource access roads;
- clean-up of hazardous waste storage sites in the 14 northern villages of Nunavik.

TABLE D.42

**Financial impact of new initiatives under the Plan Nord**  
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Additional investments – extension of route 138 <sup>(1)</sup>	—	—	—	—	—	—	—
Development of the Société ferroviaire et portuaire de Pointe-Noire <sup>(2)</sup>	—	—	—	—	—	—	—
Repair of multi-resource access roads <sup>(3)</sup>	—	—	-10.0	-10.0	—	—	-20.0
Clean-up of hazardous waste storage sites in Nunavik <sup>(3)</sup>	—	-0.3	-1.0	-0.8	-0.9	—	-3.0
<b>TOTAL</b>	<b>—</b>	<b>-0.3</b>	<b>-11.0</b>	<b>-10.8</b>	<b>-0.9</b>	<b>—</b>	<b>-23.0</b>

(1) The additional investments in connection with this project are integrated into the 2018-2028 Québec Infrastructure Plan. According to the contribution agreed upon for each financial partner, the impacts will be integrated into the government's financial framework.

(2) This initiative will be funded from the envelope of the maritime transportation investment support program, under the jurisdiction of the Ministère des Transports, de la Mobilité durable et de l'Électrification des transports, which is already provided for in the government's financial framework.

(3) These initiatives will be funded by the Société du Plan Nord from sums made available to it by the Fonds du Plan Nord.

In addition to these initiatives, the March 2018 Québec Economic Plan provides for:

- construction of a new regional rehabilitation centre in Nunavik;
- renewal for 2018-2019 of the Agreement on the Financing of Measures to Reduce the Cost of Living in Nunavik;
- carrying out a study on regional air transport needs and planning in the Plan Nord territory.

The impacts of these three measures total \$15.2 million over five years. These measures are presented in section C of the March 2018 Québec Economic Plan, for the first two measures, and in section 6 of the budget paper *Toward Electric Mobility: For the Sustainable Development of All Transportation Modes*, for the last measure.

Overall, the new initiatives under the Plan Nord will generate financial impacts totalling \$38.2 million over the next five years.

### 7.6.1 Financial framework of the Fonds du Plan Nord

The Fonds du Plan Nord is a special fund assigned to administering the Société du Plan Nord and funding of its activities.

It derives most of its revenues from:

- a portion of the tax revenues resulting from investments made in the Plan Nord territory, paid in the form of an annual endowment;
- an annual contribution by Hydro-Québec, fixed at \$15 million since the March 2016 Québec Economic Plan.

#### □ Annual endowment of the Fonds du Plan Nord

The endowment of the Fonds du Plan Nord is fixed for a five-year period, but is revised annually based on the progress of projects undertaken in the territory and the resulting tax revenues.

- Tax revenues are estimated based on investment projects in progress or planned.
- Only investments initiated and implemented after the creation of the Fonds du Plan Nord are taken into account.

#### ■ 2018-2019 endowment of the Fonds du Plan Nord

Based on the latest available data, investments of more than \$13 billion were taken into account to estimate the 2018-2019 endowment of the Fonds du Plan Nord.

For 2018-2019, the endowment of the Fonds du Plan Nord is fixed at \$73.5 million.

The endowment for the next five years is estimated at \$367.7 million, which is a reduction of \$25.3 million compared to what was projected in the preceding estimation. This is due, in particular, to the fact that certain projects have been postponed.

TABLE D.43

#### Five-year forecast for the endowment of the Fonds du Plan Nord based on the time of estimation (millions of dollars)

	Total – 5 years
March 2018 Québec Economic Plan	367.7
March 2017 Québec Economic Plan	393.0
<b>DIFFERENCE</b>	<b>-25.3</b>

TABLE D.44

**Financial framework of the Fonds du Plan Nord**  
 (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
<b>Revenues</b>						
Annual endowment	73.5	73.5	73.5	73.5	73.5	367.7
Hydro-Québec contribution	15.0	15.0	15.0	15.0	15.0	75.0
Other revenues <sup>(1)</sup>	2.9	2.8	2.7	2.5	2.2	13.1
<b>Total – Revenues</b>	<b>91.4</b>	<b>91.3</b>	<b>91.2</b>	<b>91.1</b>	<b>90.7</b>	<b>455.8</b>
<b>Expenses</b>						
Contribution to the Société du Plan Nord <sup>(2)</sup>	86.1	85.1	99.0	92.2	112.1	474.4
Other expenses <sup>(3)</sup>	2.5	2.4	2.2	2.0	1.8	10.9
<b>Total – Expenses</b>	<b>88.6</b>	<b>87.4</b>	<b>101.2</b>	<b>94.3</b>	<b>113.8</b>	<b>485.3</b>
<b>Annual balance</b>	<b>2.9</b>	<b>3.9</b>	<b>–9.9</b>	<b>–3.2</b>	<b>–23.1</b>	<b>–29.5</b>
<b>Year-end accumulated balance</b>	<b>38.5</b>	<b>42.4</b>	<b>32.5</b>	<b>29.2</b>	<b>6.1</b>	<b>6.1</b>

Note: Totals may not add due to rounding.

(1) These revenues include Fonds du Plan Nord investment income as well as interest income on a loan to Les Diamants Stornoway.

(2) The amounts made available to the Société du Fonds du Plan Nord are used mainly to support the initiatives set out in the *Plan Nord toward 2035 – 2015-2020 Action Plan* as well as the new initiatives announced as part of the Québec Economic Plan.

(3) These expenses include Fonds du Plan Nord management fees and financing costs in connection with the loan to Les Diamants Stornoway.

## 7.6.2 Additional investments to extend route 138

The extension of route 138 by nearly 400 kilometers is an important project for the Plan Nord.

When completed, it will contribute to opening up access for isolated communities on the Côte-Nord, developing a more diversified local economy and, ultimately, establishing an economic development corridor between the provinces of Québec and Newfoundland and Labrador.

An amount of \$232 million is provided under the financial framework of the Fonds du Plan Nord to contribute to work for extending route 138. Already, investments are under way for finalizing plans and specifications and clearing forest in a part of two segments, the one connecting Kegaska and La Romaine and the one connecting Tête-à-la-Baleine and La Tabatière.

In addition to the sums already invested in the project, additional investments will be necessary to finalize the construction work now under way.

These additional investments are included in planning under the 2018-2028 Québec Infrastructure Plan.

The Société du Plan Nord and the Land Transportation Network Fund will be expected to contribute to their funding. The federal government will also be invited to contribute under the New Building Canada Fund's Provincial-Territorial Infrastructure Component.

According to the contribution agreed upon for each of the financial partners, the impacts will be integrated into the government's financial framework.



### **7.6.3 Development of the Société ferroviaire et portuaire de Pointe-Noire**

Development of mining projects under way in the Labrador Trough depend, in particular, on competitive access to markets.

Since 2016, the government has invested more than \$120 million in the Société ferroviaire et portuaire de Pointe-Noire (SFPPN) to acquire and recommission the Pointe-Noire rail and port infrastructures, in Sept-Îles.

— The SFPPN is a limited partnership having Société du Plan Nord as its sole partner.

A portion of the facilities is now functional and was used to transship approximately 1 million tonnes of ore in 2017.

The March 2018 Québec Economic Plan provides an additional investment of up to \$30 million to continue developing the SFPPN.

This investment will make it possible to continue upgrading the infrastructures under the SFPPN's responsibility and thus adjust the capacity of its facilities based on projected medium-term transshipment needs.

— Access contracts currently in negotiation could raise the volume of ore transported to more than 20 million tonnes per year within a few years.

— The SFPPN's activities could ultimately generate operating income on the order of \$100 million per year, guaranteeing its profitability.

The required sums will be set aside for the maritime transportation investment support program, under the responsibility of the Ministère des Transports, de la Mobilité durable et de l'Électrification des transports.

These sums will be invested based on needs demonstrated by the SFPPN to supplement contributions from the private sector and the federal government.

## **A \$280-million investment plan**

Since acquisition of the Pointe-Noire rail and port infrastructures by the government in 2016, considerable work has been done to restart transshipment operations.

- Thanks to this work, it was possible to transship 250 000 tonnes of ore in 2016 and approximately 1 million tonnes in 2017.

However, growth in demand for access to the facilities of the Société ferroviaire et portuaire de Pointe-Noire (SFPPN) has been substantial and rapid. Mining projects are being developed and require access to markets.

- These projects could generate hundreds of high-quality jobs on the Côte-Nord and throughout Québec.

In 2018, 10 million tonnes of ore could be transshipped by the SFPPN. Access contracts currently in negotiation could raise the volume of ore transshipped to more than 20 million tonnes per year within a few years.

The facilities were not designed for a multi-user context or for such intense, high-volume use. Also, several of them do not meet current global market standards.

To make it possible to carry out the expected operations, a global investment plan of up to \$280 million has thus been proposed by the SFPPN.

This investment plan will be implemented in several phases, based on capacity requirements as they develop.

In 2018, more than \$70 million could be invested by the SFPPN to meet user needs.

- These investments would make it possible, in particular, to:
  - comply with environmental standards in a context of heavy growth in transshipment activities;
  - modernize the most decrepit structures in the Wabush yard;
  - add train unloading equipment;
  - bring conveyor speed up to current industry standards.

The government is underwriting a part of these investments to ensure real multi-user access to the facilities and provide the required environmental protection measures.

- The mining companies, who are also the SFPPN's partners and clients, will contribute financially to this investment plan. A contribution from the federal government is also expected.
- These financial contributions by mining partners are in line with the SFPPN's business model, in that they guarantee long-term access at competitive costs.

#### **7.6.4 Repair of multi-resource access roads**

Multi-resource access roads in the Plan Nord territory are used by a great number of users, including mining companies for their exploration work.

When a mining project is brought into production, these roads require major repairs to support year-round ore transport by heavy trucks.

These repairs, financed by mining companies, benefit all users and foster other economic development projects north of the 49th parallel.

Accordingly, the March 2018 Québec Economic Plan provides a \$20-million envelope over two years to support mining companies performing major repairs on multi-resource access roads.

To be eligible, projects must be:

- for the purpose of performing major repairs on existing multi-resource access roads;
- undertaken in connection with the bringing into production of a new mining project in the Plan Nord territory.

On average, the financial support offered could total as much as one third of the cost of repairing multi-resource roads.

The details of the measure will be made public at a later date by the Minister of Energy and Natural Resources and Minister responsible for the Plan Nord.

For its implementation, an additional envelope will be granted to the Société du Plan Nord drawn from the Fonds du Plan Nord.

### **Funding for new multi-user infrastructures**

Construction of new infrastructures to access remote resources in the Plan Nord territory can bring great pressure to bear on the financing package for development projects.

Once built, these infrastructures can be used by local and Aboriginal populations and facilitate other economic development projects, which will generate spinoffs benefiting all of Québec.

To determine the criteria for the government's participation in such projects, the March 2018 Québec Economic Plan provides for setting up a committee that will be mandated to propose a financing framework for new multi-user infrastructures.

The proposed framework must be based on principles such as:

- providing access to isolated territories that have strong development potential and could improve access for local populations in remote areas;
- benefit the greatest number of potential users;
- serve at least two projects with a high probability of implementation and proven social acceptability.

The committee will be under the responsibility of the Société du Plan Nord and will include representatives of the departments involved.

The results of its work will be made public in the 2019 Québec Economic Plan.

### 7.6.5 Clean-up of hazardous waste storage sites in Nunavik

Isolation and a harsh climate pose challenges for managing barrels containing hazardous wastes for 14 northern villages in Nunavik.

The March 2018 Québec Economic Plan provides a \$3-million envelope over four years to clean up storage sites and safely dispose of hazardous wastes in Nunavik.

Once implemented, this initiative will help:

- improve health security in northern villages and protect the environment;
- train new expertise among northern populations, which will boost participation by the Inuit in environmental clean-up;
- raise awareness among local stakeholders regarding better hazardous waste management practices in the years to come.

Also, it complements other initiatives now under way or announced for the territory, including:

- the waste-to-energy conversion pilot project at Kuujuaq, announced in the March 2017 Québec Economic Plan, in which barrels containing waste oil can be used as a source of energy;
- the strategy for the vitality and development of northern heritage, announced in January 2018, which will permit the dismantling of some 200 mobile camps set up across the territory.

For the implementation of this measure, an additional envelope will be granted to the Société du Plan Nord, drawn from the Fonds du Plan Nord.



## 8. FOSTERING ACCESS TO CULTURE

### 8.1 \$509 million for implementing the cultural policy

The government's involvement with Québec culture and its artisans is one of the levers that contribute to Québec's current cultural vitality.

Accordingly, the March 2018 Québec Economic Plan provides nearly \$509 million for the promotion of Québec culture in coming years. Also, an additional envelope of \$30 million will be granted to the Société de développement des entreprises culturelles for its financial interventions. These investments will be used to:

- bring culture closer to young people and to the community, in particular, by offering cultural outings for students in childcare at school;
- foster creation and excellence, in particular, by increasing budgets for creation and production and by enhancing and extending the tax credits for the cultural sector;
- support culture and heritage in all regions of Québec, in particular, by enhancing the Québec Cultural Heritage Fund and by offering free visits to museums one Sunday a month;
- deploy Québec culture in digital space, in particular, by introducing a tax credit to support digital transformation of print media companies.

The initiatives are presented in the budget paper *Culture: An Ongoing Commitment to Supporting Québec Culture*.

TABLE D.45

**Financial impact of measures to implement the cultural policy<sup>(1)</sup>**  
(millions of dollars)

	2017- 2018 <sup>(2)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Bringing culture closer to young people and to the community	-35.0	-15.4	-15.5	-15.5	-15.5	-16.1	-113.0
Fostering creation and excellence	-42.4 <sup>(3)</sup>	-21.2	-23.7	-25.3	-26.9	-29.4	-168.9
Supporting culture and heritage in all regions of Québec	-24.6	-13.3	-14.2	-14.2	-14.2	-30.2	-110.7
Deploying Québec culture in digital space	—	-8.5	-17.8	-26.4	-30.9	-32.7	-116.3
<b>TOTAL</b>	<b>-102.0</b>	<b>-58.4</b>	<b>-71.2</b>	<b>-81.4</b>	<b>-87.5</b>	<b>-108.4</b>	<b>-508.9</b>

(1) From 2018-2019 to 2022-2023, the measures will be funded by \$288.6 million in additional appropriations granted to the Ministère de la Culture et des Communications: \$52.1 million in 2018-2019, \$56.3 million in 2019-2020, \$57.6 million in 2020-2021, \$59.5 million in 2021-2022 and \$63.1 million in 2022-2023. For 2018-2019, the appropriations will be drawn from the Contingency Fund. Also, tax expenditures of \$82.8 million and an additional \$35.5 million drawn from revenues generated by the specific tax on tobacco are provided over five years.

(2) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(3) Of this amount, a sum of \$12.1 million is granted to government bodies.





## 9. PROTECTING THE ENVIRONMENT AND PROMOTING THE ENERGY TRANSITION

A quality environment and a rich natural heritage have always been powerful levers of economic and social development for Québec. Therefore, the government intends to continue taking steps to build a greener, more sustainable economy.

For this purpose, the March 2018 Québec Economic Plan provides for investments of nearly \$662 million to:

- implement initiatives in support of the energy transition;
- protect ecosystems and ensure sustainable development of the territory;
- improve water management and mitigate risks related to flooding.

TABLE D.46

### Financial impact of the measures to protect the environment and promote the energy transition (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Implementing initiatives in support of the energy transition	-7.5	-104.7	-78.7	-43.2	-10.7	-15.3	-260.1
Protecting ecosystems and ensuring sustainable development of the territory	-98.5	-12.4	-17.9	-17.6	-14.7	-14.7	-175.8
Improving water management and mitigating risks related to flooding	-71.9	-27.4	-29.8	-35.0	-35.2	-26.6	-225.9
<b>TOTAL</b>	<b>-177.9</b>	<b>-144.5</b>	<b>-126.4</b>	<b>-95.8</b>	<b>-60.6</b>	<b>-56.6</b>	<b>-661.8</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

## 9.1 Implementing initiatives in support of the energy transition

Québec is well positioned with regard to the production and use of green energy. It must continue in this direction and step up its efforts to achieve its environmental objectives, particularly with respect to reducing greenhouse gas (GHG) emissions and petroleum product consumption.

To achieve these objectives, the government adopted, in particular, the 2030 Energy Policy in December 2016. This policy identifies a series of energy targets that must be achieved in order to make the energy transition.

As part of this policy, the government has created Transition énergétique Québec to coordinate government action aimed at achieving these objectives.

In this context, the March 2018 Québec Economic Plan provides for investments of over \$260 million for initiatives that will contribute to the energy transition and the fight against climate change:

- promoting the acquisition of electric vehicles;
- conducting pilot projects to test self-driving electric vehicles;
- supporting innovation in energy efficiency and the reduction of GHG emissions;
- supporting the reduction of GHG emissions and energy consumption;
- promoting the use of residual forest biomass;
- implementing an innovative energy transition fund;
- developing the hydrogen sector in Québec;
- promoting the production of biofuels in Québec;
- promoting the production of residual forest biomass-based bio-oil;
- continuing the Valorisation Carbone Québec project.

TABLE D.47

**Financial impact of initiatives in support of the energy transition**  
(millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Promoting the acquisition of electric vehicles	—	-63.5	-30.6	—	—	—	-94.1
Conducting pilot projects to test self-driving electric vehicles <sup>(2)</sup>	—	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Supporting innovation in energy efficiency and the reduction of GHG emissions <sup>(2)</sup>	—	-5.0	-7.0	-8.0	—	—	-20.0
Supporting the reduction of GHG emissions and energy consumption <sup>(2)</sup>	—	-10.0	-10.0	-10.0	—	—	-30.0
Promoting the use of residual forest biomass <sup>(2)</sup>	—	-15.0	-15.0	-15.0	—	—	-45.0
Implementing an innovative energy transition fund <sup>(3)</sup>	—	—	—	—	—	—	—
Developing the hydrogen sector in Québec <sup>(2)</sup>	—	-7.5	-8.2	-1.5	—	—	-17.2
Promoting the production of biofuels in Québec	—	-2.2	-5.3	-6.1	-8.1	-12.7	-34.4
Promoting the production of residual forest biomass-based bio-oil	—	-0.5	-1.6	-1.6	-1.6	-1.6	-6.9
Continuing the Valorisation Carbone Québec project	-7.5	—	—	—	—	—	-7.5
<b>TOTAL</b>	<b>-7.5</b>	<b>-104.7</b>	<b>-78.7</b>	<b>-43.2</b>	<b>-10.7</b>	<b>-15.3</b>	<b>-260.1</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

(3) This measure has no financial impact since it is an investment with expected return.

## Transition énergétique Québec

### Creation of Transition énergétique Québec

On April 1, 2017, the government created Transition énergétique Québec (TEQ) to coordinate, support, stimulate, promote and monitor programs and measures in the area of energy transition, innovation and efficiency.<sup>1</sup>

With the creation of this body, which reports to the Minister of Energy and Natural Resources, energy transition efforts have been stepped up throughout the government.

The TEQ is financed out of the contribution payable by energy distributors, the sums allocated by the 2013-2020 Climate Change Action Plan and the sums placed at its disposal by the Energy Transition Fund and other partners.

All of these means and tools will make it possible to achieve the objectives set in the government's 2030 Energy Policy.

### First master plan

Every five years, as part of its mission, the TEQ must prepare an energy transition, innovation and efficiency master plan in order to structure all of the energy transition measures of government departments and bodies.

In June 2017, the government adopted the policy directions and general objectives that will have to be achieved by the TEQ by the expiry of its first master plan that will cover the 2018-2023 period, in particular:

- improve the average energy efficiency of Québec society by at least 1% per year;
- reduce total petroleum consumption by at least 5% relative to 2013, which in 2023 should represent an actual reduction of 900 million litres of petroleum products.

The first master plan is expected to be submitted in spring 2018.

<sup>1</sup> Transition énergétique Québec is presented in more detail in the budget paper *Climate Change: Actions to Reduce GHGs*.

### 9.1.1 Promoting the acquisition of electric vehicles

In the Transportation Electrification Action Plan 2015-2020, unveiled in October 2015, the Québec government demonstrated its commitment to transportation electrification for the purpose of reducing GHG emissions. It also set the objective of reaching 100 000 registered electric vehicles in Québec by 2020.

To foster the achievement of this target, the government can count, in particular, on:

- a large and constantly growing network of public charging stations (it currently has 1 250 stations);
- a zero-emission vehicles standard in effect since January 11, 2018, which aims to stimulate the supply of zero- or low-emission vehicles;
- the Drive Green Program, which includes the Drive Electric and Branché au travail components;
- a pilot project to promote the acquisition of used electric vehicles.

To encourage the acquisition of electric vehicles, the March 2018 Québec Economic Plan provides for:

- the continuation of the Drive Electric component by supplying it with funding until June 30, 2019;
- a one-year extension of the pilot project to promote the acquisition of used electric vehicles.

TABLE D.48

#### **Financial impact of the measures to promote the acquisition of electric vehicles** (millions of dollars)

	2018-2019	2019-2020	Total
Additional funding for the Drive Electric component <sup>(1)</sup>	-61.5	-30.6	-92.1
One-year extension of the pilot project to promote the acquisition of used electric vehicles	-2.0	—	-2.0
<b>TOTAL</b>	<b>-63.5</b>	<b>-30.6</b>	<b>-94.1</b>

(1) The additional \$92.1 million will be financed by the Green Fund.

## ❑ **Additional funding for the Drive Electric component**

To pursue the Québec government's objective of 100 000 registered electric vehicles by 2020, the March 2018 Québec Economic Plan provides for the continuation of the Drive Green Program and ensures its funding.

### **A target of 100 000 electric vehicles**

The government intends to continue its initiatives to encourage Québec consumers to buy more electric vehicles. Therefore, it is maintaining its target of 100 000 electric vehicles by 2020.

As at January 31, 2018, there were 22 620 electric vehicles on Québec's roads. It is important to ensure the sustainability of this measure in order to promote the use of more eco-friendly modes of transportation.

For this purpose, the March 2018 Québec Economic Plan provides for additional funding of up to \$92.1 million over two years for the Drive Electric component:

— \$61.5 million in 2018-2019;

— \$30.6 million in 2019-2020.

This funding will cover applications for rebates on the purchase of an electric vehicle from July 1, 2018 to June 30, 2019.<sup>14</sup>

The sums required to provide the Drive Electric component with additional funding will be taken from the Green Fund.

## ■ **Implementation of an awareness, information and education campaign on electric vehicles**

To increase the number of electric vehicles being used to transport people and freight, Transition énergétique Québec and Équiterre will draw up and coordinate a major awareness, information and education campaign on electric vehicles.

This project will bring together all non-government stakeholders involved in raising awareness about and promoting electric vehicles in Québec so that they can pool their efforts and, ultimately, encourage the acquisition and use of electric vehicles.

<sup>14</sup> The Conseil de gestion du Fonds vert reserves the right to reallocate sums not used as at June 30, 2019.

## **Drive Electric Program**

### **March 2017 Québec Economic Plan**

The March 2017 Québec Economic Plan provided the Drive Electric component with funding for granting rebates on the purchase of an electric vehicle until June 2018.

In addition, it enabled buyers of fuel-cell (hydrogen-powered) vehicles and limited-speed electric motorcycles to obtain a purchase rebate from the Drive Electric component.

The March 2017 Québec Economic Plan also stipulated that the rebates offered on the purchase of an electric vehicle would vary according to the vehicle's value, and that the rebates would end sooner for conventional hybrid vehicles.

### **Drive Electric component**

The Drive Electric component reduces the cost of acquiring an electric vehicle, as well as the cost of acquiring and installing a 240-volt home charging station.

The rebates can be up to:

- \$8 000 for all-electric vehicles, rechargeable hybrid vehicles and fuel-cell (hydrogen-powered) vehicles;
- \$2 000 for electric motorcycles;
- \$1 000 for low-speed electric vehicles;
- \$500 for limited-speed motorcycles (electric scooters);
- \$500 for hybrid vehicles;
- \$600 for the acquisition and installation of a 240-volt home charging system.

## ❑ **One-year extension of the pilot project to promote the acquisition of used electric vehicles**

As part of the March 2017 Québec Economic Plan, the Québec government announced the implementation of a pilot project to promote the acquisition of used electric vehicles. The pilot project was to last for one year, from April 1, 2017 to March 31, 2018.

— This pilot project provides for a maximum rebate of \$4 000 for the first 1 000 applicants who acquire an eligible, all-electric used vehicle.

Given that the rebates have not all been granted, the 2018 Québec Economic Plan provides for the extension of the pilot project to promote the acquisition of used electric vehicles for a maximum of one year. The end of the pilot project will coincide with whichever of the following comes first:

— March 31, 2019;

— 1 000 rebates have been granted.

### **Eligibility requirements for the purchase rebate offered under the pilot project to promote the acquisition of used electric vehicles**

For the owner to obtain the rebate offered under the pilot project to promote the acquisition of used electric vehicles, the used vehicle must meet the following requirements:

- it must be fully electric, three or four years old and associated with a make, model and version of the most recent equivalent new vehicle on which the manufacturer's suggested retail price is less than \$125 000;
- be purchased or leased for at least 36 months from a car dealer with an establishment in Québec;
- be registered for the first time in Québec at the time of the transaction and in the applicant's name between April 1, 2017 and March 31, 2019;
- be covered by a full vehicle warranty of at least three years or 40 000 km, whichever comes first;
- have been inspected and have obtained certification by an automaker or an independent car dealer.



### **9.1.2 Conducting pilot projects to test self-driving electric vehicles**

Thanks to its cutting-edge expertise in the research and high-tech sector, Montréal is well-positioned to become a leader in sustainable mobility.

In this context, the March 2018 Québec Economic Plan provides \$5 million to enable the city to launch pilot projects on the use of self-driving electric vehicles as a means to improve access to public transit.

- This initiative will make it possible to seize opportunities relating to changes in this technology and demonstrate the leadership of Montréal and the province of Québec. The results will enable Montréal and other municipalities to make enlightened decisions with regard to investing in and regulating self-driving vehicles.

For this purpose, additional appropriations will be granted to the Ministère des Affaires municipales et de l'Occupation du territoire. For 2018-2019, the appropriations will be drawn from the contingency fund.

### **9.1.3 Supporting innovation in energy efficiency and the reduction of GHG emissions**

The development of innovative energy technologies provides Québec businesses with particularly interesting growth prospects.

Therefore, the March 2018 Québec Economic Plan provides an additional \$20 million to enhance the Technoclimat program, which supports technological innovation projects during the research and development, proof-of-concept, assessment and pre-marketing stages.

The Technoclimat program is a concrete example of government support for innovation in energy and the reduction of GHG emissions.

This additional amount will help to fund more technological innovation projects that tie into the energy transition.

To implement this initiative, additional appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

#### **9.1.4 Supporting the reduction of GHG emissions and energy consumption**

Increased energy efficiency helps to reduce energy consumption costs for business customers, municipalities and institutions. The government plans to continue its energy efficiency efforts, particularly to improve the energy balance.

To achieve these objectives, the March 2018 Québec Economic Plan provides an additional \$30 million to enhance the ÉcoPerformance program.

- The ÉcoPerformance program is designed to reduce the GHG emissions and energy consumption of businesses, institutions and municipalities by funding projects tied to energy production and consumption and process improvement. The additional amount will enable more projects to receive support.

Additional appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

#### **9.1.5 Promoting the use of residual forest biomass**

Promoting the use of residual forest biomass, a by-product of forestry activities, can be a good source of income diversification for forest producers.

In addition, using residual forest biomass helps to reduce GHG emissions and the use of fossil fuels.

This is why the government set up the residual forest biomass program as part of the 2013-2020 Climate Change Action Plan. As at March 31, 2017, this program had supported 93 residual forest biomass conversion projects.

In view of the demand, the March 2018 Québec Economic Plan provides an additional \$45 million for the residual forest biomass program. This sum will be used to support private sector investments of approximately \$100 million.

For this purpose, additional appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### 9.1.6 **\$15 million for the implementation of an innovative energy transition fund**

Under Québec's 2030 Energy Policy, the government has set ambitious and demanding targets, particularly in regard to energy efficiency, reduced consumption of petroleum products, reduced coal use and increased production of renewable energy.

Implementing measures to encourage businesses to make the energy transition can require substantial investments as well as access to appropriate funding.

For this purpose, the March 2018 Québec Economic Plan is announcing a partnership with Fondation to set up a fund for providing innovative funding to facilitate and accelerate the implementation of energy efficient measures in commercial sector buildings.

With capitalization of \$30 million and funded equally by each of its partners, this fund will aim not only to help reduce GHG emissions and improve businesses' carbon footprint, but also to generate financial savings for participating businesses.

TABLE D.49

#### **Capitalization of an innovative energy transition fund** (millions of dollars)

	<b>Amount allocated</b>
Québec government	15.0
Fondation	15.0
<b>TOTAL</b>	<b>30.0</b>

Managed by Fondation, this fund will offer loans with terms and conditions geared to energy efficiency retrofit projects that will be carried out by businesses that own existing commercial sector buildings.

Businesses supported by the fund will receive technical assistance from Transition énergétique Québec and the Association québécoise pour la maîtrise de l'énergie in deciding what measures should be implemented to optimize the spinoffs from their investment.

As a mandatary of the Québec government, Investissement Québec will be in charge of setting up this new fund. The government's participation will take the form of an investment with expected return. For this purpose, the amounts necessary for the Québec government's participation will be made available through an advance.

The details regarding the creation of this new fund will be made public in the near future by the fund's partners.

### 9.1.7 The hydrogen sector: integrated action for the development of Québec

The road vehicle industry is undergoing rapid transformation characterized by significant advances in technology. Among the new technologies available, electric motors powered by fuel cells that use hydrogen offer interesting energy generation development prospects for Québec.

Québec's hydroelectricity, which is used in the hydrogen production process, could provide a solution to the environmental challenges facing the transportation sector.

In this context, the March 2018 Québec Economic Plan provides \$17.2 million for developing Québec's hydrogen sector.

This sum will be used, in particular, to conduct a technical-economic study of the hydrogen sector, update the different standards applicable to hydrogen and build at least one multi-fuel service station in Québec.

— This multi-fuel service station may offer not only conventional fuel, but also, among other things, hydrogen, electricity, liquefied natural gas and propane. It will thus contribute to the implementation of a pilot project to deploy the first fleet of strictly commercial, hydrogen-powered vehicles in Québec.<sup>15</sup>

To implement this initiative, additional appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

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<sup>15</sup> The Minister of Energy and Natural Resources announced the pilot project at the Montreal Auto Show on January 18, 2018. The pilot project will be carried out in collaboration with Toyota Canada.

## Hydrogen-powered vehicles

### Technology used

Like conventional electric vehicles, hydrogen-powered vehicles have an engine that runs on electricity. However, the energy needed to drive them is delivered from a hydrogen tank on board the vehicle rather than a battery.

A fuel cell, also installed on this type of vehicle, produces the electricity required by the vehicle in real time from hydrogen and ambient oxygen. Therefore, hydrogen-powered vehicles do not emit any pollution when they are in use.

Hydrogen can be produced with electricity using either of the following methods: chemical separation of fossil fuels, which is the most widespread method in the world, or water electrolysis.

Since Québec can use renewable hydroelectricity for water electrolysis, it is well positioned to produce hydrogen, which has almost no environmental impacts.

### Complementarity of hydrogen-powered vehicles

The hydrogen tank for this type of vehicle provides it with an autonomy of about 400 to 500 km. Moreover, the tank can be filled in a few minutes. Hydrogen-powered vehicles can thus help to diversify Québec's motor vehicle fleet and reduce consumption of fossil fuels and GHG emissions.

### Worldwide deployment

In January 2018,<sup>1</sup> there were 328 hydrogen refueling stations in the world, including 139 in Europe, 118 in Asia and 68 in North America.

California alone had 43 stations, located mostly in the Greater San Francisco and Los Angeles areas.

### Launching of a pilot project

The Québec government is working with Toyota Canada to assess the feasibility of this technology. Toyota Canada has been charged with testing a fleet of 50 strictly commercial hydrogen-powered vehicles under real-use conditions in Québec.

The first multi-fuel station will be built in Québec by 2019. It will offer several types of fuel, including hydrogen. In addition, the hydrogen for fuelling vehicles will be produced with Québec's hydroelectricity.

1 U.S. Department of Energy and Ludwig-Bölkow-Systemtechnik.

### 9.1.8 Promoting the production of biofuels in Québec

Over the years, the government has introduced several tax credits to promote the production and use of biofuels.<sup>16</sup> However, these measures will end on March 31, 2018.

In the context of the energy transition that is getting under way, the government wants to continue promoting the production and use of biofuels.

- They will help to achieve the objectives of the 2030 Energy Policy, which aims to reduce consumption of petroleum products in Québec by 40% and increase bioenergy production by 50% by 2030.
- At the same time, the use of biofuels will help to achieve the GHG emissions reduction target of 37.5% below the 1990 level by 2030.

To increase the biofuel production capacity of Québec businesses, the government plans to adopt a new, more predictable approach for producers that takes biofuel performance into account with regard to reduced GHG emissions.

Accordingly, the March 2018 Québec Economic Plan provides for the temporary extension of the refundable tax credits for biofuel produced and delivered in Québec. From now on, these tax credits will correspond to a fixed amount per litre, according to the type of biofuel, and will represent:

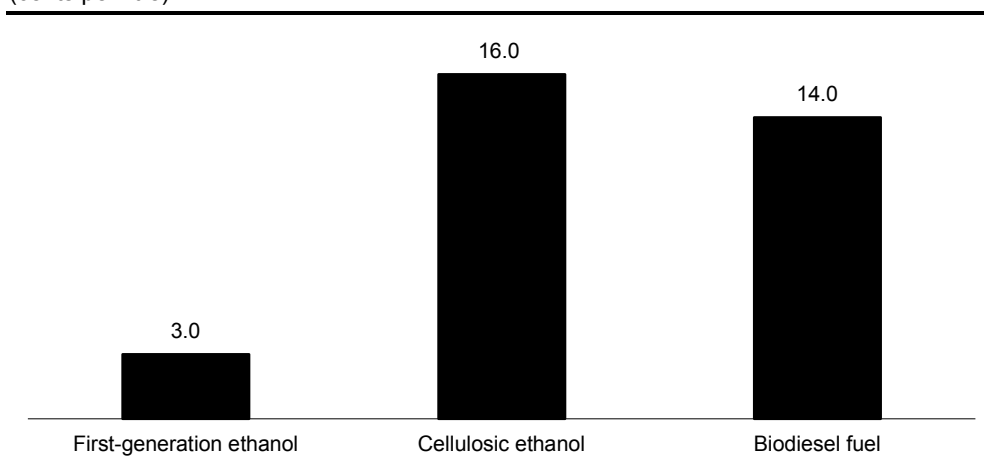
- 3.0 cents per litre for first-generation ethanol;
- 16.0 cents per litre for cellulosic ethanol;
- 14.0 cents per litre for biodiesel fuel.

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<sup>16</sup> Three tax credits have been introduced by the government since 2005: the tax credit for the production of ethanol, the tax credit for the production of cellulosic ethanol and the tax credit for the production of biodiesel fuel.

CHART D.4

### Financial assistance offered by type of biofuel (cents per litre)



These new terms will be in effect from April 1, 2018 to March 31, 2023, enabling a transition to be made by the coming into force of Québec regulations pertaining to minimum biofuel content.<sup>17</sup>

— In addition, an annual cap of \$300 million litres will be introduced.

The extension of these tax credits will represent financial assistance of more than \$34 million over five years for biofuel produced in Québec.

TABLE D.50

### Financial impact of promoting the production of biofuels (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Promoting the production of biofuels	—	-2.2	-5.3	-6.1	-8.1	-12.7	-34.4

<sup>17</sup> In its 2030 Energy Policy, the Québec government pledged to introduce a minimum biofuel content for petroleum products distributed in Québec. The targets will initially be 5% for gasoline and 2% for diesel fuel. They may be increased later on depending on the production capacity of Québec businesses.

### 9.1.9 Promoting the production of residual forest biomass-based bio-oil

In fall 2016, the government made bioenergy one of its priorities by choosing it to be the focus of one of the five workshop groups of the Wood Innovation Forum.

- The objective of the forum was to identify forestry-related issues and to find solutions and means for fostering the transformation and modernization of the forestry sector.

In addition, when the 2030 Energy Policy was released, the government indicated its desire to accelerate the energy transition through local energy production with a low carbon footprint.

- The policy aims, in particular, to increase bioenergy production by 50% and reduce petroleum product consumption by 40%, by 2030.

Bio-oil is a form of bioenergy that will help to fulfill the government's ambitions, be it with regard to the energy transition or the transformation of the forest industry. This liquid biofuel derived from the thermal decomposition of wood biomass occurring in the absence of oxygen:

- derives value from an unused portion of residual forest biomass, such as branches and the non-commercial parts of trees;
- offers an additional outlet for wood chips, whose market value is being adversely affected by the decrease in demand for paper products;
- can replace heavy fuel oil in existing industrial equipment;
- reduces GHG emissions by about 80% over its life cycle compared to heavy fuel oil.



To stimulate the bio-oil sector, the March 2018 Québec Economic Plan provides for the introduction of a refundable tax credit for the production of bio-oil.

- The tax credit will be equal to 8.0 cents per litre for residual forest biomass-based bio-oil produced and delivered in Québec, for a maximum eligible annual output of 100 million litres.
- The tax credit will be in effect from April 1, 2018 to March 31, 2023, enabling a transition to be made between now and the possible coming into force of Québec regulations on minimum renewable fuel content.<sup>18</sup>

The March 2018 Québec Economic Plan anticipates a financial impact of \$6.9 million over five years to encourage production of residual forest biomass-based bio-oil.

TABLE D.51

**Financial impact of encouraging the production of residual forest biomass-based bio-oil**  
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Encouraging the production of residual forest biomass-based bio-oil	—	-0.5	-1.6	-1.6	-1.6	-1.6	-6.9

<sup>18</sup> Both the 2030 Energy Policy and the bioenergy workshop group of the Wood Innovation Forum have proposed regulations of this type to foster demand for renewable fuel.

### 9.1.10 Continuing the Valorisation Carbone Québec project

Québec is aiming to reduce its GHG emissions to 20% below the 1990 level in 2020 and to 37.5% below that level in 2030. To achieve these targets, Québec must support research and development projects on the creation of new processes for deriving value from GHG emissions.

Therefore, Université Laval, the Québec-based company CO<sub>2</sub> Solutions and public and private partners launched the Valorisation Carbone Québec project in 2017.

The March 2018 Québec Economic Plan is providing \$7.5 million to enable the Valorisation Carbone Québec project to achieve its objective of developing and demonstrating solutions to capture and derive value from carbon.

CO<sub>2</sub> Solutions is currently working on the development and marketing of a carbon capture device that can be installed directly on factories' smokestacks. A pilot project to demonstrate the feasibility of this process has been conducted in Valleyfield, and the company has also entered into a commercial agreement for the construction of carbon capture units at the Resolute Forest Products mill in Saint-Félicien.

The funding granted will enable knowledge and best practices related to carbon capture and sequestration technologies to be enhanced and to continue to be developed in Québec.

## **9.2 Protecting ecosystems and ensuring sustainable development of the territory**

Québec has high biodiversity and fragile ecosystems whose sustainability must be ensured. In fact, Québec has pledged to limit the impact of human activity in order to conserve resources and guarantee the prosperity of future generations.

To protect ecosystems while enabling sustainable development of the territory, the March 2018 Québec Economic Plan provides an additional \$175.8 million to:

- achieve the government's protected area objectives and ensuring their sustainability;
- support RCMs in their efforts to protect wetlands and bodies of water;
- help to rehabilitate contaminated land;
- effectively combat invasive non-native plants;
- protect the geological and natural heritage of Anticosti Island;
- reform the environmental authorization scheme;
- enhance the funding of the Bureau d'audiences publiques sur l'environnement.

TABLE D.52

**Financial impact of the measures to protect ecosystems and ensure sustainable development of the territory**  
(millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Achieving the government's protected area objectives and ensuring their sustainability <sup>(2)</sup>	—	-2.3	-9.2	-9.8	-9.8	-9.8	-40.9
Supporting RCMs in their efforts to protect wetlands and bodies of water <sup>(2)</sup>	—	-3.8	-3.8	-3.8	-2.4	-2.4	-16.2
Helping to rehabilitate contaminated land <sup>(1)</sup>	-98.5	—	—	—	—	—	-98.5
Effectively combating invasive non-native plants <sup>(2)</sup>	—	-1.6	-1.6	-1.6	-1.6	-1.6	-8.0
Protecting the geological and natural heritage of Anticosti Island <sup>(2)</sup>	—	-0.4	—	—	—	—	-0.4
Reforming the environmental authorization scheme <sup>(2)</sup>	—	-3.4	-2.4	-1.5	—	—	-7.3
Enhancing the funding of the Bureau d'audiences publiques sur l'environnement <sup>(2)</sup>	—	-0.9	-0.9	-0.9	-0.9	-0.9	-4.5
<b>TOTAL</b>	<b>-98.5</b>	<b>-12.4</b>	<b>-17.9</b>	<b>-17.6</b>	<b>-14.7</b>	<b>-14.7</b>	<b>-175.8</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

### 9.2.1 **Achieving the government's protected area objectives and ensuring their sustainability**

Under the Aichi Convention on Biological Diversity,<sup>19</sup> the government has pledged to establish protected areas covering 17% of its terrestrial and inland water environments and 10% of its coastal and marine environments by 2020.

To achieve this objective, the government plans to:

- continue holding consultations in several Québec regions to ensure the social acceptability of protected area projects and identify adjustments needed to enlist local support;
- provide financial support for voluntary conservation initiatives for natural areas on private land;
- target, in concert with coastal communities, marine protected area projects in the St. Lawrence estuary.

In addition, efforts will have to be devoted to managing and developing these new protected areas, as well as the hundred or so protected areas created since 2000. For this purpose, partnerships will have to be entered into with regional and Aboriginal communities.

For this purpose, the March 2018 Québec Economic Plan provides \$40.9 million to ensure the development and effective management of the protected area network.

Additional appropriations will be granted to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### 9.2.2 **Supporting RCMs in their efforts to protect wetlands and bodies of water**

Wetlands and bodies of water play a very important role in watersheds, particularly when it comes to flood control and mitigation. In addition, their conservation contributes significantly to mitigating the effects of climate change. In this context, it is essential to conserve and protect these environments.

The government prefers a concerted approach to land-use planning and development that promotes co-use and helps to facilitate compromise between conservation and development.

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<sup>19</sup> In 2010, the United Nations Member States agreed on the implementation of a new strategic plan for biodiversity protection at the Nagoya summit in Aichi, Japon. The "Aichi Targets" aim to significantly reduce the disappearance, degradation and fragmentation of natural habitats, including forests, before 2020.

For this purpose, the *Act respecting the conservation of wetlands and bodies of water* confirms the role of MRCs in land use planning by entrusting them with the task of preparing regional management plans for wetlands and bodies of water.

— These plans constitute new planning tools for conservation and sustainable development in RCMs. They will enable land use planning and development plans to take ecosystems into account more effectively.

The March 2018 Québec Economic Plan provides \$16.2 million to support RCMs in the development of regional plans and thus make it easier to reconcile economic development of the territory with conservation of biodiversity.

For this purpose, additional appropriations will be granted to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques. For 2018-2019, appropriations will be drawn from the Contingency Fund.

### **The interdependence of biodiversity and climate change**

The impact of climate change on biodiversity is clear. Climate change helps to undermine biodiversity. It is recognized that ecosystem protection can contribute to reducing the consequences of climate change on fauna and flora and to maintaining the ecological services rendered by both terrestrial and aquatic natural environments.

The adoption of response and mitigation strategies that take biodiversity into account help to make ecosystems more resistant and reduce risks for natural ecosystems and our living environments.

- While continuing to reduce GHG emissions, concrete measures must be taken to adapt to climate change and thereby ensure the sustainability of natural and human environments.

The measures announced in the March 2018 Québec Economic Plan to protect ecosystems and ensure sustainable development of the territory will help to mitigate climate change or to implement response strategies.

### 9.2.3 Helping to rehabilitate contaminated land

Soil contamination is a worldwide problem resulting from the industrial era, and Québec has not been spared. It is essential that the government not saddle future generations with a serious environmental liability.

Apart from the fact that soil decontamination improves environmental quality and public safety, it can also free up the strong economic development potential of certain sites. The rehabilitation of contaminated sites injects new life into neighbourhoods and increases economic activity in the municipalities concerned.

In this context, the March 2018 Québec Economic Plan provides \$98.5 million to:

- support priority projects of Ville de Montréal;
- support the development of sustainable neighbourhoods in Québec City.

#### **▣ Supporting projects of Ville de Montréal**

On account of past industrial activities, Montréal has many pieces of contaminated land on its territory. These pieces of land are often large and, on account of their location, can prevent necessary densification and economic development projects from being carried out. This situation can be an obstacle to important initiatives for communities, such as expanding schools or building new social housing.

In this context, Montréal must have the tools and means it needs to effectively shoulder its responsibilities. For this purpose, the March 2018 Québec Economic Plan provides for financial assistance of \$75 million for the rehabilitation of contaminated land located on the territory of Montréal.

Accelerating the decontamination of this land will help to improve environmental quality and public safety, as well as boost the city's economic development potential.

## ❑ **Supporting the development of sustainable neighbourhoods in Québec**

The Ville de Québec is currently designing neighbourhoods that offer residents an exceptional living environment right next to downtown. Certain underused neighbourhoods will be densified thanks to green spaces and high sustainable development standards in urban planning and construction.

The Pointe-aux-Lièvres eco-neighbourhood is located in one of the old industrial areas that the city would like to revitalize. For that purpose, it must rehabilitate contaminated land before it can proceed with subsequent development phases.

In addition, the Ville de Québec would like to provide a new link for cyclists and pedestrians between the Pointe-aux-Lièvres eco-neighbourhood and Limoilou. This link, which will take the form of a footbridge, will not only encourage active transportation, but will also open up this area and provide rapid access to nearby services.

Therefore, the government intends to support the city in its desire to densify its urban fabric. For this purpose, it is providing financial assistance totalling \$23.5 million to complete soil decontamination work and build a footbridge for cyclists and pedestrians.

### **Change to the normative framework of the ClimatSol-Plus program**

An enhancement of certain components of the normative framework of the ClimatSol-Plus will be proposed to the other municipalities.

The program will provide for certain financial enhancements and the easing of certain requirements in order to better address applicants' needs. For example, the funding ceiling for individual projects, currently set at \$1 million, will be raised to enable larger projects to be carried out. This enhancement will be granted to all regions, including the Mauricie, which has major rehabilitation needs.

In addition, to ensure adequate management of contaminated soils in Québec, applicants will be required to use a contaminated soils traceability system in order to receive financial assistance.



### 9.2.4 Effectively combating invasive non-native plants

Invasive non-native plants are plants that have been introduced outside their natural area of distribution and whose spread poses a threat to biological diversity, the environment, the economy and society. They constitute a worrisome and growing problem in Québec, as well as a problem for the international community.

- The invasive non-native plant that has received the most media attention is the giant hogweed, whose sap can burn the skin.

From the perspective of adapting to climate change, Québec must adopt prevention, detection and intervention tools to limit the introduction and spread of this type of plant.

For this purpose, the March 2018 Economic Development Plan provides \$8 million to reduce the threat posed by non-native species that are considered harmful.

Additional appropriations will be granted to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques. For 2018-2019, appropriations will be drawn from the Contingency Fund.

### 9.2.5 Protecting the geological and natural heritage of Anticosti Island

Anticosti Island is a geological and geomorphological treasure. It constitutes a natural laboratory for studying fossils and sedimentary layers dating from the first mass extinction of life nearly 445 million years ago.

- Currently, none of the sites on the World Heritage List of the United Nations Educational, Scientific and Cultural Organization (UNESCO) cover this period in history.

Extremely important from a scientific standpoint, Anticosti Island has a geological and natural heritage of outstanding aesthetic value.

Further to the announcement by the federal government to include Anticosti Island on its tentative list of world heritage sites in Canada, the municipality of L'Île-d'Anticosti must take steps to be officially registered as a world heritage site by UNESCO. Such recognition would ensure the preservation of this territory's rich and renowned heritage.

For this purpose, the government plans to offer its support to the municipality for carrying out the substantial work required to obtain this recognition.

For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### Inscription on UNESCO's World Heritage List

The United Nations Educational, Scientific and Cultural Organization (UNESCO) seeks to encourage the identification, protection and preservation of cultural and natural heritage around the world, considered to be of outstanding value to humanity. This measure comes under an international treaty called the Convention concerning the Protection of the World Cultural and Natural Heritage, adopted by UNESCO in 1972.

UNESCO identifies sites that, because of their exceptional value, are likely to be listed as world heritage. It implements measures to protect these sites, whose disappearance would be “an irreparable loss.”

Inscription on the World Heritage List takes time and effort. It takes at least two years to put the appropriate support mechanisms in place and assemble the necessary documentation and another year to consult stakeholders and write the nomination text. The property's outstanding universal value must be the primary consideration of all heritage nominations.

## 9.2.6 Reforming the environmental authorization scheme

With a view to improving the delivery of services to individuals and businesses, the government has implemented a major initiative to modernize the environmental authorization scheme.

While maintaining extremely stringent environmental protection requirements, this modernization initiative will ease the regulatory and administrative burden on project proponents and help to maintain a business environment that is favourable to economic development.

- The changes made will enable a clearer and more predictable authorization process to be put in place and strengthen assistance for project proponents.
- For the sake of transparency, this modernization initiative will give the public increased, direct access to information underpinning consultations, as well as authorization decisions.

For this purpose, additional appropriations will be granted to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

## 9.2.7 Enhancing the funding of the Bureau d'audiences publiques sur l'environnement

The Bureau d'audiences publiques sur l'environnement (BAPE) is a neutral, independent public body whose mission is to enlighten government decision-making in a sustainable development perspective, encompassing ecological, social and economic aspects.

The BAPE informs and consults the population through public sessions held throughout Québec on projects subject by regulation to the assessment and review procedure and on major environmental questions submitted to it by the Minister of Sustainable Development, Environment and the Fight against Climate Change.

The vitality of Québec's economic development has a significant impact on the number and scope of the mandates entrusted to the BAPE.

In addition, their number is likely to increase due to the amendments made to the *Environment Quality Act*, which provide, in particular, for increased participation of the public in project authorization processes, making oil and gas exploration and development projects subject to the assessment and review procedure, and the implementation of a strategic environmental assessment process when strategies, plans and programs are drawn up by government departments and bodies.

To enable the BAPE to fulfill the mandates entrusted to it, the government is announcing that its funding is being enhanced. For this purpose, additional appropriations of \$0.9 million will be granted to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques every year starting in 2018-2019. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### Improvement of BAPE consultation processes

In June 2017, the Québec government adopted a reference framework for public participation that is based on a firm desire to foster "a government that encourages participation by placing citizens at the centre of state decision making" in recognition of the fact that "public input is essential to improving the government's efficiency and effectiveness."

To ensure a balance between economic development, Quebecers' quality of life, nature conservation, and intergenerational equity, steps must be taken to continue improving the BAPE's processes for the sake of efficiency and performance.

In keeping with the new Québec Digital Strategy and the government's reference framework for public participation, the BAPE will improve its public consultation processes by developing new online tools to better disseminate information, reduce delays and diversify consultation methods with a view to encouraging greater public participation.

### 9.3 Improving water management and mitigating risks related to flooding

Water resources are part of Quebecers' collective heritage. The importance of preserving this collective wealth for the benefit of current and future generations is clear. Moreover, given the recent spring flooding, action must be taken to improve risk management and reduce the potential consequences of this type of disaster.

To improve water management and mitigate the risks related to flooding, the March 2018 Québec Economic Plan provides \$225.9 million to:

- support the deployment of the next Québec Water Strategy;
- support local partners in the protection and sustainable use of resources;
- ensure the safe operation of public and municipal dams;
- implement tools to support decision making during disasters;
- improve Québec's flood preparedness.

TABLE D.53

#### Financial impact of the measures to improve water management and mitigate risks related to flooding (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Supporting the deployment of the next Québec Water Strategy <sup>(2)</sup>	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
Supporting local partners in the protection and sustainable use of resources <sup>(2)</sup>	-30.0	-3.3	-3.3	-3.3	-3.3	-3.3	-46.5
Ensuring the safe operation of public and municipal dams <sup>(2)</sup>	—	-7.2	-8.6	-9.4	-9.7	-10.8	-45.7
Implementing tools to support decision making during disasters <sup>(2)</sup>	—	-2.0	-3.0	-7.6	-7.5	-7.5	-27.6
Improving Québec's flood preparedness <sup>(2)</sup>	-41.9	-9.9	-9.9	-9.7	-9.7	—	-81.1
<b>TOTAL</b>	<b>-71.9</b>	<b>-27.4</b>	<b>-29.8</b>	<b>-35.0</b>	<b>-35.2</b>	<b>-26.6</b>	<b>-225.9</b>

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

### 9.3.1 Supporting the deployment of the next Québec Water Strategy

The government plans to mobilize certain stakeholders in society in order to strengthen water management and address the new challenges often related to climate change.

To continue efforts already made to protect this resource, the March 2018 Québec Economic Plan provides for investments of \$25 million to support the deployment of the next Québec Water Strategy and the continued improvement of water management.

For this purpose, the government plans to create a forum for discussion and consultation among the main stakeholders concerned by water management in Québec.

- Increased consultation will strengthen water governance and help to improve cooperation between the Québec government and its main partners, in addition to facilitating the flow of information and knowledge.

Additional appropriations will be granted to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

#### **Québec Water Strategy**

Water is an integral part of Québec's history, landscape, and economic and social development. With tens of thousands of rivers and over three million bodies of water, Québec has 3% of the world's renewable fresh water reserves. Nearly 40% of this water is concentrated in the St. Lawrence watershed. Our many lakes and rivers, as well as the St. Lawrence, are synonymous with wealth. The future of Québec is closely linked to the invaluable collective asset formed by water.

The government, as a custodian of water, plans to launch in the coming months a Québec water strategy that will mobilize Québec society as a whole with a view to ensuring the integrated and sustainable use, protection and management of water.

Collective efforts will continue to guarantee access to drinking water for all, ensure more effective management of risks, including those related to flooding, and maintain the biodiversity of ecosystems and wetlands, bodies of water and marine environments. Through this strategy, Québec also plans to tap into the sustainable development potential of water in order to build a blue economy.

- The strategy will be accompanied by actions plans setting the objectives to be achieved and prioritizing the steps to be taken.

### 9.3.2 Supporting local partners in the protection and sustainable use of water resources

Environmental agencies play an important role in helping to achieve the government's sustainable development and environmental protection objectives. The government recognizes the importance of these stakeholders and reiterates its support by enhancing the assistance granted to its environmental partners.

#### ❑ Enhanced assistance to watershed bodies

Forty watershed bodies and the Regroupement des organismes de bassins versants du Québec have been set up to implement an integrated watershed-based approach to water management. They are responsible, in particular, for ensuring that initiatives aimed at protecting and developing the hydrographic network in their respective territories are consistent, bearing in mind the principle of sustainable development.

The government is reiterating its determination to foster integrated water management by increasing funding for watershed bodies and their association by \$14.4 million, bringing its total contribution to \$30 million. This additional support will enable these bodies to:

- continue their concerted action at the regional level in order to achieve environmental, economic and social gains;
- develop new mandates tailored to the modern context of integrated water management, particularly for the conservation of wetlands and bodies of water.

#### ❑ Additional support for environmental partners

The government plans to continue its support for various partners that contribute to environmental protection, as well as for initiatives that help to promote sustainable water use. Accordingly, the March 2018 Québec Economic Plan provides for additional assistance of \$16.5 million over five years to:

- environmental agencies, which are important partners in the sustainable protection of water resources;
- regional environmental councils and the Regroupement national des conseils régionaux de l'environnement du Québec, whose role is to foster discussion and consultation among regional institutions, environmental agencies, individuals and businesses;
- partners responsible for implementing water master plans.

This additional support for environmental agencies will provide them with more stable funding and enable them to take measures that are more efficient and better planned. It will also provide regional stakeholders with support in implementing water management measures.

For this purpose, additional appropriations will be granted to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### **9.3.3 Ensuring the safe operation of public and municipal dams**

Dams play a crucial role in water management in Québec. They are designed and managed to meet several objectives, in particular, flood control, energy generation, water input support during low-water periods and the maintenance of adequate water levels for recreational activities or the supply of drinking water.

In view of the record flooding in spring 2017 and the increase in the frequency and intensity of precipitation due to climate change, it is important to have dams that are safe and operational. For this purpose, the March 2018 Québec Economic Plan provides for investments of \$45.7 million to:

- keep public dams in good working order;
- provide support to municipalities for adequate maintenance of municipal dams.

#### **☐ Keeping public dams in good working order**

The Québec government must ensure the serviceability, sustainability and safety of approximately 760 public dams.

Temporary stoppages in the operation of a dam can require water levels upstream to be lowered and have major impacts on wildlife and the users of the bodies of water concerned, be they property owners, vacationers or municipalities.

Responsible and safe management of all public dams will significantly reduce the risk that such equipment will fail or not operate properly, and this will benefit the thousands of Quebecers who have a residence in the vicinity of large reservoirs whose water level is controlled by mechanized dams.

In this context, the March 2018 Québec Economic Plan provides for investments of \$32 million for the preventive and remedial maintenance of public dams.

For this purpose, additional appropriations of \$6.4 million will be granted to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques every year from 2018-2019 to 2022-2023. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

## ❑ **Providing support to municipalities for adequate maintenance of municipal dams**

The *Dam Safety Act* stipulates that high-capacity dams, that is, dams that pose the greatest risk to the safety of persons and property, must conform to certain safety standards.

- The most demanding and costly requirement in the Act is that municipalities that own this type of dam must conduct a safety review to assess its safety and take remedial measures, if necessary.

Several small municipalities with limited financial resources have to finance upgrading work on their dams. Accordingly, the March 2018 Québec Economic Plan provides for financial assistance of \$13.7 million to help municipalities maintain their dams adequately.

For this purpose, additional appropriation of \$0.8 million in 2018-2019, \$2.2 million in 2019-2020, \$3 million in 2020-2021, \$3.3 million in 2021-2022 and \$4.4 million in 2022-2023 will be granted to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques. For 2018-2019, the appropriations will be drawn from the Contingency Fund.

### **9.3.4 Implementing tools to support decision making during disasters**

Forum Inondations 2017 concluded that was necessary to extend and update the mapping of flood-prone areas for the purpose of land-use planning and to put in place forecasting tools to support decision making during large-scale floods.

In this context, the 2018 Economic Development Plan provides \$27.6 million over five years to implement the INFO-Crue project, which is designed, in particular, to delimit flood-prone areas and thus contribute to sustainable land-use planning.

- The implementation of a real-time forecasting system will provide authorities with maps of areas that might be flooded. It would enable the necessary environmental and civil protection operations to be planned more effectively before and after a flood.

INFO-Crue will be the main source of information for some of the measures provided for in the civil protection flood action plan.

For this purpose, additional appropriations will be granted to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques. For 2018-2019, the allocations will be drawn from the Contingency Fund.



### 9.3.5 Improving Québec's flood preparedness

Implementing the civil protection flood action plan is one of the major initiatives being taken by the government and its partners to ensure better management of this type of disaster. Accordingly, the government is investing more than \$80 million to:

- improve knowledge about climate change;
- acquire knowledge about the vulnerability of residences and infrastructure to flooding;
- provide more support to municipalities in disaster prevention and preparedness;
- put more civil and fire protection resources in place throughout Québec;
- implement initiatives to improve flood management;
- launch disaster preparedness awareness campaigns.

TABLE D.54

#### Financial impact of the measures to improve Québec's flood preparedness (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Improving knowledge about climate change	-6.9	—	—	—	—	—	-6.9
Acquiring knowledge about the vulnerability of residences and infrastructure to flooding <sup>(2)</sup>	—	-0.8	-1.0	-1.0	-1.0	—	-3.8
Providing more support to municipalities in disaster prevention and preparedness <sup>(2)</sup>	-35.0	-5.0	-5.0	-5.0	-5.0	—	-55.0
Putting more civil and fire protection resources in place throughout Québec <sup>(2)</sup>	—	-2.9	-2.9	-2.9	-2.9	—	-11.6
Implementing initiatives to improve flood management <sup>(2)</sup>	—	-0.5	-0.5	-0.3	-0.3	—	-1.6
Launching disaster preparedness awareness campaigns <sup>(2)</sup>	—	-0.8	-0.5	-0.5	-0.5	—	-2.3
<b>TOTAL</b>	<b>-41.9</b>	<b>-9.9</b>	<b>-9.9</b>	<b>-9.7</b>	<b>-9.7</b>	<b>—</b>	<b>-81.1</b>

Note: Totals may not add due to rounding.

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.

## **❑ Improving knowledge about climate change**

Several challenges must be addressed in regard to the mapping of flood-prone areas, including the need to improve knowledge about the impacts of climate change.

The government is investing \$6.9 million to develop its expertise through Ouranos, a consortium consisting of a network of 450 researchers, experts, practitioners and policy makers whose mission is to acquire and develop knowledge on climate change and its impacts.

Improving knowledge about climate change and flooding will support the development of a dynamic mapping system that will help to reduce the consequences of flooding.

— This initiative ties in with the development of the Québec Water Strategy and the INFO-Crue project.

## **❑ Acquiring knowledge about the vulnerability of residences and infrastructure to flooding**

Since 2012, the Web Vigilance portal of the Ministère de la Sécurité publique has made it possible to monitor in real time the level and flow of several watercourses in Québec so as to be able to warn the population and rapidly mobilize responders, if necessary.

Additional investments of \$3.8 million over four years for improving available information will enable municipalities and citizens to implement measures to ensure the safety of individuals and property before and after periods of flooding.

For this purpose, additional appropriations will be granted to the Ministère de la Sécurité publique.

## **❑ Providing more support to municipalities in disaster prevention and preparedness**

Municipalities are required to implement measures to prepare for and prevent major disasters.

To help and support communities and respond to requests from the municipal sector, the following additional assistance will be granted to municipal bodies:

- \$20 million to support them in improving their disaster preparedness;
- \$15 million to complete and update the mapping of flood-prone areas on their territory;
- \$20 million over four years to meet municipalities' needs regarding the work required to deal with climate uncertainty.

This assistance will enable municipalities to proceed with work to assess, prevent and mitigate disaster impacts and better anticipate the interventions needed before and during flooding.

For this purpose, additional appropriations will be granted to the Ministère de la Sécurité publique to enhance the disaster prevention framework.

## **❑ Putting more civil and fire protection resources in place throughout Québec**

The regional staff of the Ministère de la Sécurité publique coordinate support for regions or municipalities that have been affected by a disaster. Therefore, they play an essential role in drawing up and submitting lists of regional needs to government departments and bodies.

The government is responding to a request from the municipal sector to increase the presence of government resources on the ground by providing an additional \$11.6 million over four years. These investments will strengthen ties with the municipalities and improve planning according to the situation in each region.

For this purpose, additional appropriations will be granted to the Ministère de la Sécurité publique.

## **❑ Implementing initiatives to improve flood management**

To provide an appropriate response to the challenges of climate change, all parties responsible for civil protection should share their knowledge and reflect on what good practices need to be adopted. For this purpose, the civil protection flood action plan is providing for initiatives to stimulate sharing and reflection:

- identifying and disseminating good practices currently applied in Québec;
- creating a collaborative space where municipal bodies, private organizations, individuals and businesses can discuss the collaboration issues involved in ensuring urban safety.

To support these initiatives, the March 2018 Québec Economic Plan provides for investments of \$1.6 million over four years.

For this purpose, additional appropriations will be granted to the Ministère de la Sécurité publique.

## ❑ Launching disaster preparedness awareness campaigns

Being better prepared to deal with possible disasters is in the interest of society as a whole. The civil protection flood action plan provides for awareness campaigns to encourage responsible behaviour in the event of a disaster, as well as information sharing on the measures required to adequately prepare for such situations.

For this purpose, additional appropriations will be granted to the Ministère de la Sécurité publique.

### Constant involvement in flood prevention and management

Every year, the Ministère de la Sécurité publique prepares for spring flooding. It constantly monitors the territory and helps municipalities to prepare for spring floods by providing them with advisory services, helping them to update their emergency measures and placing the Québec government's expertise and technical assistance at their disposal through civil protection organizations in Québec.

During spring floods, civil protection advisors travel throughout Québec to gather information and support municipalities in their response operations. At the same time, regional government coordination centres are mobilized to support advisors on the ground and consolidate information on the areas affected.

When there is a risk of flooding or a flood has caused damage and additional costs, and when there is an imminent threat to principal residences because of earth movement, the Minister of Public Security has the power to implement the General Financial Assistance Program regarding Actual or Imminent Disasters, which provides for financial assistance for individuals, businesses and municipalities, and for organizations that have provided help and assistance.

Since the record flooding of spring 2017, the Ministère de la Sécurité publique has taken a number of steps to improve knowledge about risks related to flooding and step up its prevention, response preparation and recovery measures in the event of a disaster. It will continue its efforts in that regard.



## 10. ENSURING TAX FAIRNESS

Public services are funded through tax revenue. However, some taxpayers, both individuals and corporations, manage to avoid certain tax obligations, thereby depriving the government of a portion of the revenue it would otherwise receive.

In some cases, schemes aimed at avoiding tax rely on the use of tax havens. In response to this phenomenon, the Québec government tabled the Tax Fairness Action Plan in the fall of 2017.

- This plan provides for implementing a number of measures aimed at reducing international tax losses arising from the use of tax havens and ensuring that the government fully collects the tax revenue it is owed on activities associated with the digital economy.

Alongside its efforts to minimize international tax loss, the government continues to combat unreported work and tax evasion in Québec.

The March 2018 Québec Economic Plan provides for the implementation of the following measures in 2018-2019:

- making the collection of the Québec sales tax (QST) mandatory for suppliers outside Québec;
- eliminating certain loopholes, particularly with regard to international taxation;
- restricting income sprinkling arrangements;
- improving tax and corporate transparency via the Registraire des entreprises du Québec;
- rewarding certain tax informants;
- reviewing Revenu Québec's voluntary disclosure program;
- supporting clients and workers to more effectively combat unreported work in the employment agency sector;
- subjecting food trucks and trailers to mandatory billing via sales recording modules;
- enhancing the Provision to increase any appropriation for initiatives concerning revenues.

TABLE D.55

**Financial impact of measures to ensure tax fairness**  
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Making the collection of the Québec sales tax mandatory for suppliers outside Québec	—	7.0	27.5	35.0	40.0	45.0	154.5
Eliminating certain loopholes, particularly with regard to international taxation	—	22.5	35.4	34.7	35.0	36.6	164.2
Restricting income sprinkling arrangements	—	11.4	11.8	12.2	12.6	13.1	61.1
Improving tax and corporate transparency via the Registraire des entreprises du Québec <sup>(1)</sup>	—	-2.6	-2.7	—	—	—	-5.3
Rewarding certain tax informants	—	—	—	—	—	—	—
Reviewing Revenu Québec's voluntary disclosure program	—	—	—	—	—	—	—
Supporting clients and workers to more effectively combat unreported work in the employment agency sector	—	—	—	—	—	—	—
Subjecting food trucks and trailers to mandatory billing via sales recording modules	—	—	—	—	—	—	—
Enhancing the Provision to increase any appropriation for initiatives concerning revenues <sup>(1)</sup>	—	-13.0	-2.0	-2.0	-2.0	-6.0	-25.0
<b>TOTAL</b>	<b>—</b>	<b>25.3</b>	<b>70.0</b>	<b>79.9</b>	<b>85.6</b>	<b>88.7</b>	<b>349.5</b>

(1) Additional appropriations will be granted for 2018-2019 and subsequent years to fund this initiative.



## OVER \$38 BILLION IN SUPPORT FOR THE QUÉBEC ECONOMY

With the March 2018 Québec Economic Plan, the government continues to pursue the objectives it set for itself in terms of economic and social development and reiterates its commitment to ensure quality public services.

The government is announcing new measures to add to existing initiatives, which are primarily aimed at:

- ensuring quality public services;
- strengthening support for citizens;
- supporting economic development in all regions of Québec.

By 2022-2023, the new measures presented will total more than \$16 billion and will benefit all sectors of activity. They will support public and private initiatives valued at over \$38 billion, including:

- \$8 billion to fund quality public services, primarily in education and health;
- \$7.6 billion to provide better support to all Quebecers and to improve their standard of living;
- \$22.5 billion to foster economic development.

The economic support is estimated by taking into account the financial impact of the new initiatives announced in the March 2018 Québec Economic Plan and the leverage on the private sector's contributions resulting from the government's measures.

TABLE D.56

### Economic support through the March 2018 Québec Economic Plan (millions of dollars)

	Cost of the new initiatives	Economic support
Bolstering funding for public services	7 976	7 976
Providing better support to all Quebecers	2 725	7 648
Fostering economic development	5 399	22 466
<b>TOTAL</b>	<b>16 100</b>	<b>38 089</b>

Note: Totals may not add due to rounding.



# APPENDIX 1: FINANCIAL IMPACT OF THE MEASURES OF THE MARCH 2018 QUÉBEC ECONOMIC PLAN

TABLE D.57

## Financial impact of the measures of the March 2018 Québec Economic Plan (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total	Ref. page
<b>Ensuring quality public services, primarily in education and health</b>								
Another \$1.6 billion for success in education <sup>(2)</sup>	—	-162.5	-203.8	-226.9	-276.2	-311.2	-1 180.6	C.3
Reform of the school tax system	—	-498.7	-679.3	-681.6	-680.5	-679.7	-3 219.8	C.43
Additional investment of \$5.4 billion in health care <sup>(2)</sup>	-135.6	-255.0	-603.3	-865.5	-863.0	-853.0	-3 575.4	C.5
<b>Subtotal – Ensuring quality public services, primarily in education and health<sup>(2)</sup></b>	<b>-135.6</b>	<b>-916.2</b>	<b>-1 486.4</b>	<b>-1 774.0</b>	<b>-1 819.7</b>	<b>-1 843.9</b>	<b>-7 975.8</b>	
<b>Providing better support to all Quebecers to improve their standard of living</b>								
Additional tax assistance for families and seniors								
– \$300 million to support families	—	-43.4	-50.4	-58.7	-68.1	-78.5	-299.1	C.8
– \$103 million for informal caregivers and seniors	—	-19.0	-19.5	-20.4	-21.7	-22.6	-103.2	C.15
– \$228 million to encourage labour force participation <sup>(3)</sup>	—	-11.4	-12.4	-12.8	-13.3	-13.9	-63.8	C.27
– \$172 million for the extension of the RénovVert tax credit to March 31, 2019	—	-128.6	-42.9	—	—	—	-171.5	C.36
<b>Subtotal</b>	<b>—</b>	<b>-202.4</b>	<b>-125.2</b>	<b>-91.9</b>	<b>-103.1</b>	<b>-115.0</b>	<b>-637.6</b>	

TABLE D.57

**Financial impact of the measures of the March 2018  
Québec Economic Plan (cont.)**  
(millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total	Ref. page
Further investments to support families and communities								
– \$81 million to support families	—	–1.5	–7.4	–24.1	–24.6	–23.6	–81.2	C.47
– \$26 million to help young people achieve their ambitions	—	–6.5	–5.4	–5.4	–4.5	–4.5	–26.3	C.53
– \$48 million in further assistance to Aboriginal peoples	—	–18.5	–5.2	–5.3	–5.3	–5.2	–39.5	C.55
– \$53 million to improve the quality of life for seniors	—	–1.8	–3.8	–6.4	–15.8	–25.5	–53.3	C.59
– Promoting gender equality and recognition of human rights	—	—	—	—	—	—	—	C.65
– \$96 million to fight domestic violence and sexual violence	–31.4	–5.1	–14.7	–14.9	–14.9	–14.8	–95.8	C.68
– An additional \$500 million to modernize the justice system	–7.6	–47.5	–65.8	–85.6	–94.8	–91.4	–392.7	C.71
– \$431 million for the promotion of access to affordable, quality housing <sup>(4)</sup>	–31.1	–24.1	–41.1	–13.4	–79.1	–118.6	–307.4	C.72
– \$46 million in additional support for community organizations	—	–5.5	–8.5	–10.6	–10.6	–10.6	–45.8	C.84
– \$25 million in support for English-speaking Quebecers	–1.9	–2.0	–4.4	–5.4	–5.4	–5.4	–24.5	C.85
– \$1.8 billion for major electric projects and strategic investments in sustainable mobility <sup>(5)</sup>	—	–90.8	–149.6	–199.7	–262.2	–318.7	–1 021.0	C.86
<b>Subtotal</b>	<b>–72.0</b>	<b>–203.3</b>	<b>–305.9</b>	<b>–370.8</b>	<b>–517.2</b>	<b>–618.3</b>	<b>–2 087.5</b>	
<b>Subtotal – Providing better support to all Quebecers and raising their living standards</b>	<b>–72.0</b>	<b>–405.7</b>	<b>–431.1</b>	<b>–462.7</b>	<b>–620.3</b>	<b>–733.3</b>	<b>–2 725.1</b>	

TABLE D.57

**Financial impact of the measures of the March 2018  
Québec Economic Plan (cont.)**  
(millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total	Ref. page
<b>Fostering economic development</b>								
Supporting SMBs in all regions of Québec in the transformation of the Québec economy								
— Easing the tax burden on SMBs	—	-228.9	-337.9	-438.7	-549.3	-614.0	-2 168.8	D.8
— Stimulating the growth of Québec SMBs	-36.4	-7.2	-7.2	-6.2	-4.6	-4.6	-66.2	D.17
— Increasing available financing for SMBs	—	-23.1	-26.4	-27.2	-5.8	—	-82.5	D.29
<b>Subtotal</b>	<b>-36.4</b>	<b>-259.2</b>	<b>-371.5</b>	<b>-472.1</b>	<b>-559.7</b>	<b>-618.6</b>	<b>-2 317.5</b>	
Supporting appropriation and marketing of innovations by businesses	-65.5	-29.0	-60.5	-6.5	-5.0	-5.0	-171.5	D.45
Accelerating business development	-30.0	-19.4	-70.6	-95.9	-47.5	-7.6	-271.0	D.55
Supporting key sectors of the economy								
— Implementing a new biofood policy								
▪ Total appropriations	—	-59.1	-70.8	-73.8	-74.5	-70.5	-348.7	D.72
▪ Appropriations already provided	—	5.2	8.5	8.0	8.0	9.0	38.7	
▪ New appropriations	—	-53.9	-62.3	-65.8	-66.5	-61.5	-310.0	
— Spurring the growth of the clean technologies sector	-30.0	-2.5	-8.5	-9.5	-10.5	-11.5	-72.5	D.74
— Supporting the digital transition in the construction sector	—	-2.6	-2.6	-2.4	-2.4	-2.4	-12.4	D.78
— Pursuing the Maritime Strategy	—	-6.5	-6.1	-1.1	-1.1	-0.5	-15.3	D.81
— Supporting the financial sector	—	-17.0	-25.2	-31.8	-34.6	-12.3	-120.9	D.87
— Supporting the life sciences sector	-10.0	-3.5	-6.0	-6.0	-6.0	-21.0	-52.5	D.93
— Pursuing the Québec Aluminium Development Strategy	—	-11.0	-11.0	-11.0	—	—	-33.0	D.101
— Supporting innovation in Québec's craft alcoholic beverage industry	—	—	—	—	—	—	—	D.103
<b>Subtotal</b>	<b>-40.0</b>	<b>-97.0</b>	<b>-121.7</b>	<b>-127.6</b>	<b>-121.1</b>	<b>-109.2</b>	<b>-616.6</b>	

TABLE D.57

**Financial impact of the measures of the March 2018  
Québec Economic Plan (cont.)**  
(millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total	Ref. page
Meeting labour market challenges								
– Better understanding current and future workforce needs	—	–4.0	–5.0	–5.0	–5.0	–5.0	–24.0	D.107
– Having access to a sufficient workforce	–29.9	–70.6	–83.4	–85.6	–87.2	–88.8	–445.5	D.107
– Ensuring a skilled workforce	–20.0	–28.6	–46.1	–58.6	–61.5	–62.7	–277.5	D.107
– Adapting the workplace	—	–3.0	–15.0	–15.0	–15.0	–15.0	–63.0	D.107
Subtotal	–49.9	–106.2	–149.5	–164.2	–168.7	–171.5	–810.0	
Appropriations already provided	—	2.0	3.0	3.0	3.0	3.0	14.0	
<b>New appropriations</b>	<b>–49.9</b>	<b>–104.2</b>	<b>–146.5</b>	<b>–161.2</b>	<b>–165.7</b>	<b>–168.5</b>	<b>–796.0</b>	
Promoting economic development in all regions								
– Fostering economic diversification in the regions	–1.8	–11.0	–14.5	–17.5	–18.0	–20.0	–82.8	D.112
– Strengthening Québec's forestry sector	–87.6	–9.0	–10.0	–10.0	–5.0	–5.0	–126.6	D.117
– Ensuring the conservation and development of wildlife and wildlife habitats	–49.0	–7.5	–15.8	–20.1	–11.1	–12.0	–115.5	D.123
– Financially supporting projects to extend the natural gas distribution network in the regions	—	–8.5	–10.0	–18.0	—	—	–36.5	D.131
– Developing the mining sector	–12.0	–5.3	–6.8	–7.3	–0.8	–0.8	–33.0	D.133
– Developing Northern Québec	—	–0.3	–11.0	–10.8	–0.9	—	–23.0	D.140
<b>Subtotal</b>	<b>–150.4</b>	<b>–41.6</b>	<b>–68.1</b>	<b>–83.7</b>	<b>–35.8</b>	<b>–37.8</b>	<b>–417.4</b>	
Fostering access to culture								
– Bringing culture closer to young people and to the community	–35.0	–15.4	–15.5	–15.5	–15.5	–16.1	–113.0	D.151
– Fostering creation and excellence	–30.3	–21.2	–23.7	–25.3	–26.9	–29.4	–156.8	D.151
– Supporting culture and heritage in all regions of Québec	–24.6	–13.3	–14.2	–14.2	–14.2	–30.2	–110.7	D.151
– Entrenching Québec culture in digital space	—	–8.5	–17.8	–26.4	–30.9	–32.7	–116.3	D.151
<b>Subtotal</b>	<b>–89.9</b>	<b>–58.4</b>	<b>–71.2</b>	<b>–81.4</b>	<b>–87.5</b>	<b>–108.4</b>	<b>–496.8</b>	

TABLE D.57

**Financial impact of the measures of the March 2018  
Québec Economic Plan (cont.)**  
(millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total	Ref. page
Protecting the environment and promoting the energy transition								
– Implementing initiatives in support of the energy transition	–7.5	–104.7	–78.7	–43.2	–10.7	–15.3	–260.1	D.154
– Protecting ecosystems and ensuring sustainable development of the territory	–98.5	–12.4	–17.9	–17.6	–14.7	–14.7	–175.8	D.171
– Improving water management and mitigating risks related to flooding	–71.9	–27.4	–29.8	–35.0	–35.2	–26.6	–225.9	D.180
<b>Subtotal</b>	<b>–177.9</b>	<b>–144.5</b>	<b>–126.4</b>	<b>–95.8</b>	<b>–60.6</b>	<b>–56.6</b>	<b>–661.8</b>	
<b>Ensuring tax fairness</b>	<b>—</b>	<b>25.3</b>	<b>70.0</b>	<b>79.9</b>	<b>85.6</b>	<b>88.7</b>	<b>349.5</b>	<b>D.191</b>
<b>Subtotal – Fostering economic development</b>	<b>–640.0</b>	<b>–728.0</b>	<b>–966.5</b>	<b>–1 044.3</b>	<b>–997.3</b>	<b>–1 023.0</b>	<b>–5 399.1</b>	
<b>TOTAL – MARCH 2018 QUÉBEC ECONOMIC PLAN</b>	<b>–847.6</b>	<b>–2 049.9</b>	<b>–2 884.0</b>	<b>–3 281.0</b>	<b>–3 437.3</b>	<b>–3 600.2</b>	<b>–16 100.0</b>	
Measures implemented in the November 2017 update of the Québec Economic Plan	–1 339.6	–1 664.0	–1 767.0	–1 916.5	–2 088.4	–2 215.1	–10 990.6	
<b>TOTAL SINCE THE MARCH 2017 QUÉBEC ECONOMIC PLAN</b>	<b>–2 187.2</b>	<b>–3 713.9</b>	<b>–4 651.0</b>	<b>–5 197.5</b>	<b>–5 525.7</b>	<b>–5 815.3</b>	<b>–27 090.6</b>	

Note: A negative amount indicates a cost for the government.

(1) The subsidies granted in 2017-2018 allow for the funding of new initiatives.

(2) The financial impacts exclude measures announced in November 2017 and reallocations of expenditures.

(3) The financial impacts exclude the enhancement of \$164.4 million over five years to the tax credit for experienced workers. The impact of this enhancement has been recognized in the measures aimed at meeting labour market challenges.

(4) The total of these measures excludes the financial impact of \$78.3 million for the years after 2022-2023.

(5) The financial impacts exclude the enhancement of \$94.1 million over two years to the Drive Electric Program.





## APPENDIX 2: FOLLOW-UP OF RECOMMENDATIONS BY THE ADVISORY COUNCIL ON THE ECONOMY AND INNOVATION

TABLE D.58

### Recommendations by the Advisory Council on the Economy and Innovation and measures in the March 2018 Québec Economic Plan

Recommendations	Measures in the March 2018 Québec Economic Plan
1 Develop the basic skills of workers most vulnerable to technological change in order to maintain their employability thanks to the unprecedented participation of businesses and partners	<ul style="list-style-type: none"> <li>– \$810 million to meet labour market challenges:               <ul style="list-style-type: none"> <li>▪ Francisation in the workplace</li> <li>▪ Enhancement of Emploi-Québec programs</li> <li>▪ Support for continuing education</li> </ul> </li> <li>– \$1.6 billion to promote educational success</li> </ul>
2 Match individuals seeking better jobs with businesses seeking well-trained workers by bringing CEGEPS and businesses together in a redesigned express lane to ensure worker qualification	<ul style="list-style-type: none"> <li>– \$277.5 million to develop a qualified labour force:               <ul style="list-style-type: none"> <li>▪ adapting training opportunities more quickly to labour market needs, including by increasing support to college centres for technology transfer (CCTTs), in particular to apply the “trial” training approach and by enhancing the short-term training program focusing on internships of the Commission des partenaires du marché du travail</li> <li>▪ developing the continuing education offer</li> <li>▪ enhancing the tax credit for on-the-job training periods</li> <li>▪ implementing a new tax credit to support qualifying training for workers in SMBs</li> </ul> </li> </ul>
3 Attract and retain more talent by making it easier for young graduates to enter the labour force and for international students to become established by offering more internships and jobs reserved for new workers	<ul style="list-style-type: none"> <li>– \$92.1 million to foster prospecting and recruiting of foreign workers and students:               <ul style="list-style-type: none"> <li>▪ reviewing the intervention approach of the Ministère de l’Immigration, de la Diversité et de l’Inclusion, both abroad and in the regions, and supporting community organizations</li> <li>▪ supporting partnerships with Montréal International and Québec International</li> <li>▪ enhancing the Réflexe Montréal agreement with Ville de Montréal</li> </ul> </li> </ul>
4 Introduce our best SMBs to the global stage by bringing their leaders together in a forum of peers so that they can benefit from each other’s experience	<ul style="list-style-type: none"> <li>– \$66.2 million for initiatives aimed at stimulating the growth of Québec SMBs:               <ul style="list-style-type: none"> <li>▪ creation of Réseau200</li> <li>▪ support for accelerators and incubators for Québec businesses</li> <li>▪ support for SMBs in the transformation of the economy</li> </ul> </li> </ul>

TABLE D.58

### Recommendations by the Advisory Council on the Economy and Innovation and measures in the March 2018 Québec Economic Plan (cont.)

Recommendations	Measures in the March 2018 Québec Economic Plan
5 Expedite the adoption of digital technologies through a multi-pronged effort ranging from coaching and building awareness to improving access to data and carrying out public service pilot projects	<ul style="list-style-type: none"> <li>– More than \$1 billion in support tailored to different sectors of activity for their digital transformation:               <ul style="list-style-type: none"> <li>▪ \$355 million for the digital action plan in education and higher education</li> <li>▪ \$116.3 million for initiatives in the cultural sector</li> <li>▪ \$72 million for digital transformation of public bodies</li> <li>▪ \$194.2 million to bring the justice system in line with the latest technology</li> <li>▪ \$15 million to promote the digital transition in the tourism industry and \$11 million to support the digital transition in the construction sector</li> <li>▪ \$2.5 million to support the sharing of the Financial Markets Administrative Tribunal's expertise to digitize Québec's administrative tribunals</li> <li>▪ \$241 million to enhance tax measures to foster appropriation of digital technologies by businesses</li> </ul> </li> <li>– \$18.5 million to promote access to research data</li> </ul>
6 Make government purchasing more transformative for the economy and more beneficial for innovative SMBs by shifting from a "lowest bidder" approach to strategic government procurement	<ul style="list-style-type: none"> <li>– The Secrétariat du Conseil du trésor has agreed to undertake a study of the development of a program in Québec to promote strategic procurement based on the Small Business Innovation Research (SBIR) model in the U.S.               <ul style="list-style-type: none"> <li>▪ As part of this mandate, an analysis will be conducted on SBIR as well as the U.S., Canadian and Québec contexts for research and development projects</li> <li>▪ Following this study, recommendations will be presented to the government in the fall of 2018</li> </ul> </li> </ul>
7 Affirm our clean energy leadership by expediting the adoption of electric vehicles and low-emission transportation options in order to encourage business development in this new value chain	<ul style="list-style-type: none"> <li>– \$1.8 billion for major electric projects and strategic investments in sustainable mobility</li> <li>– \$172 million for the extension of the RénoVert tax credit to March 31, 2019</li> <li>– \$260.1 million for initiatives to support the energy transition, including:               <ul style="list-style-type: none"> <li>▪ granting additional funding to the Drive Electric program</li> <li>▪ supporting innovation in energy efficiency and the reduction of GHGs and promoting the reduction of GHG emissions and energy consumption by businesses</li> <li>▪ fostering the use of residual biomass, favouring the production of biofuels and developing the hydrogen sector in Québec</li> </ul> </li> <li>– \$72.5 million to implement the action plan for growth and clean technologies</li> </ul>

TABLE D.58

**Recommendations by the Advisory Council on the Economy and Innovation and measures in the March 2018 Québec Economic Plan (cont.)**

<b>Recommendations</b>		<b>Measures in the March 2018 Québec Economic Plan</b>
8	Strengthen Québec's position as a global hub of international trade by establishing world-class logistical infrastructure	<ul style="list-style-type: none"> <li>– Funding of studies aimed at the development of industrial port zones and logistics hubs</li> <li>– The previously announced creation of Capital logistique Québec with an envelope of \$300 million to invest in partnerships with private and institutional investors in projects associated with logistical hubs or the maritime economy</li> </ul>
9	Benefit from our natural resources, starting with making the recovery of our forestry industry a collective success story	<ul style="list-style-type: none"> <li>– \$126.6 million to strengthen the forestry sector, including increasing the amounts allocated to the Innovation Bois program and support for the industry through innovative solutions</li> <li>– \$33 million to develop the mining sector</li> <li>– \$115.5 million to ensure the conservation and development of wildlife and wildlife habitats</li> </ul>
10	Build a better-quality infrastructure faster and at a lower cost thanks to clear planning authority and the help of an agency specializing in carrying out work, with a view to building and maintaining our infrastructure in keeping with best practices	<ul style="list-style-type: none"> <li>– The foundation is in place to ensure clear and effective oversight regarding the management of public infrastructure investments. In keeping with the actions under way, other avenues are being analyzed in order to: <ul style="list-style-type: none"> <li>▪ reaffirm and strengthen the role of the Secrétariat du Conseil du trésor in investment planning and follow-up</li> <li>▪ enable the Société québécoise des infrastructures to increase its support of public bodies in managing their infrastructures and investment projects</li> </ul> </li> </ul>
11	Rethink the relationship between businesses and applied research centres so that our scientific knowledge can be fully applied toward ensuring our prosperity and businesses can focus on innovation as a solution to business problems	<ul style="list-style-type: none"> <li>– \$22.5 million to support the restructuring the business model of the Centre de recherche industrielle du Québec (CRIQ)</li> <li>– \$20.5 million to support the Université de Sherbrooke's project of an integrated innovation chain for digital prosperity</li> </ul>

TABLEAU D.58

**Recommendations by the Advisory Council on the Economy and Innovation  
and measures in the March 2018 Québec Economic Plan (cont.)**

Recommendations		Measures in the March 2018 Québec Economic Plan
12	Create North America's largest artificial intelligence ecosystem in Québec and develop the human resources required for the industry to take root here and for Québec to become one of the top creators, users and exporters of artificial intelligence solutions	<ul style="list-style-type: none"><li>– \$120 million to promote mobilizing projects in Québec, such as:<ul style="list-style-type: none"><li>▪ developing projects for supply chains optimized by artificial intelligence</li><li>▪ launching a call for mobilizing projects</li></ul></li><li>– \$10 million for business support programs at HEC Montréal in order to:<ul style="list-style-type: none"><li>▪ support the Montréal Creative Destruction Lab</li><li>▪ launch the NextAI accelerator</li></ul></li><li>– \$5 million to support the creation of the World Artificial Intelligence Organization in Montréal</li><li>– \$47 million to increase the graduation rates in sectors in demand, such as science and applied mathematics</li></ul>

# Section E

## THE QUÉBEC ECONOMY: RECENT DEVELOPMENTS AND OUTLOOK FOR 2018 AND 2019

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# 1. THE ECONOMIC SITUATION IN QUÉBEC

## 1.1 The Québec economy is going full throttle

Québec's economy is going full throttle. Growth in real gross domestic product (GDP) accelerated from 1.4% in 2016 to 3.0% in 2017.

— Economic activity has not been this strong since 2000.

The factors that drove economic growth in 2017 will remain in place in the coming years. Real GDP is expected to increase by 2.1% in 2018 and 1.7% in 2019.

— Québec's sound fiscal position will continue to support consumer and business confidence.

— Moreover, families will benefit from the robust labour market, wage growth and the recent tax cuts by the Québec government.

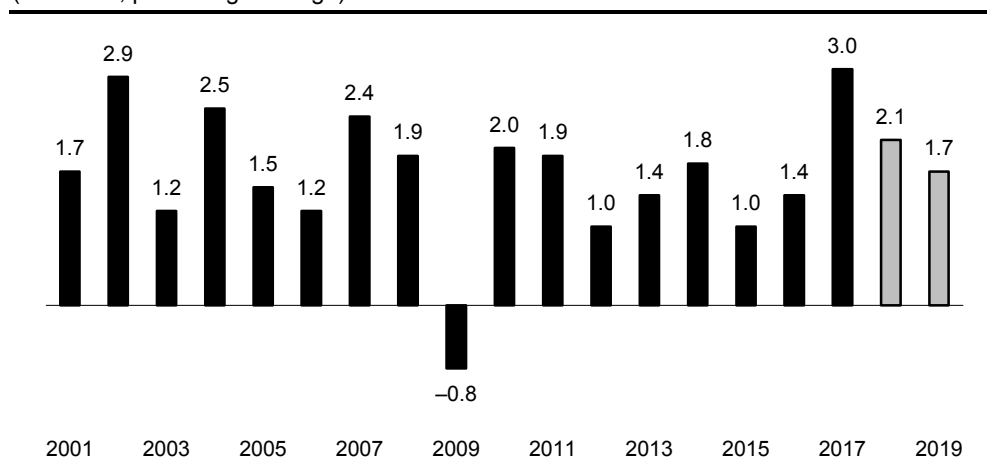
— Growth in investments, which are seeing a strong resurgence, will be supported by high business-owner confidence in Québec's economic outlook.

— In addition, exports will be supported by the good economic performance of Québec's major trading partners.

CHART E.1

### Economic growth in Québec

(real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## 2017 saw the strongest economic growth in nearly 20 years

The real GDP growth rate at year-end 2017 should be 3.0%, Québec's strongest economic growth in 17 years.

- This is a substantial upward revision of 1.3 percentage points from the March 2017 Québec Economic Plan.

This result is largely due to robust domestic demand.

- The good financial shape of households as a result of strong growth in employment and wages fuelled consumer spending and the residential sector.
- In addition, business confidence in Québec's economic outlook led to a strong resurgence of non-residential business investment.

Exports continued to expand, while strong growth in domestic demand supported an increase in imports.

The Québec economy is going full throttle. The growth components show that Québec's economy is on solid ground, pointing to continued momentum in the coming years.

### Real GDP and its major components, forecasts for 2017<sup>(1)</sup>

(percentage change and revision in percentage points)

	2017		Revision
	March 2017	March 2018	
<b>Contribution of domestic demand</b>	<b>1.6</b>	<b>3.4</b>	<b>+1.8</b>
– Household consumption	2.2	3.3	+1.1
– Residential investment	-0.7	7.5	+8.2
– Non-residential business investment	2.1	5.0	+2.9
– Government spending and investment	0.6	1.7	+1.1
<b>Contribution of the external sector</b>	<b>0.1</b>	<b>-1.1</b>	<b>-1.2</b>
– Exports	2.2	1.7	-0.5
– Imports	2.0	3.7	+1.7
<b>Contribution of inventories</b>	<b>0.1</b>	<b>0.7</b>	<b>+0.6</b>
<b>Real GDP</b>	<b>1.7</b>	<b>3.0</b>	<b>+1.3</b>

Note: At the time of publication of the March 2018 Québec Economic Plan, Québec real GDP growth was 2.9% for the first three quarters of 2017, according to the quarterly economic accounts of the Institut de la statistique du Québec. Real GDP by industry (for the 11 months available for 2017) was up by 3.2%.

(1) Comparison of 2017 forecasts in the March 2017 Québec Economic Plan and the March 2018 Québec Economic Plan.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.



## ❑ The good financial shape of households and business confidence will drive growth

Household confidence in the Québec economy is reflected in consumption growth, which will continue to be a key driver of economic activity. Household consumption is forecast to increase by 2.7% in 2018 and 1.8% in 2019, outstripping real GDP growth.

- Consumption will be supported by the robust labour market and high household confidence. Moreover, the high-quality jobs created will be reflected in wage growth. In addition, households will benefit from the tax cuts granted by the Québec government.

The good financial shape of households will continue to support the residential sector. However, the tighter mortgage rules announced by the Office of the Superintendent of Financial Institutions and gradual rise in interest rates will likely dampen housing demand.

After jumping by 5.0% in 2017, non-residential business investment is expected to continue climbing, driven by record-high optimism among business owners and strong demand for Québec goods and services.

Exports are projected to expand by 2.7% in 2018 and 2.4% in 2019, fuelled by sustained demand from Québec's main trading partners, particularly the United States and Canada.

TABLE E.1

### Real GDP and its major components

(percentage change and contribution in percentage points)

	2017	2018	2019
<b>Contribution of domestic demand</b>	<b>3.4</b>	<b>2.8</b>	<b>1.5</b>
– Household consumption	3.3	2.7	1.8
– Residential investment	7.5	3.7	-2.2
– Non-residential business investment	5.0	5.1	3.1
– Government spending and investment	1.7	1.7	1.1
<b>Contribution of the external sector</b>	<b>-1.1</b>	<b>0.0</b>	<b>0.2</b>
– Exports	1.7	2.7	2.4
– Imports	3.7	2.3	1.8
<b>Contribution of inventories</b>	<b>0.7</b>	<b>-0.8</b>	<b>-0.1</b>
<b>REAL GDP</b>	<b>3.0</b>	<b>2.1</b>	<b>1.7</b>

Note: Totals may not add due to rounding.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

# 1.2 2017, a record year for employment

## ❑ The favourable economic conditions are reflected in the labour market's excellent performance

Reflecting the good economic conditions, Québec's labour market performed exceptionally well in 2017.

- On average, 90 200 jobs were created relative to 2016. Of that number, 65 400 were full-time jobs.
- From January to December 2017, the economy added 94 100 jobs, including 93 600 full-time jobs.

The robust labour market brought the unemployment rate down to levels never before seen in Québec.

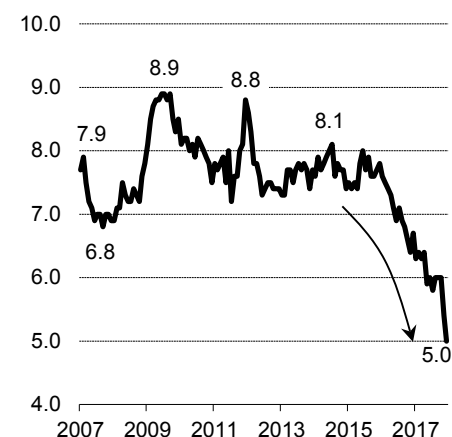
- In 2017, the unemployment rate fell to 6.1%, an annual record since Statistics Canada began its Labour Force Survey in 1976.
- In December 2017, the unemployment rate was 5.0%.

The decline in unemployment is partly attributable to the increase in the number of employed Quebecers, which reached an all-time high.

- In December 2017, the employment rate, that is, the percentage of the population that is employed, was 61.6%, surpassing the previous record reached in November 2007.

CHART E.2

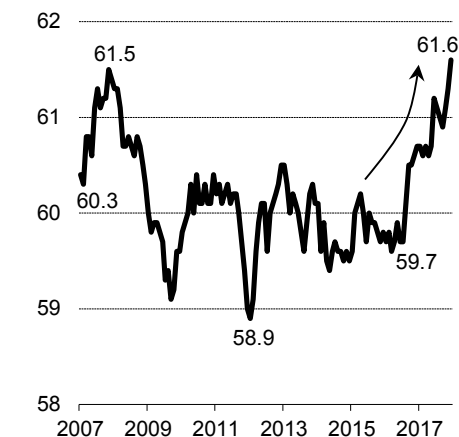
**Unemployment rate in Québec**  
(per cent)



Source: Statistics Canada.

CHART E.3

**Employment rate in Québec**  
(per cent)



Source: Statistics Canada.

## ❑ Québec – a hub of job creation in Canada

Québec's strong economic performance has made it a hub of employment growth in Canada.

- Since 2015, Québec's contribution to total job creation in Canada exceeds its demographic weight of 22.9% in the federation.
- In 2017, Québec created nearly 27% of all new jobs in Canada. It is the third year in a row that Québec was among the provinces with the highest job creation in Canada.
- The same year, 128 400 jobs were created in Ontario, 90 200 in Québec and 87 300 in British Columbia.

## ■ In 2017, Québec's unemployment rate fell below the Canadian average

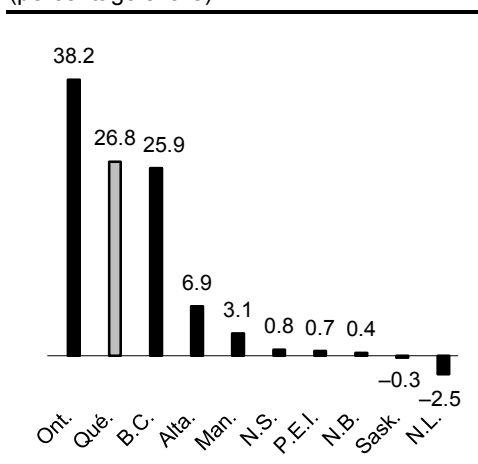
Québec's unemployment rate has dropped significantly in the past few years, averaging 6.1% in 2017, an annual record.

As a result, the unemployment rate in Québec fell below Canada's unemployment rate (6.3%).

- In December 2017, the unemployment rate in Québec (5.0%) was the lowest of the Canadian provinces, with the exception of British Columbia (4.6%).

CHART E.4

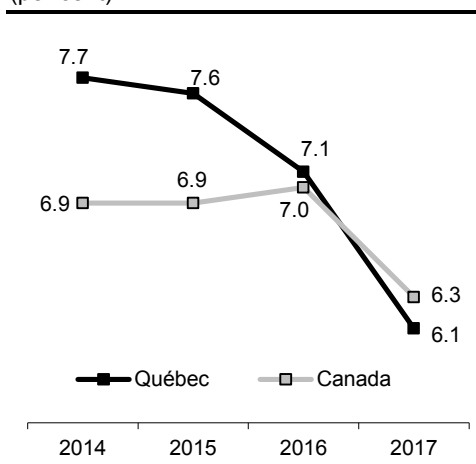
### Breakdown of job creation in Canada, 2017 (percentage share)



Source: Statistics Canada.

CHART E.5

### Change in unemployment rate in Québec and Canada (per cent)



Source: Statistics Canada.

## The government is on track to achieve its commitment to create 250 000 jobs in five years

From May 2014 to February 2018, Québec created 222 600 jobs. More specifically:

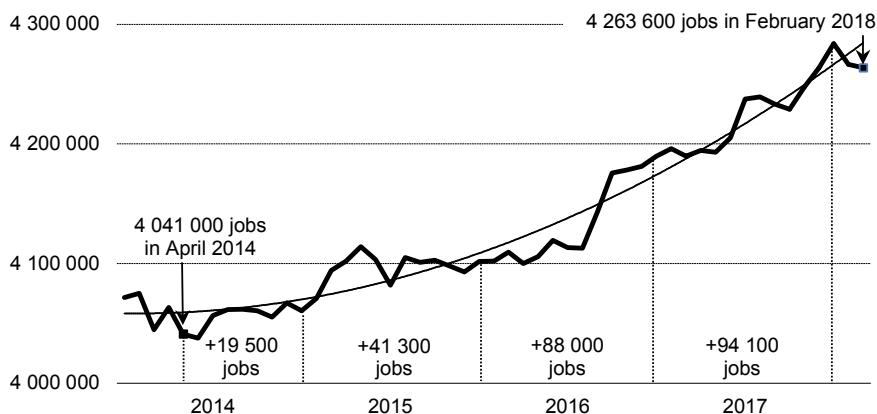
- 19 500 jobs were added from May to December 2014;
- 41 300 jobs were gained from January to December 2015;
- 88 000 jobs were created from January to December 2016;
- 94 100 jobs were added from January to December 2017.

Job creation kept pace with the acceleration of economic activity.

- Based on the employment growth seen in recent years and the projected growth in 2018, the government is on track to meet its commitment to create 250 000 jobs over five years.

### Employment trends in Québec

(number of jobs)



Sources: Statistics Canada and Ministère des Finances du Québec.

## Quality jobs for the well-being of Quebecers

### Most of the jobs created are full-time

Québec's labour market had an excellent year in 2017. Recent trends show not only a gain of 90 200 jobs, but also the creation of high-quality jobs.

- In fact, 65 400 jobs, or 72.5% of the jobs created, were full-time.

In addition, the number of involuntary part-time workers, that is, people who work part time because they cannot find full-time employment, declined by 3 700 in 2017 (–2.1%). The number is down by 22 200 (–11.5%) compared to 2014.

### Record decrease in the number of unemployed persons and social assistance recipients

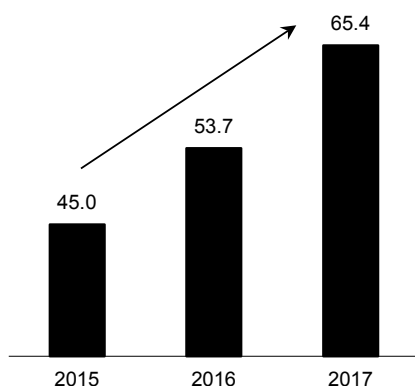
Strong job creation drove a sharp decrease in the number of people who are unemployed or receiving social assistance in Québec.

- In 2017, there were 42 700 fewer unemployed persons in Québec than in 2016, the biggest year-over-year decline since 1976.
- The number of adults receiving social assistance benefits fell by an average of 12 188 people, or 3.6%, in 2017. This is also the biggest year-over-year drop in nearly 20 years.

### Workers are seeing higher wages

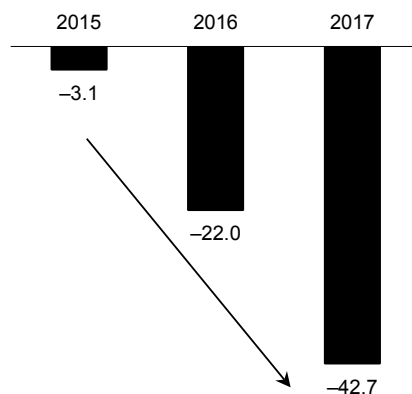
Average hourly wage growth, which accelerated to 2.9% in 2017, shows that working Quebecers are reaping the benefits of economic growth through strong employment.

**Creation of full-time jobs in Québec**  
(thousands)



Source: Statistics Canada.

**Change in number of unemployed persons in Québec**  
(thousands)



Source: Statistics Canada.

## ❑ Faster wage growth

In addition to job creation, the Québec economy's strong performance was reflected in wage growth and families' purchasing power. According to Statistics Canada's Labour Force Survey, the average hourly wage in Québec rose at a faster pace over the last few years.

- Since 2016, the average hourly wage in Québec has increased more than in Canada and Ontario.
- The growth rate accelerated from 2.2% in 2015 to 2.8% in 2016 and 2.9% in 2017. In January 2018, average hourly wage growth was up 3.6% over January 2017.

## ■ Workers' quality of life is increasing

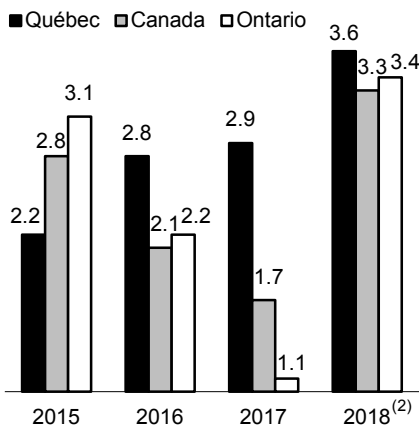
Working Quebecers are reaping even greater benefit from the faster wage growth in Québec than in Canada and Ontario because the increase in the cost of living was lower in Québec.

Bear in mind that an increase in workers' purchasing power depends on wage growth, which gives workers more purchasing power, and on price inflation, which gives them less purchasing power.

In Québec, the combination of faster wage growth and weak price inflation in recent years led to a sharp increase in real wages, that is, the purchasing power of workers.

CHART E.6

**Average hourly wage<sup>(1)</sup>**  
(percentage change, in nominal terms)



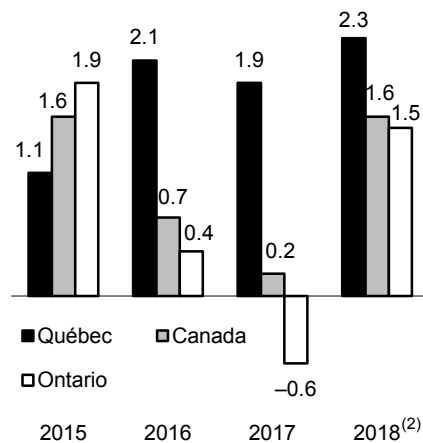
(1) Average hourly wage for all wage earners.

(2) January 2018 relative to January 2017.

Source: Statistics Canada.

CHART E.7

**Purchasing power of workers<sup>(1)</sup>**  
(percentage change, in real terms)



(1) Average hourly wage for all wage earners less the cost-of-living increase measured by the CPI.

(2) January 2018 relative to January 2017.

Sources: Statistics Canada and Ministère des Finances du Québec.

## ❑ Strong economic performance will result in continued job creation

The labour market is expected to remain robust in the coming years, benefiting from further economic growth. As well, job creation will be influenced by demographic changes, which will result in a smaller pool of available workers.

— 60 600 jobs will be created in 2018, raising the total number of jobs by 1.4%.

— 30 100 jobs should be gained in 2019, an increase of 0.7%.

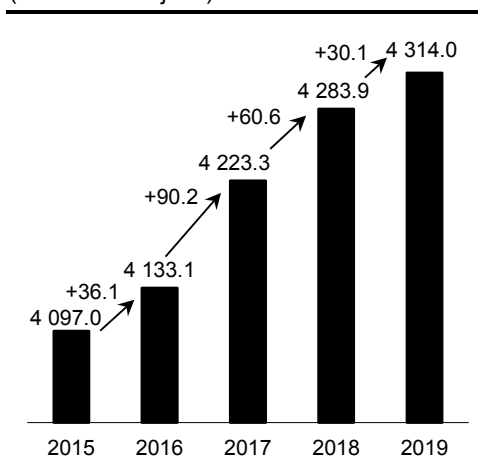
With the forecast job creation, the unemployment rate will continue falling.

— After standing at 6.1% in 2017, Québec's unemployment rate is expected to drop to 5.4% in 2018 and 5.3% in 2019.

These low unemployment levels will require using the full potential of the labour supply in order to sustain economic growth in all regions of Québec.

CHART E.8

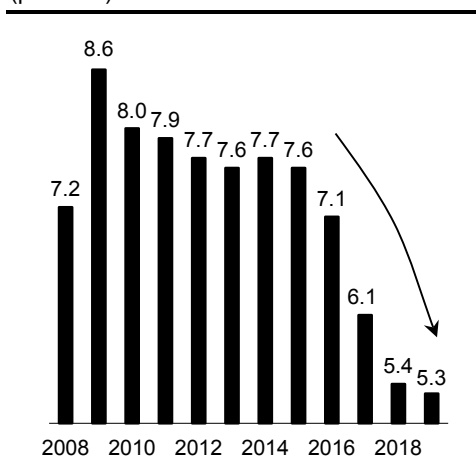
### Change in employment in Québec (thousands of jobs)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART E.9

### Unemployment rate in Québec (per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

### 1.3 Household consumption expenditure is a growth engine

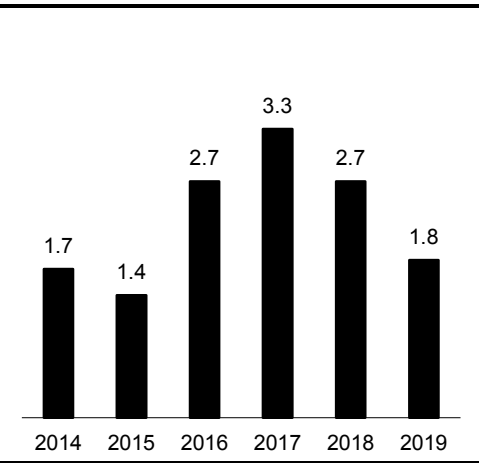
Household consumption expenditure rose by 3.3% in real terms in 2017, contributing substantially to the increase in economic activity. Growth in consumption is expected to stand at 2.7% in 2018 and 1.8% in 2019.

- The robust labour market will continue to contribute to income growth among Québec wage earners. At the same time, the moderate increase in inflation will sustain the improving standard of living for Québec families.
- The tax cuts announced by the Québec government, in particular the general tax reduction, the reduction in the school tax and the financial assistance paid to families to help cover the cost of school supplies, will lead to stronger growth in household disposable income.
- The Government Action Plan to Foster Economic Inclusion and Social Participation will provide additional financial support to people with low incomes.
- Historically high consumer confidence testifies to the optimism about the future and augurs continued robust household consumption expenditure.

However, the anticipated growth in consumption in 2018 and 2019 includes the effects of the Bank of Canada's gradual interest rate hikes.

CHART E.10

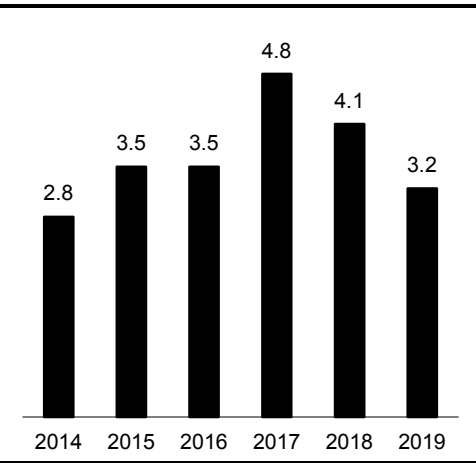
**Household consumption expenditure in Québec**  
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART E.11

**Household disposable income in Québec**  
(percentage change, in nominal terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.



## Québec consumer confidence is high

The Conference Board of Canada's consumer confidence index for Québec has risen sharply since the beginning of 2016.

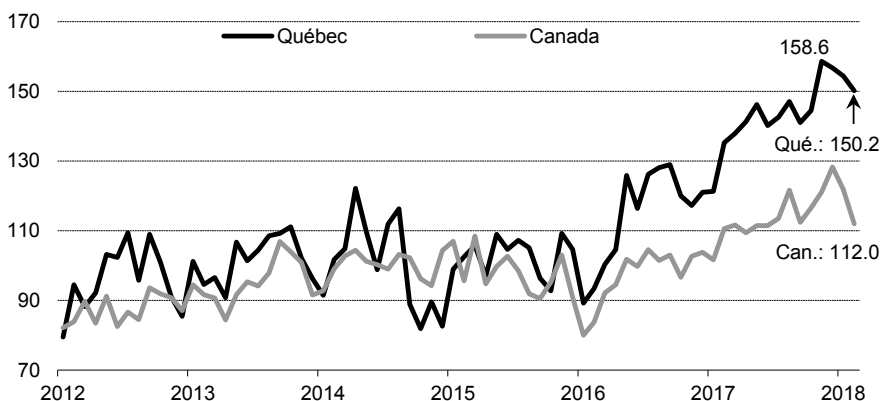
- The consumer confidence index jumped from 89.3 points in January 2016 to 158.6 points in November 2017, a level not seen since May 2002.
- The average confidence index for Québec in 2018 is 152.3 points. The index shows a much higher level of optimism than in 2014, when it averaged 100 points.

The improvement was not as strong in Canada.

- The consumer confidence index for Canada has averaged 116.9 points in 2018 (100 points on average in 2014).

The high level of consumer confidence in Québec heralds sustained growth in household consumption in the coming quarters.

### Change in the consumer confidence index (points, 2014 = 100)



Source: Conference Board of Canada.

# 1.4 Strong resurgence in business investment

Non-residential business investment rose for the second year in a row in 2017, with a growth rate of 5.0% in real terms. This is higher than the growth rate observed in Canada.

— Investment in machinery and equipment, a main determinant of productivity, was especially strong in 2017, increasing 9.1% in real terms, testifying to business owners' confidence in Québec's economy.

This is a marked turnaround from the weak investment seen since 2013. Business owners' new-found optimism over Québec's economic and fiscal position was a catalyst for the investment resurgence.

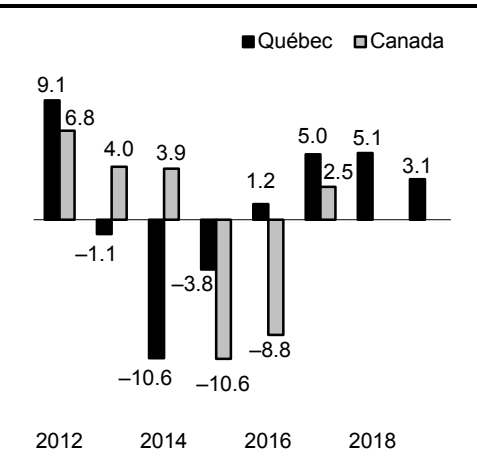
This reversal in trend, which began in late 2015, will continue in the coming years, with non-residential business investment forecast to grow by 5.1% in 2018 and 3.1% in 2019 in real terms.

— The growth in non-residential business investment will be driven primarily by investment in machinery and equipment, which is projected to rise by 6.9% in 2018 and 3.7% in 2019.

— Investment in non-residential structures is expected to increase by 4.0% and 2.6% in 2018 and 2019, respectively.

CHART E.12

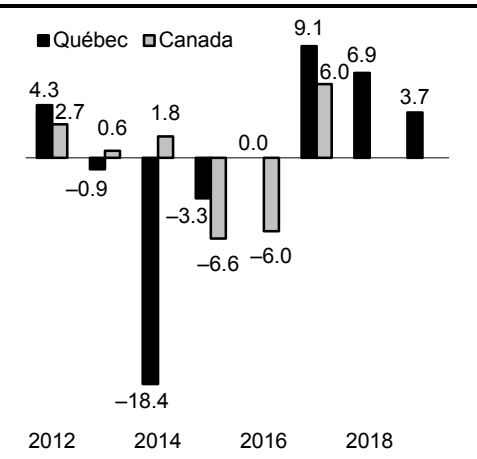
**Total non-residential business investment**  
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART E.13

**Business investment in machinery and equipment**  
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## Good economic conditions and Québec's healthy public finances reinforce investor confidence

Faster economic growth and sound public finances are fuelling Québec business owners' optimism.

According to the Canadian Federation of Independent Business (CFIB), the Business Barometer Index, which measures small and medium-sized business (SMB) confidence, shows that business owners in Québec were the most optimistic in Canada in 2017.

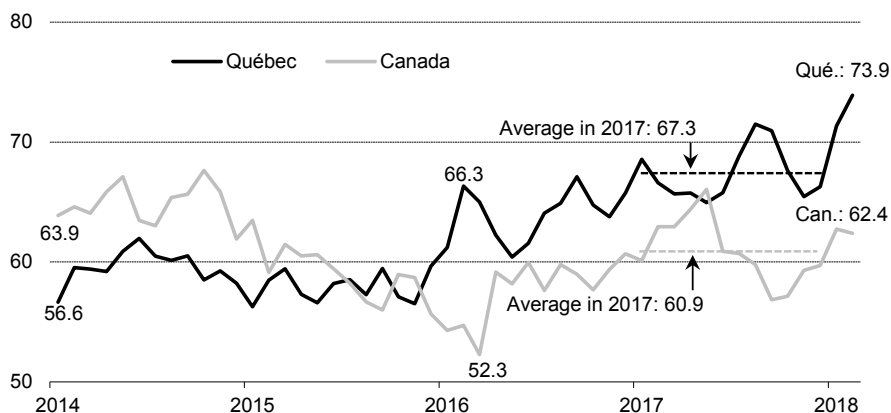
- The SMB confidence index in Québec averaged 67.3 points in 2017.
- For the same period, the average confidence index was 60.9 points in Canada, 64.7 points in British Columbia and 60.9 points in Ontario.

According to the CFIB, one normally sees an index level of between 65 and 70 when the economy is growing at full potential.

The sustained upward trend in Québec business owner confidence is continuing in 2018.

- The index in Québec was at 73.9 points in February 2018, making Québec business owners the most optimistic in Canada for the sixth month in a row.
- In 2018, the index averaged 72.6 points in Québec, compared to 62.6 points in Canada as a whole, 68.1 points in British Columbia and 58.8 points in Ontario.

### SMB confidence index (points)



Note: The index is measured on a scale of 0 to 100. An index above 50 means owners expecting their business' performance to be stronger in the next year outnumber those expecting weaker performance.  
Source: Canadian Federation of Independent Business' Business Barometer Index.

## ❑ Continued high level of government investment

Québec's public administration sector, in particular the Québec government, municipalities and the federal government, will maintain a high level of investments in the coming years.

- In 2017, the value of investments by all levels of government reached \$16.8 billion.
- It is expected to rise to \$17.7 billion in 2018 and \$18.5 billion in 2019.

Government investments are an important economic engine, making it possible to upgrade public infrastructure for the benefit of citizens and businesses.

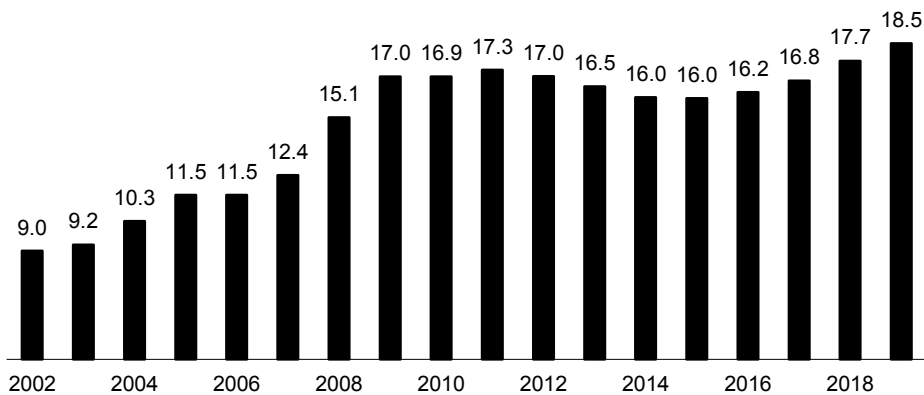
More specifically, the Québec government will maintain a high level of investment under the Québec Infrastructure Plan (QIP), totalling more than \$100 billion over ten years, or roughly \$10 billion a year from 2018-2019 to 2027-2028.

- In 2018-2019, the QIP will account for nearly 60% of total public investment in Québec and for 2.3% of Québec's GDP.
- Planned federal government spending on infrastructure over the same period equals 0.7% of Canada's GDP.

CHART E.14

### Government investments<sup>(1)</sup> in Québec

(billions of dollars, in nominal terms)



(1) Includes investments by the Québec government, the federal government, local public administrations and Aboriginal public administrations.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## 1.5 A strong residential sector

The faster pace of economic growth and job creation drove activity in Québec's residential sector. Residential investment, which includes spending on new housing construction and renovations, was up 7.5% in 2017.

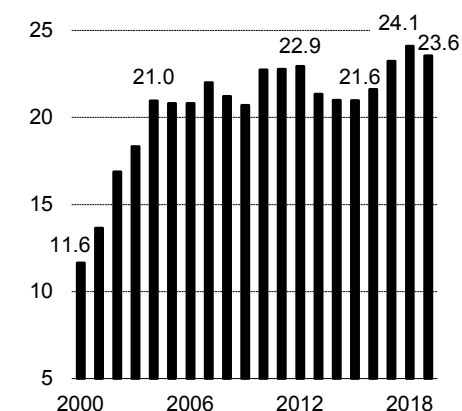
Favourable economic conditions and high consumer confidence will continue to support the residential sector in Québec. However, the gradual rise in interest rates and the tighter mortgage rules that took effect on January 1, 2018 will temper housing demand.<sup>1</sup>

Residential investment is thus expected to climb by 3.7% in real terms in 2018 and then decrease slightly, to \$23.6 billion in 2019. More specifically:

- in 2018, housing starts should once again exceed the 40 000 unit threshold in order to meet housing demand. In 2019, they are expected to slow to 33 800 units, a level more in line with long-term demographic determinants;
- spending on renovations is forecast to increase by 5.0% in 2018 and 5.1% in 2019, following 4.0% growth in 2017. Since 2016, home renovation spending has been boosted by the RénoVert tax credit introduced by the Québec government.

CHART E.15

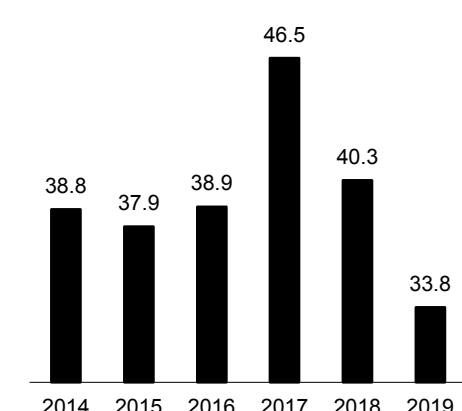
### Residential investment in Québec (in real terms, billions of 2007 dollars)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART E.16

### Housing starts in Québec (thousands of units)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

<sup>1</sup> These measures were announced by the Office of the Superintendent of Financial Institutions.

# 1.6 Exports will benefit from favourable global conditions

Québec exports are expected to grow by 2.7% in 2018 and 2.4% in 2019, after increasing by 1.7% in 2017. The acceleration is mainly attributable to:

- continued economic growth in Canada and the dynamic U.S. economy, Québec's largest international trading partner;
- the Canadian dollar exchange rate, which continues to boost international exports.

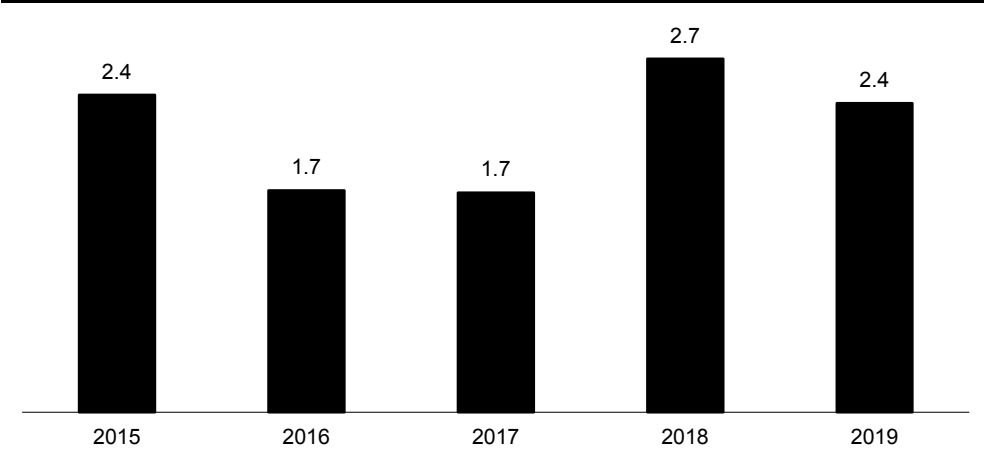
Québec exports will further benefit from the favourable global economic context marked by broad-based and more synchronous economic growth across countries and regions.

- With the measures in the Québec Economic Plan, businesses will be ready to seize the good opportunities afforded by the global economic growth.
- In addition, implementation of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) in September 2017 provides new opportunities for exporters to a market of over 510 million inhabitants.

The projected trend in Québec exports reflects the uncertainty surrounding the North American Free Trade Agreement (NAFTA) negotiations.

CHART E.17

**Québec's total exports**  
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## ❑ The acceleration in domestic demand and exports is driving import growth

Imports are expected to grow in real terms by 2.3% in 2018 and 1.8% in 2019, following an increase of 3.7% in 2017.

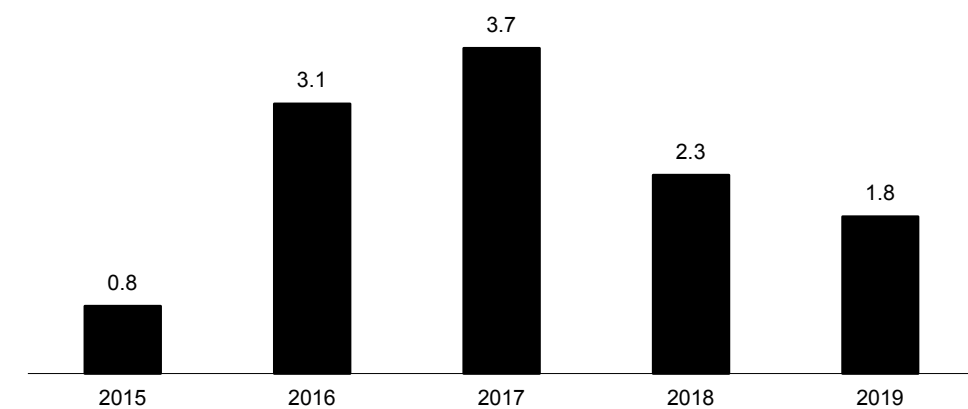
Québec mainly imports consumer goods, machinery and equipment and inputs for the manufacture of products. The anticipated growth in Québec imports is primarily explained by:

- the increase in household consumption;
- the sustained growth in non-residential business investment, especially in machinery and equipment;
- the acceleration in exports.

CHART E.18

### Québec imports

(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## 1.7 Faster growth in nominal GDP

Following a growth rate of 2.7% in 2016, nominal GDP is forecast to expand by 4.4% in 2017, primarily due to the acceleration in real economic activity.

In 2018, growth in Québec's nominal GDP is expected to be 3.5%. The increase will flow from the anticipated 2.1% growth in real GDP, along with 1.4% price growth (GDP deflator).

In 2019, the value of Québec's GDP should increase by 3.3% due to the forecast 1.7% growth in real GDP and 1.6% GDP price growth.

TABLE E.2

### Nominal GDP growth in Québec (percentage change)

	2016	2017	2018	2019
Real GDP	1.4	3.0	2.1	1.7
Price – GDP deflator	1.2	1.4	1.4	1.6
<b>NOMINAL GDP</b>	<b>2.7</b>	<b>4.4</b>	<b>3.5</b>	<b>3.3</b>

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.



## ❑ Upturn in consumer price growth

Québec has seen low inflation over the last few years. Since 2013, total consumer price index (CPI) inflation in Québec has been below the Bank of Canada's target rate of 2.0%.

This is explained by a number of factors, some of which are specific to Québec, while others are common to several advanced economies.

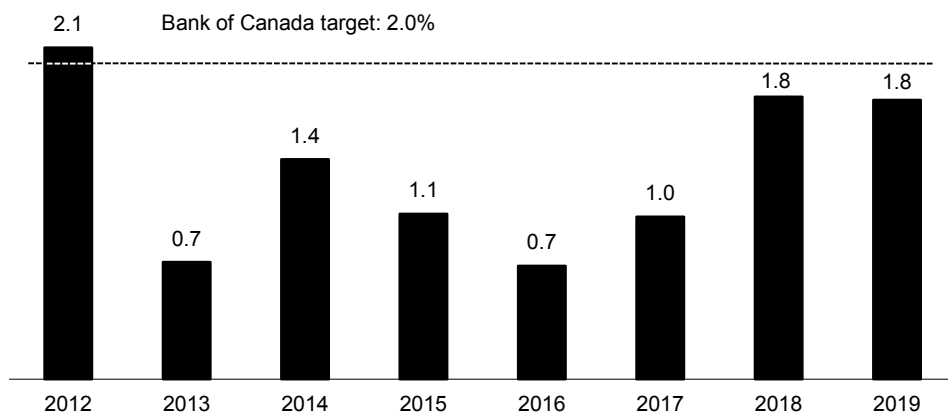
- Some consumer prices, such as tuition and school fees, automobile insurance and real estate, saw slower growth in Québec than in the rest of Canada.
- In addition, since 2014, falling energy prices have slowed consumer price growth in several countries.

Total CPI growth in Québec will firm up in the coming years, rising from 1.0% in 2017 to 1.8% in 2018 and 2019, owing to the upward pressure on wages and the rising oil prices.

- Despite the anticipated acceleration, price growth will remain moderate in Québec and total CPI growth is expected to remain below 2.0%.

CHART E.19

### Total consumer price index in Québec (percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

# 1.8 Comparison with private sector forecasts

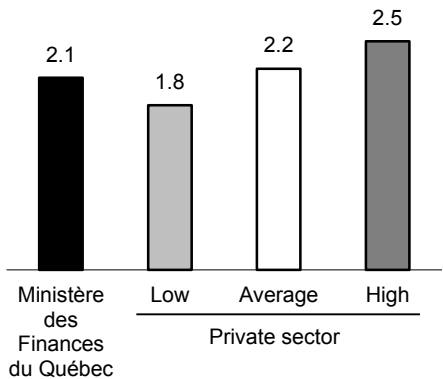
The Ministère des Finances du Québec's economic growth outlook for 2018 and 2019 is comparable to the average private sector forecast.

- For 2018, the real GDP growth forecast is 2.1%, which is slightly below the average private sector forecast of 2.2%.
- In 2019, real GDP is expected to expand by 1.7%, the same rate as the average private sector forecast.

CHART E.20

## Economic growth in Québec, 2018

(real GDP, percentage change)

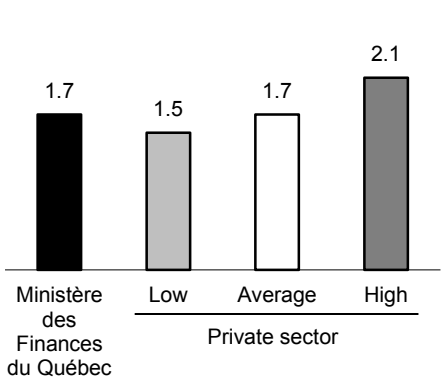


Source: Ministère des Finances du Québec summary as of March 12, 2018, which includes the forecasts of 11 private sector institutions.

CHART E.21

## Economic growth in Québec, 2019

(real GDP, percentage change)



Source: Ministère des Finances du Québec summary as of March 12, 2018, which includes the forecasts of 11 private sector institutions.

TABLE E.3

**Economic outlook for Québec**  
 (percentage change, unless otherwise indicated)

	2017	2018	2019
<b>Output</b>			
Real gross domestic product	3.0	2.1	1.7
Nominal gross domestic product	4.4	3.5	3.3
Nominal gross domestic product (\$billion)	412.3	426.6	440.6
<b>Components of GDP (in real terms)</b>			
Final domestic demand	3.3	2.7	1.5
– Household consumption	3.3	2.7	1.8
– Government spending and investment	1.7	1.7	1.1
– Residential investment	7.5	3.7	-2.2
– Non-residential business investment	5.0	5.1	3.1
Exports	1.7	2.7	2.4
Imports	3.7	2.3	1.8
<b>Labour market</b>			
Population (thousands)	8 394.0	8 458.3	8 521.8
Population aged 15 and over (thousands)	6 931.9	6 976.5	7 019.0
Jobs (thousands)	4 223.3	4 283.9	4 314.0
Job creation (thousands)	90.2	60.6	30.1
Unemployment rate (%)	6.1	5.4	5.3
<b>Other economic indicators (in nominal terms)</b>			
Household consumption	4.5	4.3	3.3
– Excluding food and rent	4.8	4.5	3.3
Housing starts (thousands of units)	46.5	40.3	33.8
Residential investment	9.5	5.5	-0.2
Non-residential business investment	5.3	5.4	4.7
Wages and salaries	4.6	4.1	3.2
Household income	3.8	3.7	3.3
Net operating surplus of corporations	11.9	4.9	4.8
Consumer price index	1.0	1.8	1.8
– Excluding food and energy	0.8	1.4	1.6
GDP per capita (\$)	49 117	50 436	51 702
Disposable income per capita (\$)	28 817	29 761	30 487

Sources: Institut de la statistique du Québec, Statistics Canada, Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

## 1.9 Five-year economic outlook for 2018-2022

The Ministère des Finances du Québec's five-year forecasts are similar to the average private sector forecasts for real GDP growth, price inflation and nominal GDP growth.

- For real GDP, the Ministère des Finances du Québec forecasts an average growth rate of 1.6% from 2018 to 2022, which is similar to the average private sector forecast.
- For nominal GDP, the Ministère des Finances du Québec forecasts an average growth rate of 3.2% from 2018 to 2022, which is slightly below the 3.4% average growth forecast by the private sector.

TABLE E.4

### Québec economic outlook – Comparison with the private sector (percentage change)

	2017	2018	2019	2020	2021	2022	Average 2018-2022
<b>Real GDP</b>							
Ministère des Finances du Québec	3.0	2.1	1.7	1.5	1.3	1.3	1.6
Private sector average	2.9	2.2	1.7	1.4	1.3	1.4	1.6
<b>Prices – GDP deflator</b>							
Ministère des Finances du Québec	1.4	1.4	1.6	1.7	1.7	1.7	1.6
Private sector average	1.5	1.7	1.8	1.8	1.8	1.8	1.8
<b>Nominal GDP</b>							
Ministère des Finances du Québec	4.4	3.5	3.3	3.2	3.0	3.0	3.2
Private sector average	4.5	3.9	3.5	3.3	3.1	3.2	3.4

Note: Averages may not add due to rounding.

Source: Ministère des Finances du Québec summary as of March 12, 2018, which includes the forecasts of 11 private sector institutions.

## 1.10 The acceleration in economic growth is reflected in a higher standard of living for Quebecers

Québec real GDP growth has picked up pace in recent years, accelerating from 1.4% in 2016 to 3.0% in 2017. The acceleration in economic growth facilitated an improvement in Quebecers' standard of living, as measured by real GDP per capita.

— Between 2007 and 2017, Québec's real GDP per capita (+5.9%) grew at a similar rate to that of Ontario (+5.2%) and Canada as a whole (+5.6%).

The favourable economic conditions in Québec will translate into continued growth in 2018 and 2019. Real GDP is expected to rise by 2.1% in 2018 and 1.7% in 2019.

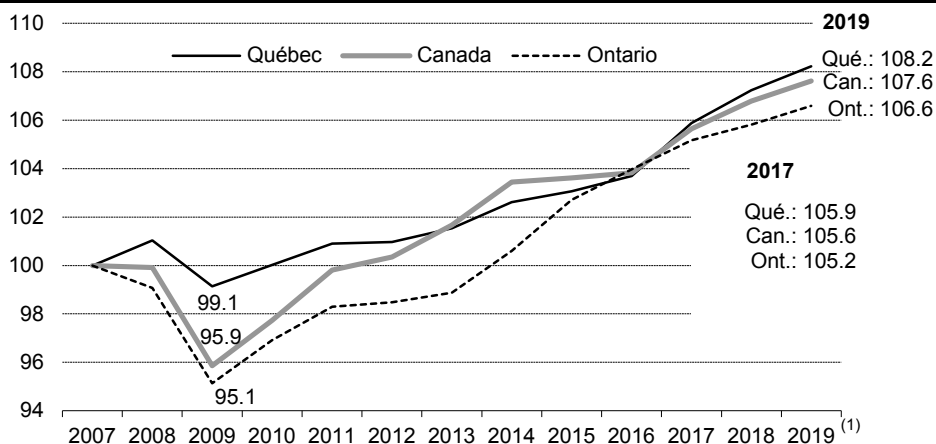
— 2018 will mark the ninth consecutive year of economic growth since the 2009 recession.

— Growth in the economy will facilitate continued improvement in Quebecers' standard of living, which will rise at a similar rate to that of Canadians.

CHART E.22

### Standard of living per capita

(Real GDP per capita, index, 2007 = 100)



(1) Ministère des Finances du Québec forecasts for Québec and Canada and Conference Board of Canada forecasts for Ontario.

Sources: Institut de la statistique du Québec, Statistics Canada, Conference Board of Canada and Ministère des Finances du Québec.

## ❑ Productivity and employment gains will drive growth over the coming years

The key factors of economic growth, measured by the increase in real GDP, are:

- demographic trends, indicated by changes in the population aged 15-64, which constitutes the main pool of potential workers;
- employment growth, reflected in a higher employment rate, that is, the total number of workers in relation to the population aged 15-64;
- productivity growth, that is, the increase in output per job.

Whereas demographics have stopped contributing to real GDP growth, improvement in the employment rate and growth in productivity will be the main drivers of Québec's economic expansion in the coming years.

TABLE E.5

### Contribution of economic growth factors in Québec (average annual percentage change and contribution in percentage points)

	Historical			Forecast			
	1982- 2010	2011- 2016	2017	2018	2019	2020	2021- 2022
Real GDP (% change)	2.0	1.4	3.0	2.1	1.7	1.5	1.3
<b>Growth factors (contribution):</b>							
Potential labour pool <sup>(1)</sup>	0.6	0.1	-0.1	-0.1	-0.2	-0.3	-0.2
Employment rate <sup>(2)</sup>	0.6	0.7	2.3	1.6	0.9	0.8	0.7
Productivity <sup>(3)</sup>	0.8	0.6	0.8	0.6	1.0	0.9	0.8

Note: Totals may not add due to rounding.

(1) Population aged 15-64.

(2) Total number of workers out of the population aged 15-64.

(3) Real GDP per worker.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## 1.11 Importance for the Québec economy of increasing the labour pool through immigration

### ❑ Effects of demographic changes: a shrinking potential labour pool

Québec's aging population translates to a declining number of people between the ages of 15 and 64. As a result, one of Québec's economic challenges in the coming years will be to meet the economy's workforce needs.

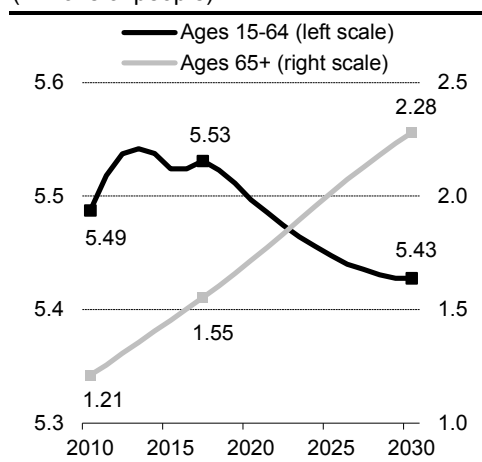
- Based on the Institut de la statistique du Québec's most recent demographic scenario, the population aged 15 to 64 is projected to shrink from 5 531 000 people in 2017 to 5 428 000 in 2030, an average annual decline of 0.1% between 2018 and 2030.
- The decrease will come with a decline in the demographic weight of the population aged 15 to 64, which will decrease from 65.9% of the total population in 2017 to 59.4% in 2030.

At the same time, the share of the population aged 65 and over will increase from 18.5% of the total population in 2017 to 25.0% in 2030.

- The population aged 65 and over is expected to swell from 1 553 000 people in 2017 to 2 279 000 in 2030, an average annual increase of 3.0% over the same period.

CHART E.23

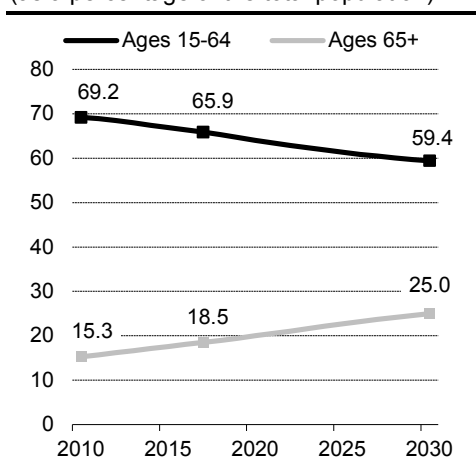
### Trends in the populations aged 15 to 64 and 65 and over, Québec (millions of people)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART E.24

### Trends in the proportion of the populations aged 15 to 64 and 65 and over, Québec (as a percentage of the total population)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## ❑ An expanding economy that needs workers

The acceleration in economic activity in recent years has led to stronger job creation.

In 2017, Québec's employment rates, that is, the percentage of individuals in each age group who were employed, were among the highest in Canada. More specifically, in 2017:

- the employment rates of the population aged 15 to 54 were higher in Québec than in Canada;
  - The average employment rate for the 15-24 age group was 59.8% in Québec, compared to 56.5% in Canada.
  - The average employment rate for the 25-54 age group was 84.4% in Québec, versus 82.3% in Canada.
- negative gaps between Québec and Canada for the population aged 55 and over remain.
  - The employment rate for this cohort was 32.3% in Québec, whereas it averaged 35.7% in Canada.

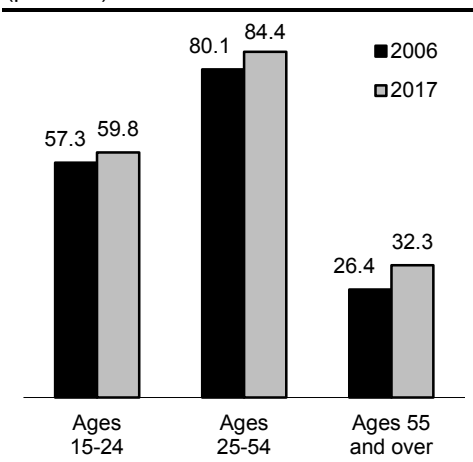
The good labour market performance these past few years shows that Québec's economy is adjusting to demographic changes.

- Thus, the shrinking size of the potential labour pool should continue to be offset by better use of the available workforce and a greater contribution by immigration to employment.

CHART E.25

### Employment rate in Québec

(per cent)

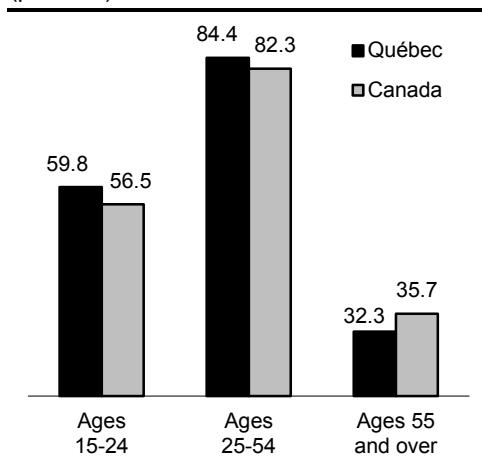


Source: Statistics Canada.

CHART E.26

### Employment rate in Québec and Canada, 2017

(per cent)



Source: Statistics Canada.



## ■ Declining unemployment in all of Québec's regions

The robust labour market drove a significant decline in Québec's unemployment rate. The annual unemployment rate for the province as a whole fell from 7.7% in 2014 to 6.1% in 2017.

— That is the lowest annual unemployment rate ever seen in Québec.

This downward trend resulted in a sharp decline in the unemployment rate for all of Québec's regions.

— In particular, the regions with the lowest unemployment rates in Québec in 2017 were Chaudière-Appalaches (3.5%), Montérégie (4.6%), Capitale-Nationale (4.7%) and Estrie (5.0%).

The low unemployment is good news and attests, in particular, to the economic vibrancy of Québec's regions.

— However, it reveals a previously non-existent problem: it may be harder to meet the economy's future workforce needs.

TABLE E.6

### Unemployment rate in Québec's administrative regions (per cent and percentage point difference)

	2014	2017	Difference
Bas-Saint-Laurent	9.0	6.1	-2.9
Saguenay—Lac-Saint-Jean	9.9	6.9	-3.0
Capitale-Nationale	5.5	4.7	-0.8
Mauricie	8.6	6.0	-2.6
Estrie	6.8	5.0	-1.8
Montréal	9.8	8.2	-1.6
Outaouais	7.4	5.6	-1.8
Abitibi-Témiscamingue	7.2	5.1	-2.1
Côte-Nord et Nord-du-Québec	8.8	6.0	-2.8
Gaspésie—Îles-de-la-Madeleine	16.4	11.7	-4.7
Chaudière-Appalaches	5.3	3.5	-1.8
Laval	7.1	6.7	-0.4
Lanaudière	7.8	5.6	-2.2
Laurentides	7.1	6.2	-0.9
Montérégie	6.5	4.6	-1.9
Centre-du-Québec	6.9	5.7	-1.2
<b>QUÉBEC AS A WHOLE</b>	<b>7.7</b>	<b>6.1</b>	<b>-1.6</b>

Source: Statistics Canada.

**❑ Immigration – A significant contribution to Québec’s labour market**

The significant contribution immigration makes to labour market can be illustrated by the change in jobs filled by immigrants. More specifically, between 2006 and 2017, 480 200 jobs were created in Québec among the population aged 15 and over.

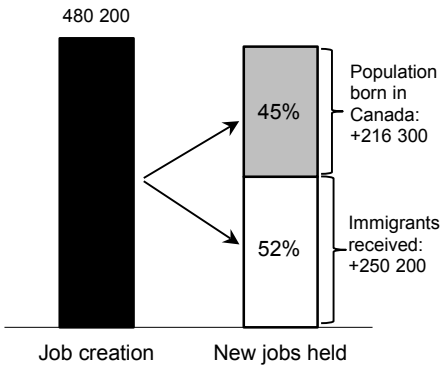
- Over the same period, the immigrant population aged 15 and over filled 250 200 new jobs, or more than 50% all new jobs created.
- Over the same period, 216 300 jobs were filled by people born in Canada.

These labour market results reflect demographic changes. Indeed, over the past few years, demographic growth in Québec was strengthened by the arrival of immigrants.

- Between 2006 and 2017, the population aged 15 and over grew by 705 200 people.
- Immigration accounted for nearly 45% of the growth (312 400 people). As the immigrant population tends to be younger, its contribution to employment is greater than its demographic contribution.

CHART E.27

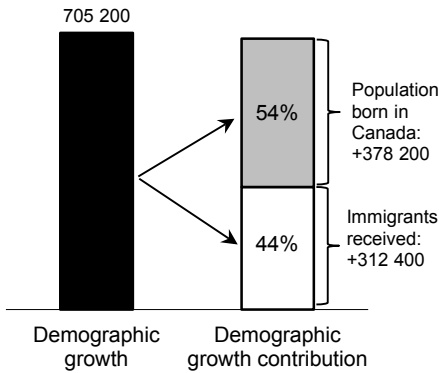
**Job creation among the Québec population aged 15 and over, between 2006 and 2017**  
(number of jobs and percentage contribution)



Note: The sum of the categories “Immigrants received” and “Population born in Canada” is not equal to total job creation. The latter includes new jobs held by Canadian citizens born outside Canada and non-permanent residents.  
Source: Statistics Canada.

CHART E.28

**Demographic growth among the Québec population aged 15 and over, between 2006 and 2017**  
(number of jobs and percentage contribution)



Note: The sum of the categories “Immigrants received” and “Population born in Canada” is not equal to demographic growth. The latter includes new jobs held by Canadian citizens born outside Canada and non-permanent residents.  
Source: Statistics Canada.

## Snapshot of recent immigration to Québec

According to census data, Québec admitted 215 170 international immigrants between 2011 and 2016. They were young, from all parts of the world, and the majority were selected for their capacity to meet Québec's economic needs.

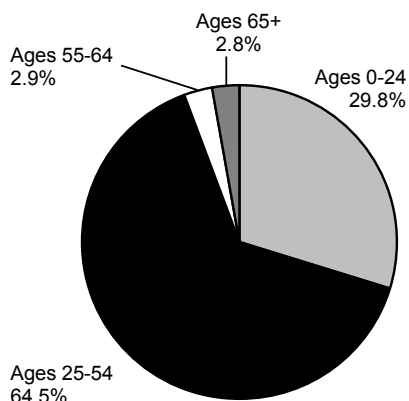
### The immigrant population admitted between 2011 and 2016 was young

The new immigrant population in Québec is younger than the Québec population as a whole. Between 2011 and 2016:

- 65% of newcomers were between 25 and 54 years old when they arrived in Québec, while nearly 30% were 24 years of age or younger;
- 6% of newcomers were aged 55 or over. By contrast, 33% of the Québec population in 2017 was over 55.

#### Breakdown of immigrants admitted to Québec by age, 2011-2016

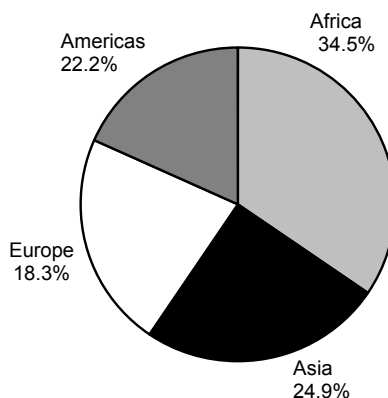
(percentage of immigrants admitted)



Source: Statistics Canada, 2016 Census.

#### Breakdown of immigrants admitted to Québec by place of birth, 2011-2016

(percentage of immigrants admitted)



Source: Statistics Canada, 2016 Census.

### Economic immigration is predominant

Economic immigration is Québec's largest immigration category. It represents immigrants selected for their ability to meet workforce needs, manage a business or invest in Québec.

- Between 2011 and 2016, Québec welcomed 132 395 economic immigrants, representing 61.5% of all newcomers.

Family reunification accounted for 24.6% of immigration (52 870 immigrants), while refugees accounted for 12.3% of international immigration (26 450 refugees).

# **Labour market integration:** **a key factor in tapping the full potential of immigration**

The economic growth and sound labour market performance in recent years have created good opportunities for all workers. As a result, significant strides have been made in integrating immigrants into the labour market.

- Immigrants aged 25 to 54 who had been in Québec for five years or less had an employment rate of 65.8% in 2017, a 6.9-percentage-point improvement over 2006.
- The employment rate rose to 79.6% in 2017 for immigrants who had been in Québec for between five and ten years (up 7.9 percentage points from 2006), surpassing the rate in Canada for the same immigrant category (77.2% in 2017).
- The employment rate for immigrants who had been in Québec for over ten years was 81.9% (up 5.3 percentage points from 2006), a rate comparable to that for Canada as a whole (82.0% in 2017) for the same category.

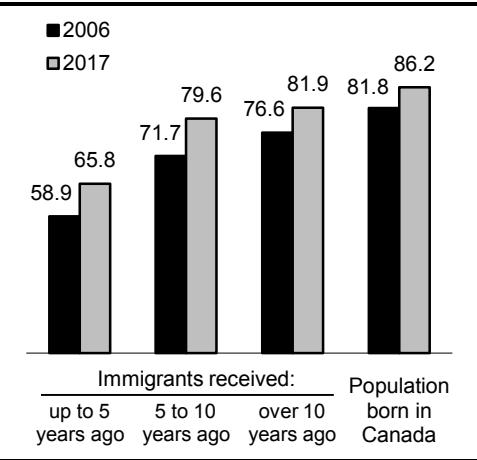
Further improvement in labour market integration of newcomers is possible. The Québec employment rates for immigrants aged 25 to 54 remain below the rate for people born in Canada (86.2% in 2017).

- There is also room for progress in getting immigrants into the labour market faster.

CHART E.29

## **Québec employment rate** **for the population aged 25 to 54**

(per cent)

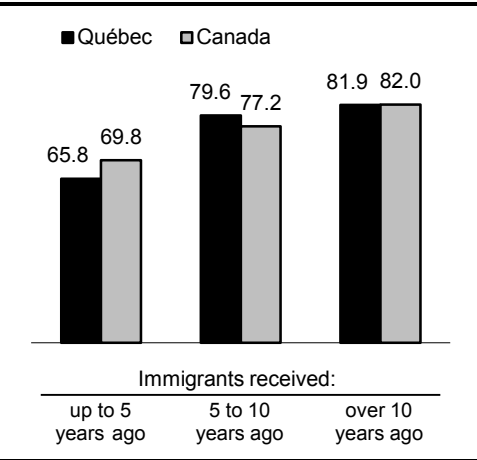


Source: Statistics Canada.

CHART E.30

## **Québec and Canadian employment rates for immigrants aged 25 to 54, 2017**

(per cent)



Source: Statistics Canada.

## Immigration's contribution to economic growth and the standard of living of all Quebecers

Immigration is an important pillar for economic growth. Without immigration, the shrinking size of the potential labour pool would make it impossible to fill job openings.

- Those unfilled jobs would lead to lost production, which means that the entire population would be affected by the shortage of workers.

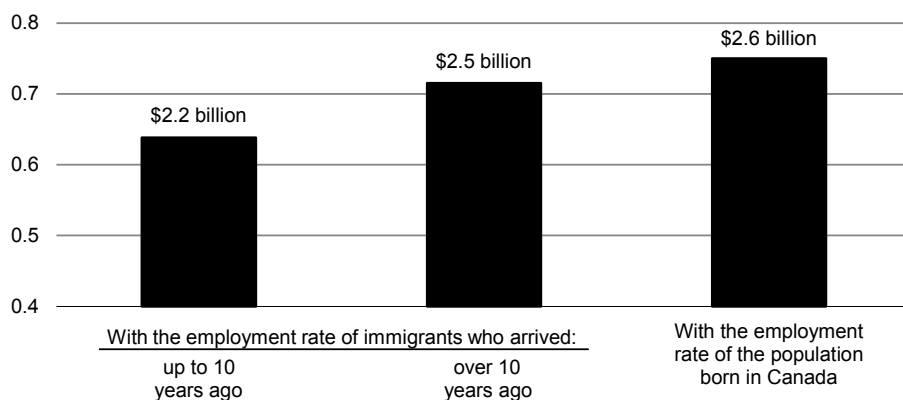
### The economic contribution of immigration increases with employment integration

The Ministère des Finances du Québec calculated the additional contribution 50 000 immigrants would make to Québec's economic growth<sup>1</sup> on the basis of certain assumptions. It estimated that:

- at an equivalent employment rate to that for immigrants who arrived in Québec up to ten years ago, 50 000 newcomers add roughly \$2.2 billion to Québec's real GDP, a 0.64% increase;
- their contribution rises to \$2.5 billion (+0.72%) at an equivalent employment rate to that for immigrants who have been in Québec for ten years or more;
- the economic gain reaches \$2.6 billion (+0.75%) if the employment rate for the 50 000 immigrants is the same as that for people born in Canada.

### Gain in real GDP with 50 000 new immigrants, based on various employment rates

(percentage change and gain in billions of 2007 dollars)



Sources: Statistics Canada and Ministère des Finances du Québec.

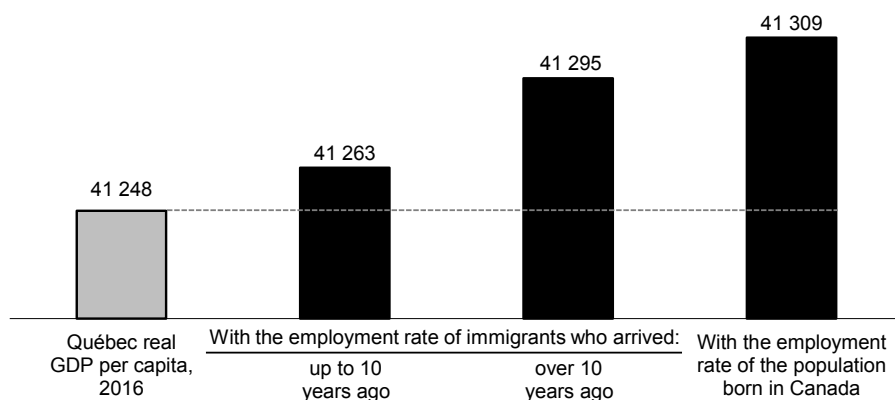
The same assumptions yield similar results for the estimated contribution of the 50 000 new immigrants to the improvement in the standard of living of all Quebecers.

- The contribution of newcomers to the standard of living of the population as a whole, measured by the increase in real GDP per capita, rises with newcomers' employment integration.

<sup>1</sup> The Ministère de l'Immigration, de la Diversité et de l'Inclusion foresees immigration levels of around 50 000 people admitted annually

## Contribution of immigration to economic growth and the standard of living of all Quebecers (cont.)

### Growth in Québec's real GDP per capita with 50 000 new immigrants, based on different employment rates (2007 dollars per capita)



Sources: Statistics Canada and Ministère des Finances du Québec.

### Immigration – a considerable potential that needs to be tapped

The results show that immigration holds considerable potential for growing the economy and improving the standard of living of all Quebecers.

- To maximize that potential, the labour market integration of immigrants must be supported and stepped up.

Furthermore, the ability to retain Québec workers is just as important for meeting the economy's increasing labour needs.

- For example, in 2017, Québec lost a net of nearly 11 000 people who moved to other provinces in Canada.

### Economic contribution of immigration – assumptions and methods

Calculations are based on the assumptions that the 50 000 immigrants:

- settle permanently in Québec (retention rate of 100%);
- include the same proportions of people aged 15 to 24, 25 to 54 and 55 and over as the immigrant population admitted between 2011 and 2016 (10.6%, 64.5% and 5.7%, respectively);<sup>1</sup>
- have the same average productivity (GDP per job) as Québec workers as a whole (\$83 100 per job in 2016).

The Ministère des Finances du Québec calculated the gain in real GDP by assigning the 2017 employment rates for immigrants to each of the three age groups of the 50 000 immigrants (15 to 24 years, 25 to 54 years and 55 years and over) based on their years of residence. This calculation made it possible to determine the number of immigrants who were employed in each age group.

<sup>1</sup> These percentages were taken from the 2016 census data.

## 2. THE SITUATION OF QUÉBEC'S MAIN ECONOMIC PARTNERS

### ❑ Québec's economic activity is influenced by the situation of its main trading partners

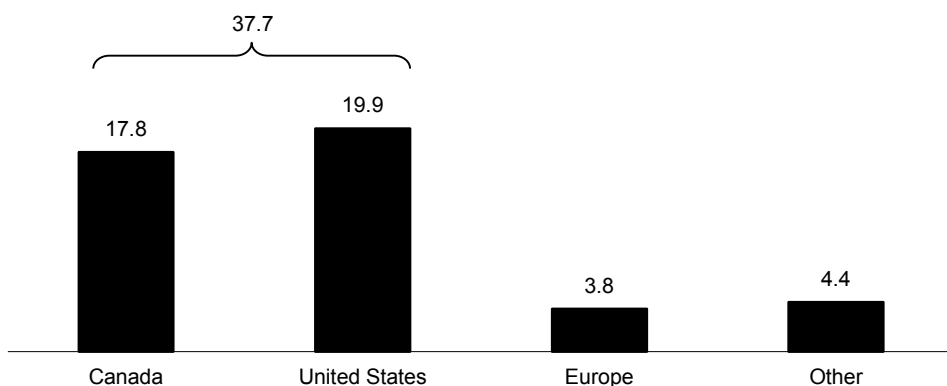
The Québec economy is open to the world. In 2016, total exports accounted for nearly 46% of Québec's nominal GDP. Economic activity in Québec is thus affected by the situation of its main trading partners, in particular through exports.

- **In Canada**, real GDP growth is expected to remain strong, at 2.1% in 2018 and 1.7% in 2019, after rebounding to 3.0% in 2017. Economic activity will be supported by household consumption and continued recovery in investment.
- **In the United States**, real GDP growth is expected to come in at 2.5% in 2018 and 2.2% in 2019, after expanding by 2.3% in 2017. The acceleration will be driven by domestic demand, which will in turn be spurred primarily by the personal and corporate income tax cuts recently adopted by the federal government.

In addition, Québec exports will benefit from the broad-based economic growth around the world as well as stronger world trade. Moreover, the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), which entered into force in September 2017, affords new business opportunities for Québec exporters.

CHART E.31

**Share of exports in Québec's GDP by destination**  
(percentage of nominal GDP, 2016)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## 2.1 The economic situation in Canada

### ❑ After rebounding in 2017, Canada's real GDP will grow at a more moderate pace

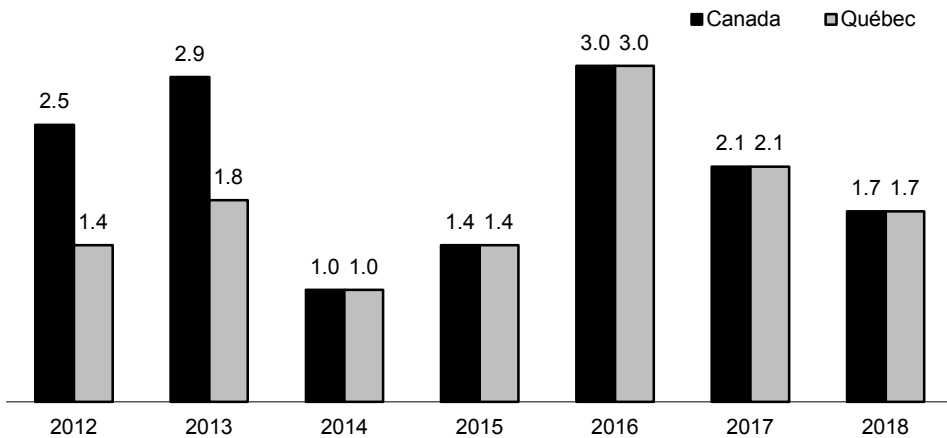
Canadian economic growth accelerated sharply in 2017, with real GDP expanding by 3.0%. The rebound occurred after two years of weak growth, when Canada's economy was affected by the drop in oil prices.

Real GDP growth is expected to remain robust in Canada, at rates of 2.1% in 2018 and 1.7% in 2019.

- Consumer spending will continue to rise, but at a slower rate following the sharp acceleration seen in 2017.
- Activity in the residential sector will slow due to the stricter housing-market regulations and the anticipated mortgage-rate hikes.
- Business investment rebounded in 2017 and will continue climbing.
- Public spending will remain high, with the federal government continuing to fund infrastructure projects under the Investing in Canada Plan.
- Exports should pick up pace. The improving global economic conditions will boost demand for Canadian goods.

CHART E.32

### Economic growth in Canada (real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.



The following table presents the main elements of Canada's economic outlook.

TABLE E.7

**Economic outlook for Canada**

(percentage change, unless otherwise indicated)

	2017	2018	2019
<b>Output</b>			
Real gross domestic product	3.0	2.1	1.7
<b>Components of GDP</b> (in real terms)			
Household consumption	3.5	3.0	2.0
Government spending and investment	2.5	1.6	1.0
Residential investment	3.1	-0.3	-2.6
Non-residential business investment	2.5	5.0	4.2
Exports	1.0	2.0	2.7
Imports	3.6	3.2	2.4
<b>Labour market</b>			
Job creation (thousands)	336.5	271.7	170.3
Unemployment rate (%)	6.3	5.8	5.5
<b>Other economic indicators</b>			
Housing starts (thousands of units)	219.8	202.3	189.0
Consumer price index	1.6	2.1	2.0

Sources: Statistics Canada, Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

## ❑ Household consumption is forecast to decelerate

Household consumption expenditure was robust in 2017, increasing by 3.5% in real terms, while significant employment gains were made in Canada's labour market.

Household consumption is expected to continue driving economic growth moving forward. However, it is forecast to rise at more moderate rates, that is, 3.0% in 2018 and 2.0% in 2019.

— The deceleration is essentially due to slower job creation following a strong year in 2017. Whereas 336 500 jobs were created in 2017 (+1.9%), the Canadian economy is expected to add 271 700 jobs in 2018 (+1.5%) and 170 300 jobs in 2019 (+0.9%).

## ❑ Anticipated slowdown in the residential sector

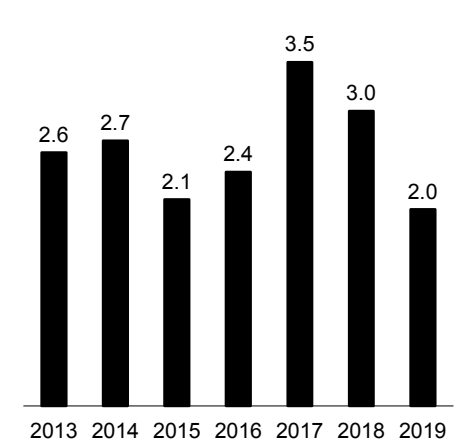
Despite targeted measures introduced by the federal and some provincial governments as well as some local public administrations to curb speculation in the Vancouver and Toronto housing markets, the Canadian real estate sector was surprisingly robust again in 2017.

Canada's residential market is expected to stabilize over the coming years. Housing starts are forecast to decline gradually, to 202 300 units in 2018 and 189 000 units in 2019.

— The forecast increase in interest rates, the measures taken to tighten the mortgage rules and the slowdown in job creation will cool housing demand.

CHART E.33

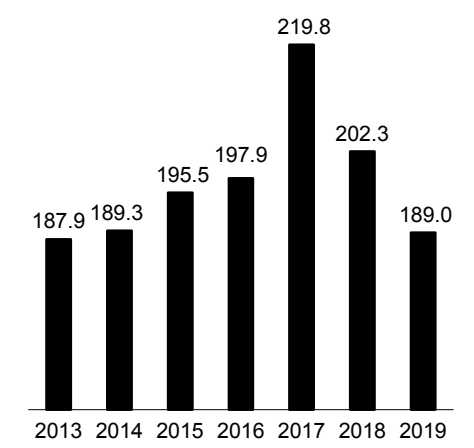
**Household consumption expenditure in Canada**  
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART E.34

**Housing starts in Canada**  
(thousands of units)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

## ❑ Continued recovery in investment

After declining sharply two years in a row, non-residential business investment picked up in Canada in 2017. The recovery is expected to continue, with non-residential investment forecast to increase in real terms by 5.0% in 2018 and 4.2% in 2019.

- Growth in non-residential business investment will be supported by sustained household consumption and stronger foreign demand, which put pressure on production capacity.
- In addition, the upturn in oil prices will spur investment in the energy sector, although the level of energy investment will remain below 2015 levels.

## ❑ Faster growth in exports

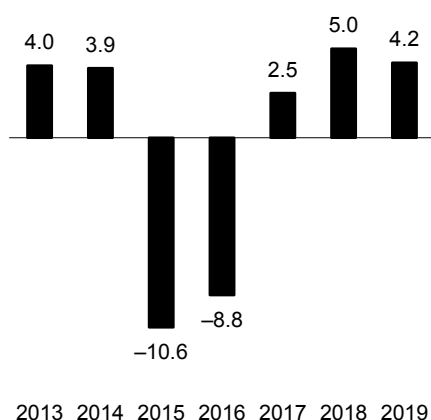
After two years of modest growth, Canadian exports are expected to accelerate. They are forecast to grow by 2.0% in real terms in 2018 and 2.7% in 2019.

- The dynamic U.S. economy as well as the favourable global economic climate will boost demand for Canadian products. Moreover, the Canadian dollar exchange rate should continue to be good for exports.
- However, renegotiation of the North American Free Trade Agreement (NAFTA) continues to fuel uncertainty among Canadian exporters.

CHART E.35

### Non-residential business investment in Canada

(percentage change, in real terms)

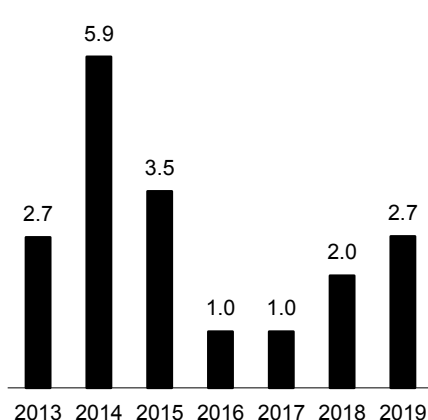


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART E.36

### Canadian exports

(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

## 2.2 The economic situation in the United States

### ❑ Continued robust growth

After expanding by 2.3% in 2017, the U.S. economy is expected to see more robust growth. Growth rates of 2.5% and 2.2% are forecast for 2018 and 2019, respectively.

The U.S. economy will benefit from:

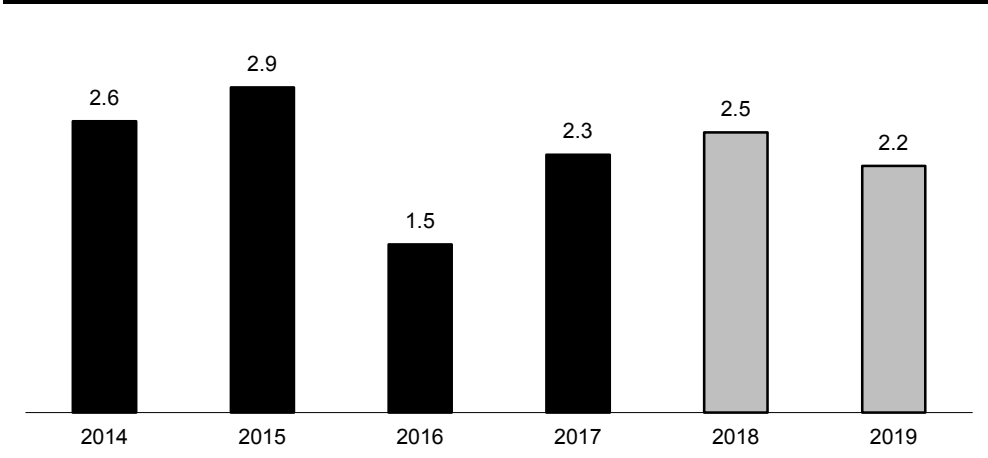
- sustained growth of household consumption expenditure aided by faster wage growth and lower taxes;
- increased business investment, which will also be spurred by the tax cuts and higher energy prices;
- an acceleration in growth of residential investment as a result of the strong labour market and faster pace of household formation.

Exports and imports will see sustained rates of growth, reflecting strong global and domestic demand, respectively.

Furthermore, continued monetary tightening by the U.S. Federal Reserve will have a dampening effect on economic growth in the United States.

CHART E.37

### Economic growth in the United States (real GDP, percentage change)



Sources: IHS Markit and Ministère des Finances du Québec.

The following table presents the main elements of the U.S. economic outlook.

TABLE E.8

**Economic outlook for the United States**  
(percentage change, unless otherwise indicated)

	2017	2018	2019
<b>Output</b>			
Real gross domestic product	2.3	2.5	2.2
<b>Components of GDP (in real terms)</b>			
Household consumption	2.7	2.6	2.3
Non-residential business investment	4.7	4.2	3.3
Residential investment	1.8	2.6	2.8
Government spending and investment	0.1	0.5	0.5
Exports	3.4	3.6	3.7
Imports	3.9	4.0	4.0
<b>Labour market</b>			
Job creation (millions)	2.3	1.9	1.7
Unemployment rate (%)	4.4	3.9	3.9
Average hourly wage – private sector	2.5	2.8	3.1
<b>Other economic indicators</b>			
Housing starts (millions of units)	1.2	1.3	1.3
Consumer price index	2.1	2.1	2.2

Sources: IHS Markit and Ministère des Finances du Québec.

**❑ Consumer spending spurred by wage growth and lower taxes**

Following 2.7% growth in 2017, household consumption expenditure is forecast to increase by 2.6% in 2018 and 2.3% in 2019. This expenditure will benefit primarily from:

- faster wage growth as a result of the falling unemployment rate;
- reductions in personal income tax, which will drive an increase in household disposable income.

However, consumer spending growth will likely slow in the next two years due to continued increases in U.S. interest rates.

**❑ Robust growth in business investment**

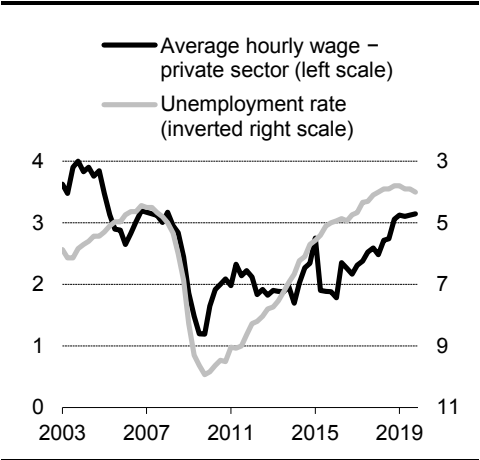
After increasing by 4.7% in 2017, business investment is expected to rise by 4.2% in 2018 and 3.3% in 2019, driven by:

- corporate tax cuts. The federal corporate tax rate was lowered from 35% to 21% on January 1, 2018;
- the projected increase in labour costs, which should spur investment in machinery and equipment.

In addition, the higher energy prices in recent months will strengthen the recovery in energy investment.

CHART E.38

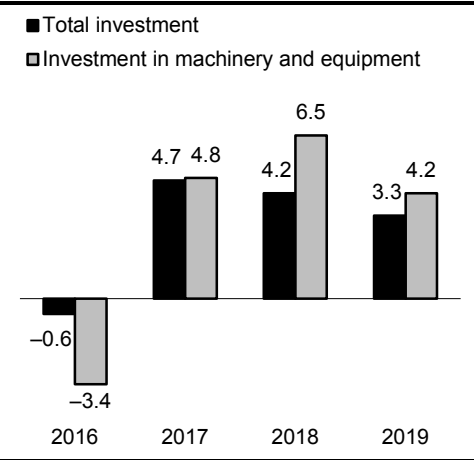
**Hourly wage growth and unemployment rate in the United States**  
(per cent)



Sources: IHS Markit and Ministère des Finances du Québec.

CHART E.39

**Non-residential business investment in the United States**  
(percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

## Economic and fiscal effects of the U.S. tax reform

### Positive effects in the short term

In December 2017, the U.S. federal government passed a tax reform with the primary purpose of reducing individual and corporate tax rates.

The reform is expected to be positive for U.S. economic growth in the coming years, especially by boosting consumption and investment.

- After the tax reform was passed, several companies, including Apple, Pfizer and Exxon Mobil, announced major new investments in the United States.

However, the positive effects on the U.S. economy could be curbed by a number of factors:

- The U.S. economy is growing near potential. The U.S. Federal Reserve is expected to continue raising its key interest rate, which could limit the multiplier effects of the tax cuts.
- The tax reductions favour high-income taxpayers, who, on average, spend a smaller fraction of their income.

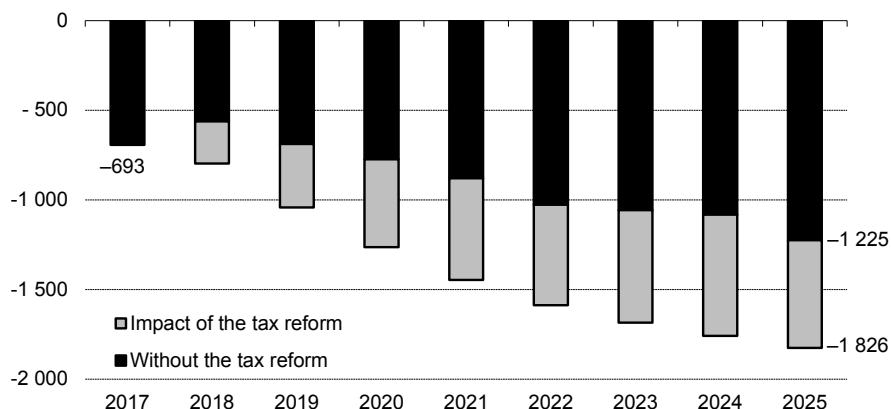
### Increase in the fiscal deficit

The United States Congress estimates that the tax reform will raise the fiscal deficit by nearly US\$600 billion in 2025.

- This deterioration of the U.S. public deficit will result in higher debt-service costs and could lead to increased fiscal pressure in the long term.

### U.S. fiscal deficit

(billions of U.S. dollars)



Sources: Congressional Budget Office and United States Congress Joint Committee on Taxation.

## ❑ Residential investment boosted by household formation

Following a 1.8% increase in 2017, residential investment is expected to accelerate and grow by 2.6% in 2018 and 2.8% in 2019. Residential investment will benefit from, in particular:

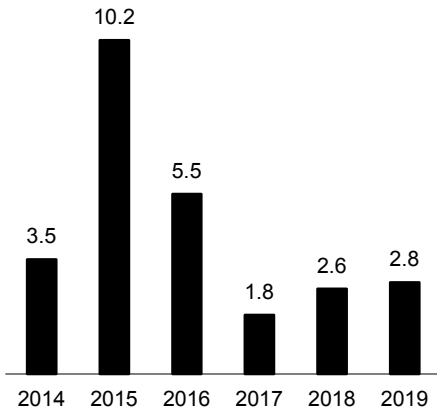
- the combined effect of the good economic situation, which should result in faster household formation in the coming years, and the entry of millennials into the real estate market;
- In 2017, the home-ownership rate among people aged 34 and younger rose for the first time since 2013, which suggests that young adults are gradually entering the U.S. real estate market.
- a trough in the resale housing stock, which should spur housing starts up in order to meet growing demand.

However, the U.S. residential sector will be influenced by the rising mortgage rates caused by the Federal Reserve's interest rate hikes.

CHART E.40

### U.S. residential investment

(percentage change, in real terms)

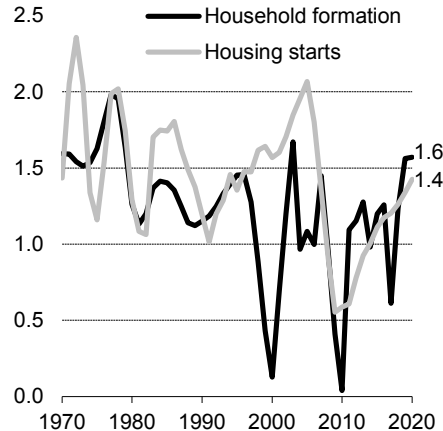


Sources: IHS Markit and Ministère des Finances du Québec.

CHART E.41

### U.S. household formation<sup>(1)</sup> and housing starts

(millions)



(1) Household formation lags a year.

Sources: IHS Markit and Ministère des Finances du Québec.



### 3. DEVELOPMENTS IN FINANCIAL MARKETS

#### ❑ The strong global economy is pushing interest rates up

The favourable global economic situation is reflected in the developments in financial markets over the past year. In particular:

- the sharp rally in stock markets, particularly in the United States. Despite a recent downturn, the S&P 500 has climbed by over 30% since the beginning of 2016;
- rising commodity prices, including oil prices, since the second half of 2017.

Furthermore, inflation expectations are higher and the Bank of Canada and the U.S. Federal Reserve have continued raising their key rates. Against this backdrop, bond yields have increased in the major advanced economies, particularly Canada and the United States.

Good economic performance in most parts of the world as well as continued monetary tightening, which lead to interest-rate hikes, are expected to be the main factors that will influence financial markets going forward.

CHART E.42

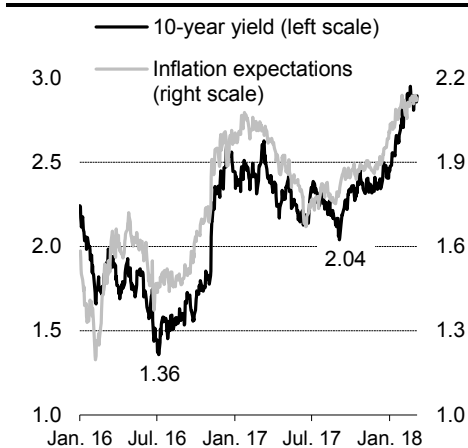
**Change in the  
S&P 500 stock index**  
(index, January 4, 2016 = 100)



Sources: Bloomberg and Ministère des Finances du Québec.

CHART E.43

**10-year U.S. bond yields and  
U.S. inflation expectations<sup>(1)</sup>**  
(per cent)



(1) Difference between yields on nominal 10-year U.S. Treasury bonds and Treasury Inflation Protected Securities (TIPS).

Source: Bloomberg.

## ❑ Robust economic growth will lead to further monetary tightening in the United States and Canada

### ■ Gradual increase in the Federal Reserve's key interest rate

The U.S. Federal Reserve raised its key interest rate by 25 basis points three times in 2017. It has been in the range of 1.25%-1.50% since December 2017.

Furthermore, the U.S. economy is growing near potential and at a sustained rate.

— The still-strong labour market and the anticipated increase in inflation are expected to prompt the Federal Reserve to continue to gradually raise its key rate. Three 25-basis-point hikes are foreseen in 2018.

— Further rate hikes are also expected in 2019.

### ■ The Bank of Canada is expected to raise rates twice more this year

After raising its benchmark interest rate twice in 2017, the Bank of Canada increased it again in January 2018, the third increase in six months. Its overnight target rate is currently at 1.25%.

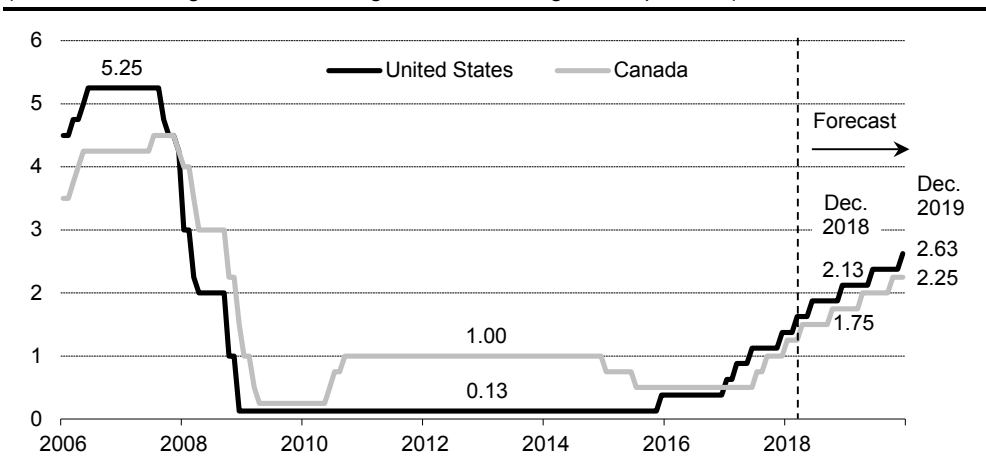
— The Canadian economy's sound performance and the rise in inflation to the 2% target are expected to prompt the Bank to increase its key interest rate twice more by the end of 2018.

— Like the U.S. Federal Reserve, the Bank of Canada is expected to continue raising its key rate in 2019.

CHART E.44

#### Key interest rates in the United States and Canada

(federal funds target rate<sup>(1)</sup> and target for the overnight rate, per cent)



(1) Mid-point of the target range.

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

## ❑ Bond yields will continue their upward trend

In the last few months, bond yields have risen in the majority of advanced economies, particularly the United States and Canada.

- The yield on 10-year Government of Canada bonds rose from 1.83% in mid-December 2017 to nearly 2.40% in February 2018, the highest rate since 2014.

The rise in Canadian bond yields is attributable to two main factors.

- Canada's strong economy, which led the Bank of Canada to raise its benchmark interest rate in January, for the third time in six months. Financial markets expect more rate hikes in the coming months.
- The upward trend in bond yields in the United States and elsewhere in the world due, in particular, to the higher inflation expectations.

These factors will continue over the next few quarters. U.S. and Canadian bond yields are projected to continue rising gradually, with more rate hikes expected by the U.S. Federal Reserve and the Bank of Canada.

- In addition, the move toward monetary tightening in other parts of the world, particularly Europe, will also put upward pressure on bond yields around the world.

TABLE E.9

### Canadian financial markets

(average annual rate in per cent, unless otherwise indicated, end-of-the-year data in brackets)

	2017	2018	2019	2020
Target for the overnight rate	0.7 (1.0)	1.5 (1.8)	2.0 (2.3)	2.5 (2.8)
3-month Treasury bills	0.7 (1.1)	1.4 (1.7)	2.1 (2.4)	2.6 (2.8)
10-year bonds	1.8 (2.0)	2.5 (2.7)	2.9 (3.1)	3.3 (3.5)
Canadian dollar (in U.S. cents)	77.1 (79.5)	81.4 (80.9)	80.4 (80.0)	80.0 (80.0)

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

## **Rising interest rates call for fiscal prudence**

Both the U.S. Federal Reserve and the Bank of Canada have increased their key interest rates more than once since the beginning of 2017.

- This trend is expected to continue, marking a significant change from the long period of highly accommodative monetary policies to support the economy following the 2008-2009 recession.

### **Rate hikes that reflect substantial improvement in the economy**

The central banks raised their key rates in response to the substantial improvement in economic conditions. In the United States, for example, economic growth accelerated to 2.3% in 2017 (+1.5% in 2016), while Canada's economy expanded by 3.0% (+1.4% in 2016).

### **Effects on financial markets**

Interest rate hikes by the central banks have impacts on financial markets. Among other ways, higher interest rates lead to price revaluation and reallocation of financial assets.

- For example, higher yields make bonds more attractive and can lead to the moving of capital from equity to bonds.

### **Implications for the real economy**

Higher interest rates also affect economic agents.

- On the one hand, they help savers. For example, pension funds get higher returns on their new investments.
- On the other hand, borrowers, including households and governments, find themselves having to pay more to obtain financing.

Furthermore, monetary tightening can translate into a change in sources of economic growth, as some sectors of the economy are more sensitive to interest rates (e.g. consumption and real estate).

### **A return to normal that calls for fiscal prudence**

The interest rate hikes in the United States and Canada in recent quarters constitute a return to normal after years of extremely accommodative monetary policies.

- The normalization of monetary policies will give the central banks some leeway to deal with the next slowdown.

This highlights the importance for households to control their debt level and for governments to keep public finances balanced so they can face the new environment characterized by higher interest rates.

## ❑ The Canadian dollar will hover around current values

The Canadian dollar appreciated against the U.S. dollar in December 2017 and January 2018, rising above 80 U.S. cents.

- The loonie was primarily buoyed by the increase in Canadian interest rates in January 2018, as well as by the increase in commodity prices, including oil prices.
- However, the Canadian dollar has depreciated since February of this year, mainly due to the uncertainties over U.S. trade policy.

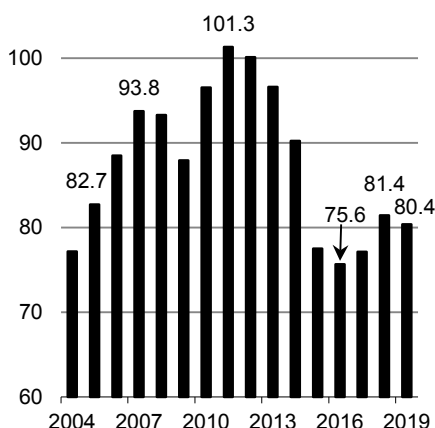
In the coming quarters, the forces driving the value of the Canadian dollar are expected to remain balanced on the whole and the loonie should remain near current levels.

- The spread between U.S. and Canadian interest rates should remain relatively flat, with the U.S. Federal Reserve and the Bank of Canada expected to raise their key rates at similar paces in 2018 and 2019.
- Oil prices are also forecast to stabilize near the current level.

Thus, after averaging 77.1 U.S. cents in 2017, the Canadian dollar is expected to average 81.4 U.S. cents in 2018 and 80.4 U.S. cents in 2019.

CHART E.45

### Canadian dollar exchange rate (U.S. cents, annual average)



Sources: Bloomberg and Ministère des Finances du Québec.

CHART E.46

### U.S. dollar exchange rate<sup>(1)</sup> (index, March 1973 = 100)



(1) Trade-weighted U.S. dollar exchange rate against major currencies.

Source: Bloomberg.

# Higher oil prices boost U.S. production

Oil prices have risen substantially in the last few months. The price of Brent crude has climbed by US\$18 a barrel since June 2017, averaging US\$66 a barrel in February. The price increase was driven primarily by:

- continued efforts by the Organization of the Petroleum Exporting Countries (OPEC) and its partners to cut their production;
- In fact, the agreement to curtail oil production has been extended to the end of 2018, and OPEC has kept its production below 32.5 million barrels per day (mb/d) since November 2017.
- stronger global demand for oil, spurred by the acceleration in global economic growth.

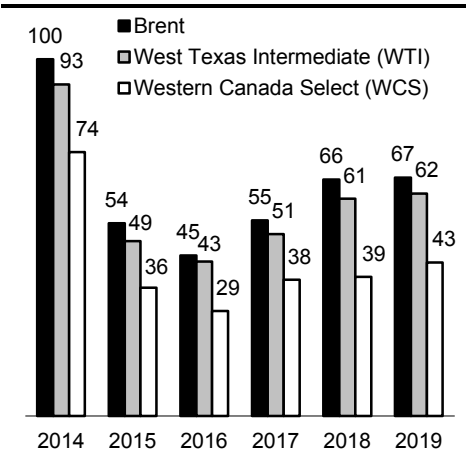
Moreover, the higher oil prices have boosted U.S. crude oil production, which is projected to average 10.7 mb/d in 2018, a record.

These factors will help keep the oil market near balance. Oil prices are forecast to hover around current levels in the coming quarters.

- The price of Brent crude oil is expected to average US\$66 a barrel in 2018 and US\$67 in 2019. West Texas Intermediate (WTI) crude is projected to settle at US\$61 in 2018 and US\$62 in 2019.

CHART E.47

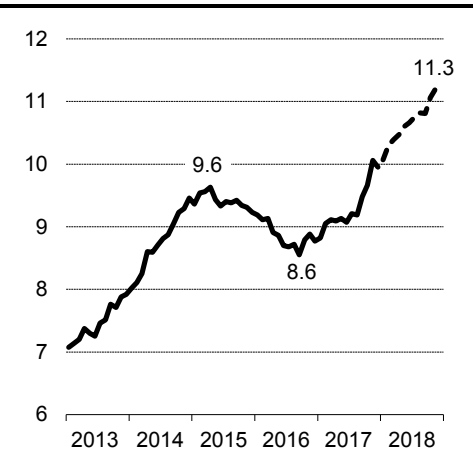
**Brent, WTI and WCS oil prices**  
(annual averages in U.S. dollars per barrel)



Sources: Bloomberg and Ministère des Finances du Québec.

CHART E.48

**U.S. oil production**  
(millions of barrels per day, monthly data)



Source: U.S. Energy Information Administration.

## ❑ Metal prices continued to climb

Metal prices continued to climb in 2017. The price of industrial metals saw the sharpest increases due to:

- stronger demand owing to the acceleration in global economic growth;
- restrictions on production of various metals in China as a result of the measures implemented to curb air pollution.

The price of most metals is expected to hover around current values for the next two years.

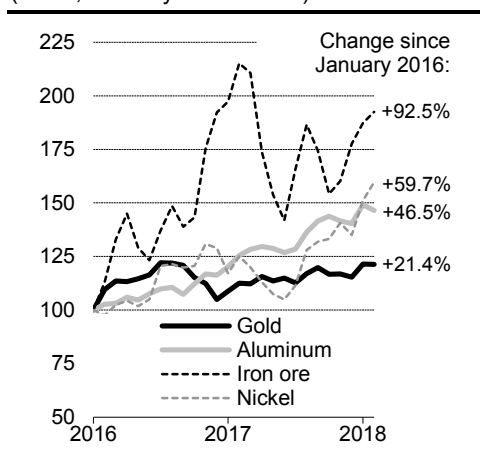
- The price of aluminum should stabilize. The high demand, particularly in the transportation industry, will be met by the increased supply resulting from the reopening of aluminum smelters in China and the United States.
- The price of gold will be buoyed in the short term by depreciation of the U.S. dollar and higher inflation expectations. However, rising interest rates will make gold less attractive as a financial asset.
- After rising in 2017, the price of iron ore could be affected by the rolling out of additional capacity for high-quality ore production, which will increase the market supply.

The long-term price outlook is good for most metals, with sustained global demand.

CHART E.49

### Change in selected metal prices

(index, January 2016 = 100)

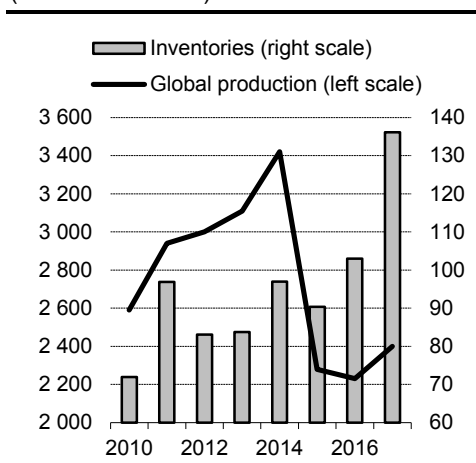


Sources: Bloomberg and Ministère des Finances du Québec.

CHART E.50

### Global iron ore production and China's iron ore inventories

(millions of tonnes)



Source: Bloomberg.





## 4. THE GLOBAL ECONOMIC SITUATION

### ❑ Broad-based global growth

The economic conditions are favourable in most countries and regions of the world. After expanding by 3.6% in 2017, the global economy is looking at forecast growth rates of 3.7% in 2018 and 3.6% in 2019.

- The **advanced economies** should see expansion, driven mainly by robust economic growth in the U.S., fuelled by the effects of the tax reform passed in 2017, as well as in the euro area.
- The **emerging economies** should accelerate, supported by robust world trade and higher commodity prices. Moreover, India and China should continue to see strong growth.

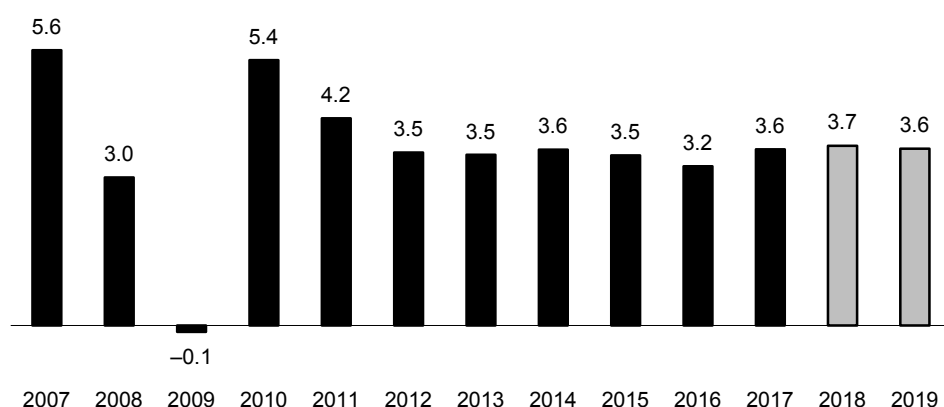
However, the favourable global economic conditions will be influenced by the following factors over the next few years:

- monetary tightening in several of the world's countries and regions after a long period of highly accommodative policies;
- more moderate growth that will bring a number of advanced economies to grow near potential;
- demographic changes marked, in particular, by slower growth in the population aged 15 to 64 around the world.

CHART E.51

### Global economic growth

(real GDP in purchasing power parity, percentage change)



Sources: International Monetary Fund, IHS Markit, Datastream, Eurostat and Ministère des Finances du Québec.

The following table shows the detailed global economic outlook by region and country.

TABLE E.10

**Global economic growth outlook**  
(real GDP, percentage change)

	Weight <sup>(1)</sup>	2017	2018	2019
<b>World<sup>(2)</sup></b>	<b>100.0</b>	<b>3.6</b>	<b>3.7</b>	<b>3.6</b>
<b>Advanced economies<sup>(2)</sup></b>	<b>41.8</b>	<b>2.3</b>	<b>2.2</b>	<b>1.9</b>
Canada	1.4	3.0	2.1	1.7
United States	15.5	2.3	2.5	2.2
Euro area	11.8	2.3	2.0	1.6
– Germany	3.3	2.2	2.2	1.8
– France	2.3	1.8	1.8	1.6
– Italy	1.9	1.5	1.3	1.0
United Kingdom	2.3	1.7	1.3	1.6
Japan	4.4	1.7	1.4	0.9
<b>Emerging and developing economies<sup>(2)</sup></b>	<b>58.2</b>	<b>4.5</b>	<b>4.7</b>	<b>4.7</b>
China	17.7	6.9	6.4	6.1
India <sup>(3)</sup>	7.2	6.6	7.3	7.4
Brazil	2.6	1.0	2.1	2.7
Russia	3.2	1.5	1.6	1.6

(1) Weight in global GDP in 2016.

(2) Data based on purchasing power parity.

(3) For the fiscal year (April 1 to March 31).

Sources: International Monetary Fund, IHS Markit, Datastream, Eurostat, Statistics Canada and Ministère des Finances du Québec.

## ❑ 2017 saw renewed synchronized growth in the global economy

Following 3.2% expansion in 2016, global economic growth solidified in 2017, reaching 3.6%, the highest growth rate since 2014. In addition, growth in 2017 was more synchronized between countries and regions.

- An analysis of 45 economies by the Organisation for Economic Co-operation and Development (OECD) showed that, for the first time since 2007, none of those economies contracted in 2017.
- Accelerated growth in the United States, China, the euro area and Japan, as well as Brazil's and Russia's exits from recession, spurred trade and production in various parts of the world.

## ❑ Trade and industrial production hit record highs

In 2017, consumption and industrial production firmed up, creating ripple effects across trade, investment and unemployment.

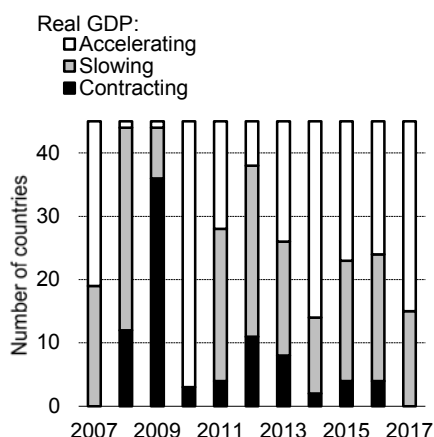
- In particular, world trade in goods rose by 4.5% and industrial production, by 3.5%, records levels since 2011.

In addition, the global Purchasing Managers Index, which was 54.8 points in February 2018, points to continued economic expansion in the coming quarters.

CHART E.52

### Developments in the global economy

(number of countries by GDP change)

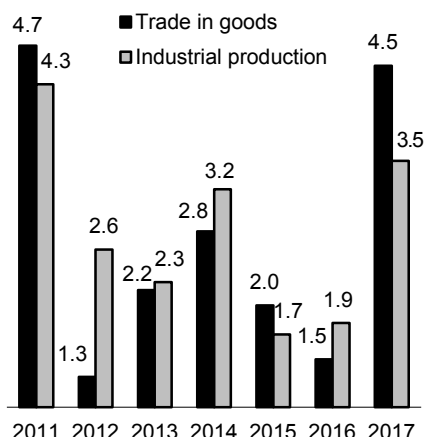


Source: Organisation for Economic Co-operation and Development.

CHART E.53

### World trade in goods and industrial production

(percentage change, in real terms)



Sources: CPB Netherlands Bureau for Economic Policy Analysis and Ministère des Finances du Québec.

## ❑ Continued growth in advanced economies

Advanced economies should continue to expand in the coming years, but at a more moderate rate, slowing from 2.3% in 2017 to 2.2% in 2018 and 1.9% in 2019.

- Several advanced economies, including Japan, Canada and the euro area, grew above potential in 2017. Growth is expected to return to potential in 2018 and 2019.
- The United States is the exception, where economic growth is forecast to accelerate in 2018 under the effects of the tax reform passed in 2017.

## ❑ Stronger growth in emerging economies

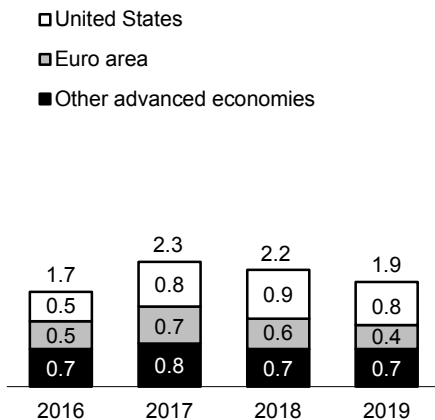
In emerging economies, where economic activity grew below potential in 2017 in several countries, growth is forecast to accelerate from 4.5% in 2017 to 4.7% in 2018 and 2019.

- China will continue to see high economic growth. However, the Chinese economy will continue its transition towards a domestic-demand-based economy. India's economy is expected to pick up pace, expanding at a faster rate than China's going forward.
- In commodity-producing emerging economies, such as Brazil and Russia, economic activity should continue to be spurred by the recovery in resource prices.

CHART E.54

### Growth of advanced economies

(percentage change in real GDP and contribution in percentage points)



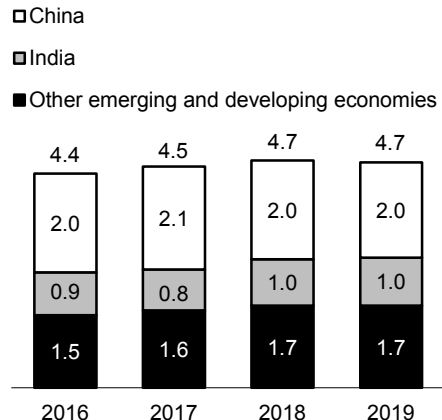
Note: Figures at the top indicate real GDP growth in purchasing power parity.

Sources: International Monetary Fund, IHS Markit, Eurostat and Ministère des Finances du Québec.

CHART E.55

### Growth of emerging and developing economies

(percentage change in real GDP and contribution in percentage points)



Note: Figures at the top indicate real GDP growth in purchasing power parity.

Sources: International Monetary Fund, IHS Markit, Datastream and Ministère des Finances du Québec.

## Population aging: a global issue

Population aging is a global phenomenon that is affecting both advanced economies and emerging and developing ones, to varying degrees.

- According to the World Bank, population aging is likely to curb global economic growth in the long term.

### Slower growth in the global population aged 15 to 64 and increasing share of the population aged 65 and over

The world's population aged 15 to 64 has been growing at a slower rate since 1986 and this trend is expected to continue. Moreover, population aging translates into a higher share of the world population over age 65.

- The share of the over-65 age group in the global population is projected to swell from 5.1% in 1950 to 15.8% in 2050.
- Growth in the population aged 15 to 64 is slowing in emerging and developing economies, whereas it has been declining in advanced economies since 2012.

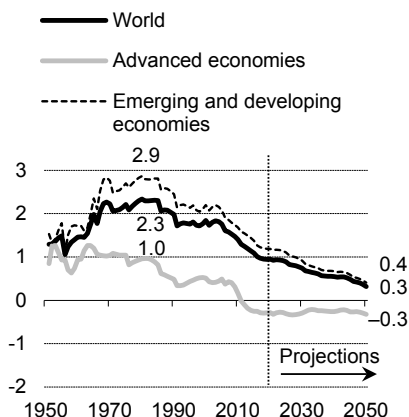
### International migration could help mitigate the impact of aging in certain economies

Population aging is a vital issue for employment and, consequently, for potential global growth.

- Given that the extent of aging varies between countries, the United Nations suggests that international migration could help mitigate the impact of population aging in certain economies.

#### Population aged 15 to 64

(percentage change)

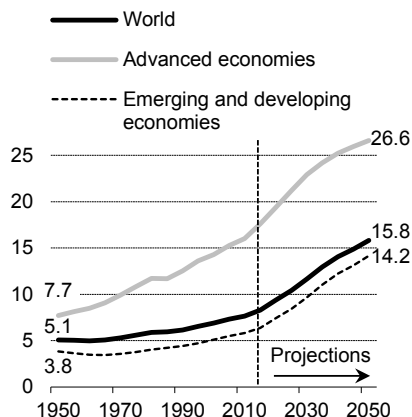


Note: Annual data.

Sources: United Nations and Ministère des Finances du Québec.

#### Population aged 65 and over

(percentage of total population)



Note: Five-year data.

Source: United Nations.



## **5. MAIN RISKS THAT MAY INFLUENCE THE FORECAST SCENARIO**

The economic and financial forecasts used in the March 2018 Québec Economic Plan are based on several assumptions, some of which are associated with risks that could affect the global economic and financial scenario and the anticipated developments in the Québec economy, which is open to the world.

- A number of these risks are external. For example, some global economic and financial variables, such as growth in the major economies as well as oil and other commodity prices, might trend in different directions than forecast. Moreover, there are still geopolitical risks around the world.
- Other risks are internal and could drive some of Québec's economic variables in a different direction than expected.

### **❑ A broad-based global slowdown**

The global economic growth outlook for the coming years is good for most countries and regions of the world. However, the global economic cycle has reached a mature phase and a broad-based slowdown is possible.

- Turnarounds in global economic cycles are very hard to predict and some events can act as triggers.

Should new geopolitical conflicts or an escalation of protectionist measures fuel uncertainty, it could weaken the global economy and slow the growth momentum currently observed.

- Such shocks could spur a significant slowdown in the global economy.

■ **Maturity of the U.S. economic cycle**

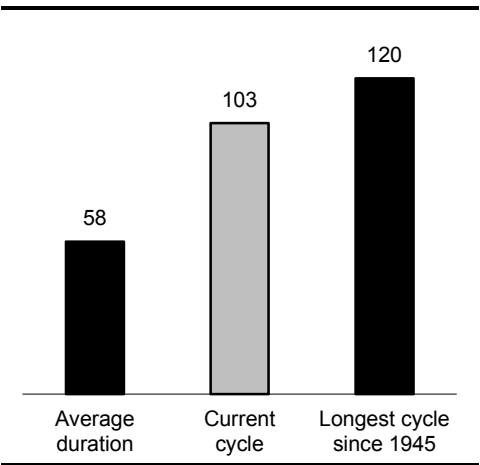
Québec is a small economy open to the world and its development is influenced by the global economic environment. More specifically, like the economic cycle in Canada, Québec's economic cycle is closely tied to that of the United States.

- The U.S. economic cycle is mature, with the economy growing for the ninth consecutive year in 2018.
- The current economic cycle is the third longest cycle in U.S. history.

The maturity of the cycle does not necessarily signal a recession. However, shocks could trigger a turnaround in the economic cycle going forward. Such a turnaround would impact Québec's economy.

CHART E.56

**Duration of U.S. economic cycles<sup>(1)</sup>**  
(months)

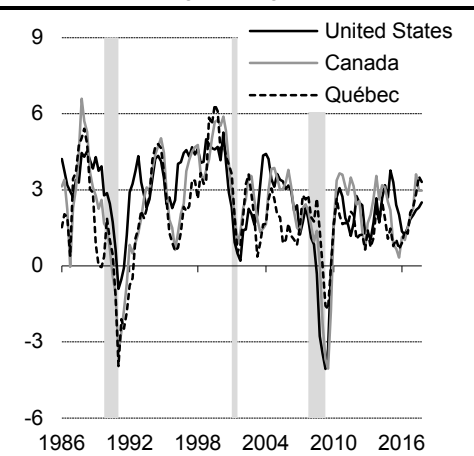


(1) Post-World War II.

Source: National Bureau of Economic Research.

CHART E.57

**Real GDP**  
(annual percentage change)



Note: Grey areas represent U.S. recessions.

Sources: Institut de la statistique du Québec, Statistics Canada, IHS Markit and Ministère des Finances du Québec.



## ❑ **Faster than expected monetary tightening in the world**

The favourable global economic conditions have prompted several central banks to start normalizing their monetary policies, after years of providing monetary support to spur growth and inflation.

- For example, the U.S. Federal Reserve has raised its benchmark interest rate five times since 2015, while the Bank of Canada has raised its target rate three times since July 2017. The Bank of England also lifted its Bank Rate in November 2017.
- The European Central Bank is expected to end its asset purchase program this year and start raising its key interest rate in 2019.

Although financial markets expect the central banks to continue gradually raising their key interest rates, the hikes could be faster than expected if, for example, the increase in inflation is higher.

- Tightening financial conditions too fast could erode confidence, cause a resurgence of volatility in financial markets and, thereby, slow global economic growth.
- The Canadian and Québec economies, which are highly integrated with the world's economic and financial flows, could be affected.

## ❑ **Rise in international trade restrictions**

The year 2017 saw an increase in world trade. Despite this momentum, the current climate is marked by a rise in protectionist sentiment in various countries, on trade, immigration and investment, as well as the pursuit of national interest policies to the detriment of multilateralism.

Further significant escalation of restrictions on world trade could be bad for global growth. Economies that are heavily dependent on trade, such as Québec, are especially at risk.

- More specifically, renegotiation of the North American Free Trade Agreement (NAFTA) is fuelling uncertainty over the anticipated developments in Canadian and Québec exports and investments.
- While these uncertainties are factored into the forecast scenario, the scenario is based on the preservation of NAFTA.

# Economic impacts of moving from NAFTA to WTO agreements

Canada, the United States and Mexico are currently renegotiating the North American Free Trade Agreement (NAFTA). The negotiations could result in, for example, trade tariffs between Canada and the United States according to World Trade Organization (WTO) rules.

- The NAFTA trade rules might then be replaced by the most-favoured-nation clause, which provides that WTO member countries may not impose discriminatory trade barriers against trading partners.

The United States is a major trading partner, receiving nearly 45% of Québec's total exports. In the above assumption, several sectors of the economy would be subject to trade tariffs on a large share of their exports.

Simulations of the potential effects of this scenario on Québec's economy were performed using the Ministère des Finances du Québec's general equilibrium model (MEGFQ).

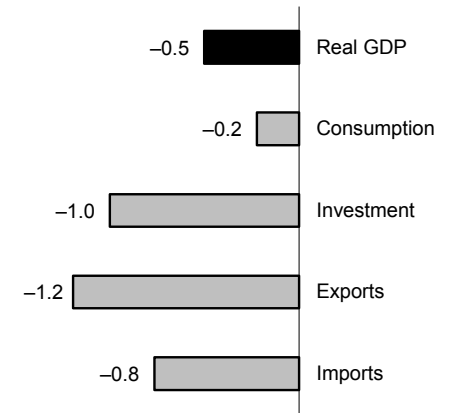
## Negative impact on trade and GDP

The end of NAFTA under the scenario described above would ultimately shave 0.5% from Québec's real GDP relative to the baseline where NAFTA remains in effect.

- Most of the decrease in real GDP would result from the negative impact on Québec's total exports (-1.2%).
- The decrease would affect investments (-1.0%), employment (loss of 15 715 jobs) and consumption (-0.2%).

## Long-run impact on real GDP and its components

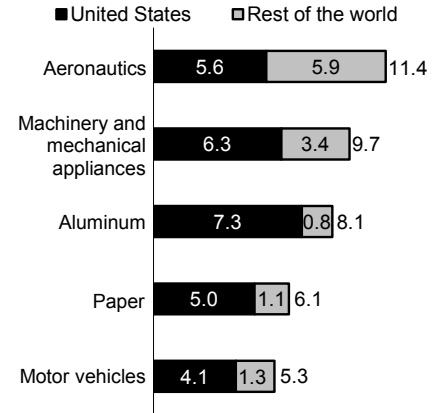
(per cent, relative to the status quo)



Source: Ministère des Finances du Québec.

## Québec's top exports by product, 2016

(percentage of international exports, in nominal terms)



Note: Totals may not add due to rounding.  
Sources: Institut de la statistique du Québec and Statistics Canada.

Note: The simulation takes into account only the impact of ad valorem tariffs on goods traded with the United States.

## ❑ **Unexpected oil price trends**

The outlook for oil prices in the March 2018 Québec Economic Plan assumes that members of the Organization of the Petroleum Exporting Countries (OPEC) and their partners will continue limiting their production in accordance with the agreement on curbing oil production.

- The outlook also assumes that the increase in U.S. oil production will result in a degree of stability in world oil prices.

However, a number of variables could cause oil prices to fluctuate more than expected.

- A stronger acceleration in global economic growth or an increase in geopolitical tensions could drive oil prices up.
  - Such a development would adversely affect economies that import oil, such as Québec.
- Conversely, if the increase in U.S. oil production is higher than expected, it could increase the excess supply in the global market and cause discounted oil prices.
  - Québec's economy generally benefits from lower oil prices. However, Canada's oil-producing provinces would be adversely affected.
  - Furthermore, oil price fluctuations could derail the Canadian dollar exchange rate from its expected course.

## ❑ **Canada's residential sector might see a stronger slowdown**

Moderation in the Canadian residential real estate market is forecast in 2018 and 2019, particularly in British Columbia and Ontario.

- The federal government, along with the governments in British Columbia and Ontario, have introduced various measures since 2015 to curb speculation in the Vancouver and Toronto housing markets.
- In addition, continued gradual interest rate hikes by the Bank of Canada will help cool the Canadian real estate market. Higher interest rates mean higher mortgage costs.

Nevertheless, several analysts think that some segments of Canada's real estate sector are still overvalued and that might trigger a significant adjustment in home prices.

- A development of that kind would lead to instability in financial markets and adversely affect the financial situation of households in the markets concerned as well as Canada's overall economic growth.



## **6. SNAPSHOT OF FOREIGN BUYERS IN THE QUÉBEC REAL ESTATE MARKET**

Québec's real estate market is on a positive trend. Housing starts exceeded 45 000 units in 2017 and the home resale market is driving a moderate increase in the price of existing homes.

The real estate market is bustling elsewhere in Canada, especially in greater Vancouver and Toronto areas.

- The federal as well as provincial and local governments have introduced measures to get these real estate markets back in balance and prevent them from overheating. Some of the measures are targeted at Canadian non-resident buyers.

This situation has led the Québec government to pay close attention to changes in Québec's real estate market.

A market analysis performed by the Ministère des Finances du Québec's showed that the Québec real estate market is balanced.

- The moderate increase in housing prices reflects the good economic situation of Québec households.
- The vast majority of real estate transactions involve residents of Québec. There is a limited presence of foreign buyers.

**❑ Limited presence of foreign buyers in Québec**

According to Québec land register data compiled by JLR Solutions Foncières, in 2017 Québec residents accounted for 96.7% (123 998 transactions) of all home purchases in the province (128 176 transactions).

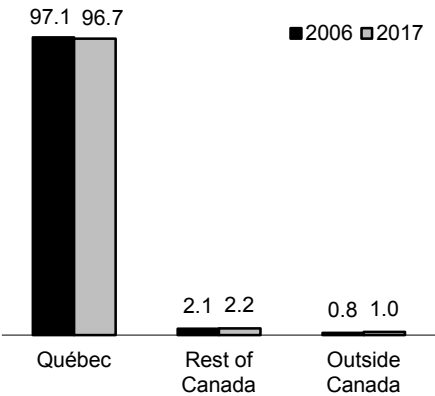
— Residents of the other Canadian provinces represented 2.2% of transactions (2 871) and foreign buyers<sup>2</sup> 1.0% of transactions (1 307).

The situation in 2017 was much the same as in 2006, when 97.1% of real estate transactions (128 281) were by Québec residents, versus 0.8% by foreign buyers (1 034).

— The presence of Québec foreign buyers in the real estate market generally trends apace with the economic cycle. In particular, it increases during economic expansions and decreases during economic slowdowns.

CHART E.58

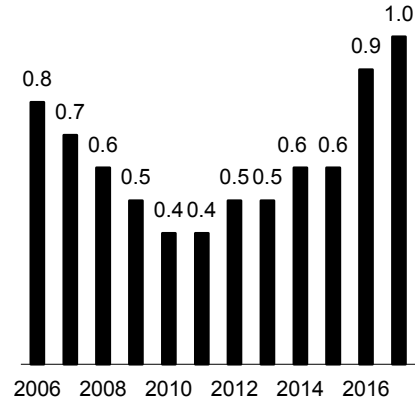
**Québec real estate transactions, by buyers' place of residence**  
(percentage of total transactions)



Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

CHART E.59

**Québec real estate transactions by foreign buyers**  
(percentage of total transactions)



Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

<sup>2</sup> "Foreign buyers" means buyers who, at the time of the real estate transaction, declared an address of residence outside Canada. This information, which appears in the notarial act, does not indicate the status of the buyer in relation to the *Immigration and Refugee Protection Act*.

## ❑ Americans, French and Chinese – the main foreign buyer groups

The main foreign buyer groups present in the Québec real estate market are the Americans, French and Chinese.

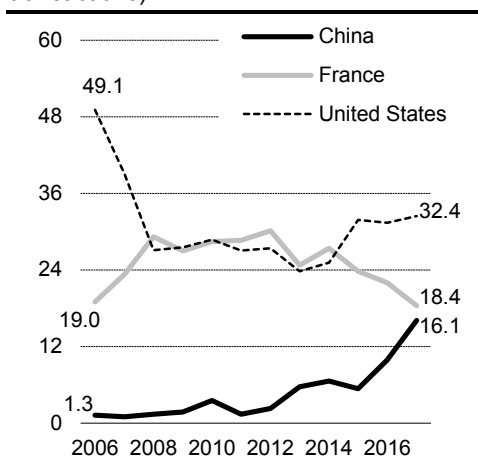
- Americans represent roughly one third of foreign residential purchases in Québec. Their share of all foreign buyer transactions slid from 49.1% in 2006 (509 transactions) to 32.4% in 2017 (427).
- French buyers account for about 20% of transactions by Canadian non-residents. Their share of foreign buyer transactions in Québec decreased from 19.0% in 2006 (197) to 18.4% in 2017 (242).
- The Chinese were the third largest buyer group in 2017. Their share of foreign buyer transactions increased, swelling from 1.3% in 2006 (13) to 16.1% in 2017 (212).

Foreign buyers are mostly present in the co-ownership properties (condominiums) and single-family dwelling markets.

- In 2017, 59.0% of real estate transactions by foreign buyers involved co-ownership properties, 34.8%, single-family homes, 4.7% duplexes and triplexes and 1.5%, buildings with four or more units.

CHART E.60

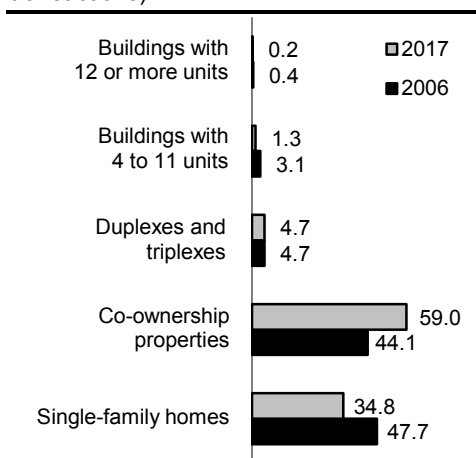
### Main countries of origin of foreign buyers in Québec (percentage of foreign buyer transactions)



Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

CHART E.61

### Foreign buyer transactions in Québec, by type of property (percentage of foreign buyer transactions)



Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

**❑ Increased presence of foreign buyers in the high-end real estate market**

Québec residents and foreign buyers are generally interested in different segments of the real estate market. Foreign buyers mostly purchase high-end properties. In 2017, foreign buyers of real estate in Québec purchased:

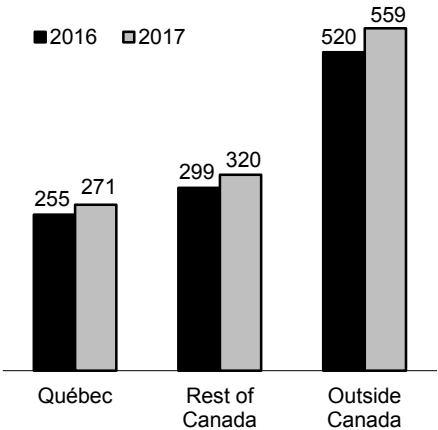
- Single-family homes that were twice as expensive, on average, as single-family homes purchased by Quebecers;
- Co-ownership properties that were 40% more expensive, on average, than those bought by Quebecers.

Furthermore, the presence of foreign buyers in the Québec real estate market is putting marginal upward pressure on prices. The last two years saw only a moderate increase in the average price of residential property purchased by Quebecers.

- The average price of co-ownership properties bought in Québec rose by 3.2% from 2016 to 2017, whereas that of single-family homes increased by 6.4%.
- The average price of co-ownership properties bought in Québec by foreign buyers rose by 1.9%, whereas that of single-family homes climbed by 7.5%.

CHART E.62

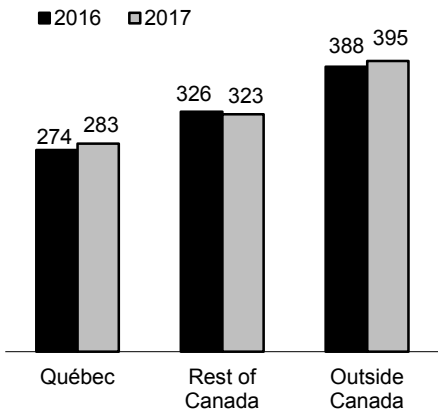
**Average sale price for single-family homes in Québec, by buyers' place of residence**  
(thousands of dollars)



Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

CHART E.63

**Average sale price for co-ownership properties in Québec, by buyers' place of residence**  
(thousands of dollars)



Sources: JLR Solutions Foncières and Ministère des Finances du Québec.



## Limited presence of foreign buyers in the census metropolitan area of Montréal and on the island of Montréal

### Foreign buyers accounted for 1.4% of transactions in the census metropolitan area of Montréal...

The Montréal census metropolitan area (CMA) has a smaller presence of foreign buyers than the Vancouver and Toronto CMAs.

- In 2017, foreign buyers represented 1.4% of property buyers in the CMA of Montréal, compared to 3.2% in the CMA of Toronto and 3.5% in the CMA of Vancouver.

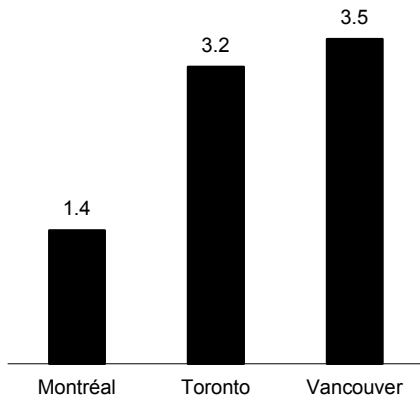
### ... and 2.9% in the island of Montréal market

According to the data compiled by JLR Solutions Foncières, the percentage of foreign buyers was slightly higher in the administrative region of Montréal (island of Montréal). For that region, in 2017:

- foreign buyers accounted for 2.9% of all transactions, a slight increase over 2006, when their share of transactions was 1.7%;
- 94.3% of real estate transactions were by residents of Québec.

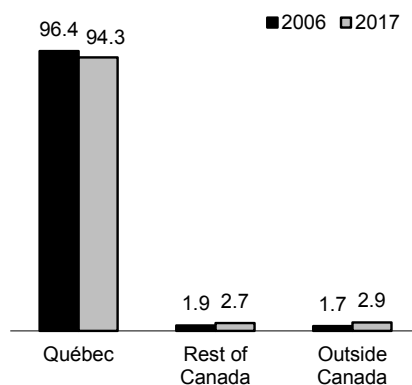
### Foreign buyers in the Montréal, Vancouver and Toronto CMAs, 2017<sup>(1)</sup>

(percentage of all real estate transactions in the CMA)



### Transactions on the island of Montréal,<sup>(1)</sup> by buyers' place of residence

(percentage of all real estate transactions on the island of Montréal)



(1) The reference period for Montréal is the year 2017, for Vancouver, it is from January to October 2017, and for Toronto, it is from May 27 to August 18, 2017.

Sources: JLR Solutions Foncières, Ontario Ministry of Finance, British Columbia Ministry of Finance, calculations by Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

(1) Administrative region of Montréal.

Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

**Limited presence of foreign buyers in the census metropolitan area of Montréal and on the island of Montréal (cont.)**

**Foreign buyers in the Montréal market mainly seek a high-end property...**

Like in Québec as a whole, high-end properties were the most popular among foreign buyers in the island of Montréal real estate market. In 2017, Québec buyers on the island purchased:

- Single-family homes that were 44.4% less expensive than those bought by foreign buyers;
- Co-ownership properties that were 16.3% less expensive than those bought by foreign buyers.

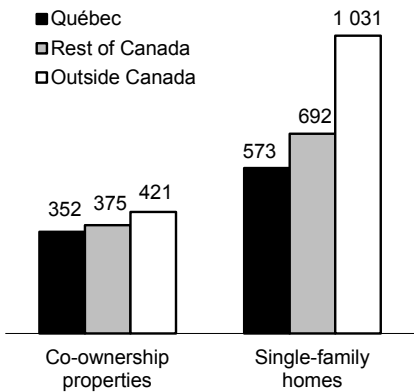
**... downtown**

Of all foreign buyer transactions on the island of Montréal, 89.3% were in the city of Montréal, mostly downtown.

- Of all foreign buyer transactions in the city of Montréal in 2017, nearly half (48.9%) involved residential properties in the borough of Ville-Marie.

**Average sale price of homes on the island of Montréal, by buyers' place of residence, 2017**

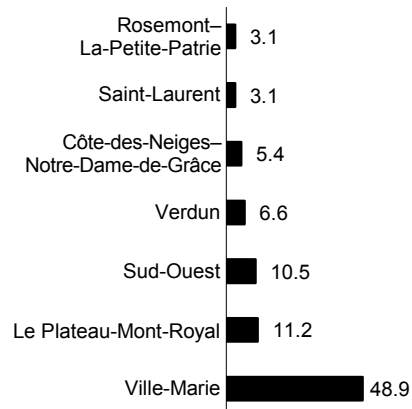
(thousands of dollars)



Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

**Foreign buyer transactions in the city of Montréal, by major boroughs, 2017**

(percentage of foreign buyer transactions in the city of Montréal)



Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

# Section F

## DETAILED FINANCIAL FRAMEWORK

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## INTRODUCTION

This section of the Québec Economic Plan presents the government's detailed financial framework for 2017-2018 to 2019-2020.<sup>1</sup>

The information provided concerns:

- the detailed change in consolidated revenue and expenditure, as well as adjustments made since the March 2017 Québec Economic Plan;
- the forecast for revenue and expenditure by departmental portfolio;
- the change in the financial framework for each of the reporting entity's sectoral components, particularly the General Fund, special funds, specified purpose accounts, non-budget-funded bodies and bodies in the health and social services and education networks;
- the government's non-budgetary transactions and net financial surpluses or requirements.

The five-year financial framework, that is, the government's financial forecasts up to 2022-2023, is presented in Section A of this document.

In addition, a sensitivity analysis of economic and fiscal variables is presented in Section G of Additional Information 2018-2019.

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<sup>1</sup> The budgetary data presented throughout this section for 2017-2018 and subsequent years are forecasts.



# 1. CHANGE IN CONSOLIDATED REVENUE AND EXPENDITURE

## 1.1 Change in the budgetary balance

The Québec Economic Plan presents a financial framework that achieves a balanced budget with an anticipated surplus of \$850 million for 2017-2018 and continued fiscal balance thereafter. On the whole, growth of spending is being kept at a pace compatible with that of revenue.

— In 2017-2018, due to the reduction of the tax burden, consolidated revenue grew by 4.2%. Consolidated expenditure, for its part, grew by 5.6%.

— In 2018-2019, consolidated revenue is expected to grow by 2.2% and consolidated expenditure by 4.5%.

The government will continue to make deposits of dedicated revenues in the Generations Fund. Deposits total \$2.3 billion in 2017-2018 and will amount to \$2.5 billion in 2018-2019.

TABLE F.1

### Change in the summary financial framework (millions of dollars)

	March 2017		March 2018		
	2017-2018	Adjustments	2017-2018	2018-2019	2019-2020
Own-source revenue	84 279	248	84 527	85 923	88 595
% change	2.8		2.2	1.7	3.1
Federal transfers	22 029	640	22 669	23 674	24 764
% change	7.5		12.3	4.4	4.6
<b>Consolidated revenue</b>	<b>106 308</b>	<b>888</b>	<b>107 196</b>	<b>109 597</b>	<b>113 359</b>
% change	3.7		4.2	2.2	3.4
Mission expenditures	-93 852	-965	-94 817	-99 313	-102 066
% change	3.8		6.5	4.7	2.8
Debt service	-9 868	631	-9 237	-9 380	-9 422
% change	1.9		-3.0	1.5	0.4
<b>Consolidated expenditure</b>	<b>-103 720</b>	<b>-334</b>	<b>-104 054</b>	<b>-108 693</b>	<b>-111 488</b>
% change	3.6		5.6	4.5	2.6
Contingency reserve	-100	100	—	—	-100
<b>SURPLUS</b>	<b>2 488</b>	<b>654</b>	<b>3 142</b>	<b>904</b>	<b>1 771</b>
<b>BALANCED BUDGET ACT<sup>(1)</sup></b>					
Deposits of dedicated revenues in the Generations Fund	-2 488	196	-2 292	-2 491	-2 707
Use of the stabilization reserve	—	—	—	1 587	936
<b>BUDGETARY BALANCE<sup>(2)</sup></b>	<b>—</b>	<b>850</b>	<b>850</b>	<b>—</b>	<b>—</b>

(1) Information on the *Balanced Budget Act*, including the operation of the stabilization reserve, is provided in Section D of Additional Information 2018-2019.

(2) Budgetary balance within the meaning of the *Balanced Budget Act* after use of the stabilization reserve.

## ❑ **Detailed adjustments made in 2017-2018 since the March 2017 Québec Economic Plan**

The adjustments made to the financial framework since the March 2017 Québec Economic Plan enable a surplus of \$850 million to be achieved.

The economic and budgetary situation leads to a positive adjustment of \$3.0 billion in the financial framework. This improvement has made it possible to cover the cost of the measures in the Québec Economic Plan since March 2017, totalling \$2.2 billion.

TABLE F.2

### **Adjustments made to the financial framework in 2017-2018 since March 2017** (millions of dollars)

	March 2017	Adjustments for 2017-2018			March 2018
		Economic and budgetary situation	Québec Economic Plan adjustments	Total	
Own-source revenue excluding revenue from government enterprises					
– Tax revenue	65 770	806	–971	–165	65 605
– Other revenue	14 029	158	—	158	14 187
– Subtotal	79 799	964	–971	–7	79 792
Revenue from government enterprises	4 480	255	—	255	4 735
Federal transfers	22 029	640	—	640	22 669
<b>Consolidated revenue</b>	<b>106 308</b>	<b>1 859</b>	<b>–971</b>	<b>888</b>	<b>107 196</b>
Mission expenditures					
– Program spending	–72 591	1 110	–1 110	—	–72 591
– Other expenditure	–21 261	–859	–106	–965	–22 226
– Subtotal	–93 852	251	–1 216	–965	–94 817
Debt service	–9 868	631	—	631	–9 237
<b>Consolidated expenditure</b>	<b>–103 720</b>	<b>882</b>	<b>–1 216</b>	<b>–334</b>	<b>–104 054</b>
Contingency reserve	–100	100	—	100	—
<b>SURPLUS (DEFICIT)</b>	<b>2 488</b>	<b>2 841</b>	<b>–2 187</b>	<b>654</b>	<b>3 142</b>
<b>BALANCED BUDGET ACT</b>					
Deposits of dedicated revenues in the Generations Fund	–2 488	196	—	196	–2 292
Use of the stabilization reserve	—	—	—	—	—
<b>BUDGETARY BALANCE<sup>(1)</sup></b>	<b>—</b>	<b>3 037</b>	<b>–2 187</b>	<b>850</b>	<b>850</b>

(1) Budgetary balance within the meaning of the *Balanced Budget Act* after use of the stabilization reserve.



## 1.2 Change in consolidated revenue

This section presents the government's updated consolidated revenue and the change in this revenue for 2017-2018 to 2019-2020.

Consolidated revenue totals \$107.2 billion in 2017-2018, that is, \$84.5 billion in own-source revenue and \$22.7 billion in revenue from federal transfers.

— Consolidated revenue is adjusted upward by \$888 million compared with the forecast in the March 2017 Québec Economic Plan.

Revenue is expected to grow by 4.2% in 2017-2018, 2.2% in 2018-2019 and 3.4% in 2019-2020.

TABLE F.3

### Change in consolidated revenue (millions of dollars)

	March 2017		March 2018		
	2017-2018	Adjustments	2017-2018	2018-2019	2019-2020
Own-source revenue excluding revenue from government enterprises	79 799	-7	79 792	81 591	84 125
<i>% change</i>	3.3		2.5	2.3	3.1
Revenue from government enterprises	4 480	255	4 735	4 332	4 470
<i>% change</i>	-5.7		-3.3	-8.5	3.2
<b>Own-source revenue</b>	<b>84 279</b>	<b>248</b>	<b>84 527</b>	<b>85 923</b>	<b>88 595</b>
<i>% change</i>	<b>2.8</b>		<b>2.2</b>	<b>1.7</b>	<b>3.1</b>
Federal transfers	22 029	640	22 669	23 674	24 764
<i>% change</i>	7.5		12.3	4.4	4.6
<b>TOTAL</b>	<b>106 308</b>	<b>888</b>	<b>107 196</b>	<b>109 597</b>	<b>113 359</b>
<i>% change</i>	<b>3.7</b>		<b>4.2</b>	<b>2.2</b>	<b>3.4</b>

### 1.2.1 Own-source revenue excluding revenue from government enterprises

Own-source revenue excluding revenue from government enterprises consists chiefly of tax revenue, which is made up of personal income tax, contributions for health services, corporate taxes, school property tax and consumption taxes. How it changes is closely tied to economic activity in Québec and to changes in the tax systems.

Own-source revenue excluding revenue from government enterprises also includes revenue from other sources, that is, duties and permits and miscellaneous revenue, such as interest, the sale of goods and services, as well as fines, forfeitures and recoveries.

Most own-source revenue excluding revenue from government enterprises is deposited in the General Fund to finance the government's missions. The remainder of this revenue is paid, in particular, into special funds (for funding specific programs) and the Generations Fund (for reducing the debt), as well as to non-budget-funded bodies and bodies in the health and social services and education networks (for funding their activities).

#### □ Adjustments for 2017-2018

For fiscal 2017-2018, own-source revenue excluding revenue from government enterprises totals \$79.8 billion, which represents an increase of 2.5% relative to the revenue observed for fiscal 2016-2017.

Compared with the forecast in the Québec Economic Plan of March 2017, own-source revenue excluding revenue from government enterprises is adjusted downward by \$7 million.

#### ■ Tax revenue

Revenue from personal income tax is adjusted downward by \$1.5 billion for fiscal 2017-2018 relative to the forecast in the March 2017 Québec Economic Plan.

- This adjustment is explained mainly by the additional reduction in the tax burden of nearly \$1.0 billion per year as of 2017-2018 resulting from the decrease in the bottom tax bracket from 16% to 15%.
- It also reflects the recurrence of the lower level of tax payable for 2016.
- However, this adjustment is partly offset by higher-than-expected withholdings at source since the beginning of the fiscal year due to the higher-than-anticipated level of wages and salaries observed in 2017.

TABLE F.4

**Change in own-source revenue excluding revenue from government enterprises**  
(millions of dollars)

	March 2017		March 2018		
	2017-2018	Adjustments	2017-2018	2018-2019	2019-2020
<b>Tax revenue</b>					
Personal income tax	30 569	-1 454	29 115	30 549	31 974
<i>% change</i>	3.0		-0.4	4.9	4.7
Contributions for health services	6 036	13	6 049	6 028	6 168
<i>% change</i>	0.2		1.3	-0.3	2.3
Corporate taxes	7 227	673	7 900	8 028	8 060
<i>% change</i>	4.9		5.6	1.6	0.4
School property tax	2 257	-15	2 242	1 817	1 706
<i>% change</i>	4.3		3.4	-19.0	-6.1
Consumption taxes	19 681	618	20 299	20 921	21 418
<i>% change</i>	2.6		5.2	3.1	2.4
<b>Other revenue</b>					
Duties and permits	3 710	237	3 947	3 797	3 979
<i>% change</i>	11.5		19.7	-3.8	4.8
Miscellaneous revenue	10 319	-79	10 240	10 451	10 820
<i>% change</i>	3.8		-1.5	2.1	3.5
<b>TOTAL</b>	<b>79 799</b>	<b>-7</b>	<b>79 792</b>	<b>81 591</b>	<b>84 125</b>
<i>% change</i>	3.3		2.5	2.3	3.1

Contributions for health services are adjusted upward by \$13 million for 2017-2018. This adjustment reflects the higher-than-anticipated level of wages and salaries in 2017.

Revenue from corporate taxes is adjusted upward by \$673 million for fiscal 2017-2018. This adjustment reflects an increase in tax revenues that is in keeping with the favourable results observed in late 2016-2017 and the growth of the net operating surplus of corporations in 2017 which was stronger than forecast in the March 2017 Québec Economic Plan.

The school property tax is adjusted downward by \$15 million in 2017-2018. The revenue from this tax is consistent with that forecast in the Québec Economic Plan of March 2017.

Revenue from consumption taxes is adjusted upward by \$618 million in 2017-2018. This adjustment arises mainly from the Québec sales tax owing to growth in household consumption (excluding food products and housing), which is higher than forecast in the March 2017 Québec Economic Plan.

## ■ Other revenue

Revenue from duties and permits is adjusted upward by \$237 million in 2017-2018, reflecting essentially the higher-than-expected revenue collected under Québec's cap-and-trade system for greenhouse gas emission allowances.

In addition, miscellaneous revenue is adjusted downward by \$79 million due, in particular, to the lower-than-forecast investment income of the Generations Fund.

## □ Outlook for 2018-2019 and 2019-2020

Own-source revenue excluding revenue from government enterprises will grow by 2.3% in 2018-2019 and 3.1% in 2019-2020. This growth reflects essentially the economic activity forecast for those years.

## ■ Tax revenue

Personal income tax, the government's largest revenue source, will increase by 4.9% in 2018-2019 and 4.7% in 2019-2020, settling at \$30.5 billion and \$32.0 billion, respectively.

- This change reflects, in particular, the growth of household income, indexation of the personal income tax system and the progressive nature of the tax system.
- It also reflects the contribution of pension income to the growth of income subject to tax, particularly income from private pension plans.
- It also takes into account the impact of various tax measures announced in this economic plan, including the enhancement of the tax credit for experienced workers.

Contributions for health services will decrease by 0.3% in 2018-2019 and increase by 2.3% in 2019-2020, settling at \$6.0 billion and \$6.2 billion, respectively. This change reflects the fact that wages and salaries are expected to grow by 4.1% in 2018 and 3.2% in 2019. It also takes into account the impact of the gradual reduction of the Health Services Fund (HSF) contribution rate as of the day following the budget speech, for all Québec SMBs.

Revenue from corporate taxes will grow by 1.6% in 2018-2019 and 0.4% in 2019-2020, to \$8.0 billion and \$8.1 billion, respectively.

- This change reflects essentially the projected growth of the net operating surplus of corporations, established at 4.9% in 2018 and 4.8% in 2019.
- It also takes into account the measures implemented to ease the tax burden, including the gradual reduction of the general corporate income tax rate announced in the March 2015 Québec Economic Plan and the gradual reduction of the tax rate to 4% for all SMBs announced in this economic plan.

Revenue from the school property tax will decline by 19.0% in 2018-2019 and 6.1% in 2019-2020, reflecting the impact of the proposed reform of the school tax system.<sup>2</sup>

Revenue from consumption taxes will grow by 3.1% in 2018-2019 and 2.4% in 2019-2020, reaching \$20.9 billion and \$21.4 billion, respectively.

- This growth mainly reflects robust household consumption (excluding food products and housing) of 4.5% in 2018 and 3.3% in 2019.
- In addition, the gradual elimination of restrictions on input tax refunds for large businesses, as of January 1, 2018, is having a downward effect on the growth of consumption tax revenue.

## ■ Other revenue

Revenue from duties and permits will decrease by 3.8% in 2018-2019 and grow by 4.8% in 2019-2020. This change is explained primarily by the change in anticipated revenue under Québec's cap-and-trade system for greenhouse gas emission allowances.

Miscellaneous revenue will climb by 2.1% in 2018-2019 and 3.5% in 2019-2020. This growth stems mainly from the investment income of the Generations Fund and the anticipated revenue of special funds, non-budget-funded bodies and bodies in the health and social services and education networks.

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<sup>2</sup> Subject to the passage of Bill 166, *An Act to reform the school tax system*.

## 1.2.2 Revenue from government enterprises

### □ Adjustments for 2017-2018

For 2017-2018, revenue from government enterprises is adjusted upward by \$255 million, to \$4.7 billion. This adjustment can be attributed to an increase in the results of Hydro-Québec due to the cold weather in recent months, and to an increase in the results of Loto-Québec in all of its activity sectors owing, in particular, to an increase in traffic and a renewal of the gaming offer.

### □ Outlook for 2018-2019 and 2019-2020

Revenue from government enterprises will stand at \$4.3 billion in 2018-2019 and \$4.5 billion in 2019-2020.

- The change in 2018-2019 mainly reflects the decline in the anticipated results of Hydro-Québec resulting from a forecast based on normal temperatures.
- The change in 2019-2020 mainly reflects an increase in the anticipated results of Hydro-Québec due to the fact that demand in Québec is expected to grow.

TABLE F.5

### Change in revenue from government enterprises (millions of dollars)

	March 2017		March 2018		
	2017-2018	Adjustments	2017-2018	2018-2019	2019-2020
Hydro-Québec	2 150	125	2 275	2 075	2 275
Loto-Québec	1 142	132	1 274	1 236	1 231
Société des alcools du Québec	1 089	10	1 099	1 112	1 146
Other <sup>(1)</sup>	99	-12	87	-91	-182
<b>TOTAL</b>	<b>4 480</b>	<b>255</b>	<b>4 735</b>	<b>4 332</b>	<b>4 470</b>
<b>% change</b>	<b>-5.7</b>		<b>-3.3</b>	<b>-8.5</b>	<b>3.2</b>

(1) Includes the forecast for other government enterprises, in particular Investissement Québec, and the impact of the Electricity Discount Program for Consumers Billed at Rate L.

## Accounting standards applicable to Hydro-Québec

Since January 1, 2015, Hydro-Québec has determined its financial results using United States generally accepted accounting principles (U.S. GAAP). Since the publication of Public Accounts 2014-2015, Hydro-Québec's results have undergone an accounting adjustment in order to consolidate them with those of the government using International Financial Reporting Standards (IFRS).

For 2017-2018, revenue from Hydro-Québec is forecast at \$2 750 million before taking into account the \$475-million accounting impact related to the application of IFRS standards.

For 2018-2019 and 2019-2020, the accounting impact is estimated at \$475 million.

### Change in revenue from Hydro-Québec

(millions of dollars)

	March 2017		March 2018		
	2017-2018	Adjustments	2017-2018	2018-2019	2019-2020
Net results (U.S. GAAP) <sup>(1)</sup>	2 575	175	2 750	2 550	2 750
Accounting adjustment to IFRS standards	-425	-50	-475	-475	-475
<b>NET RESULTS IN THE GOVERNMENT'S FINANCIAL FRAMEWORK</b>	<b>2 150</b>	<b>125</b>	<b>2 275</b>	<b>2 075</b>	<b>2 275</b>

(1) Other energy businesses in Canada use U.S. GAAP to determine their financial results.

### 1.2.3 Revenues from federal transfers

#### □ Adjustments for 2017-2018

In 2017-2018, revenues from federal transfers show a 12.3% increase to a total of \$22.7 billion, that is, \$640 million more than forecast in the March 2017 Québec Economic Plan.

These adjustments are explained essentially by increases of:

- \$478 million in other programs due, in particular, to:
  - a higher-than-anticipated degree of completion of municipal projects funded by the Société de financement des infrastructures locales du Québec;
  - an increase in revenue from the federal Disaster Financial Assistance Arrangements program in connection with the spring flooding in Québec in 2017;
  - \$101 million in health transfers attributed primarily to a downward adjustment of the value of the special Québec abatement, which is subtracted from these transfers.

TABLE F.6

#### Change in federal transfer revenues (millions of dollars)

	March 2017		March 2018		
	2017-2018	Adjustments	2017-2018	2018-2019	2019-2020
Equalization	11 081	—	11 081	11 732	13 150
% change	10.5		10.5	5.9	12.1
Health transfers	6 110	101	6 211	6 431	6 757
% change	2.8		4.5	3.5	5.1
Transfers for post-secondary education and other social programs	1 640	61	1 701	1 659	1 690
% change	0.3		4.0	-2.5	1.9
Other programs	3 198	478	3 676	3 852	3 167
% change	10.8		43.1	4.8	-17.8
<b>TOTAL</b>	<b>22 029</b>	<b>640</b>	<b>22 669</b>	<b>23 674</b>	<b>24 764</b>
% change	7.5		12.3	4.4	4.6



## □ Outlook for 2018-2019 and 2019-2020

In 2018-2019, federal transfers will reach \$23.7 billion, which represents an increase of 4.4%. This growth results primarily from a 5.9% rise in equalization revenue stemming, in particular, from an adjustment payment of \$576 million to Québec.

In 2019-2020, federal transfers will total \$24.8 billion, which represents an increase of 4.6%. This change results, in particular, from:

- an anticipated increase of 12.1% in equalization revenue due, among other things, to an increase in the equalization envelope, based on Canada's nominal GDP, which includes the impact of the adjustment payment for 2018-2019 and as well as the growth in disparities in fiscal capacity compared to 2018-2019;
- a 17.8% decline in revenue from other programs, which can be explained, in particular, by the end of infrastructure programs under Phase 1 of the federal infrastructure plan.

## Adjustment payment in 2018-2019

Equalization payments are calculated on the basis of a province's fiscal capacity, which is defined as the revenue it would obtain if it applied the average tax rates in effect in the ten provinces to its own tax bases, namely, personal income tax, corporate income tax, consumption taxes, natural resources and property taxes. In other words, a province's fiscal capacity is its capacity to collect revenue.

The objective of the equalization program is to offset disparities in the fiscal capacity of the provinces compared to the average of the ten provinces and enable provinces that receive equalization to provide reasonably comparable levels of public services with a tax effort corresponding to the average of the ten provinces.

- Note that this objective has not been achieved since the application of the GDP cap by the federal government in 2009-2010, because the disparities in fiscal capacity as compared to the average of the ten provinces have been higher than the equalization envelope, which has been limited to Canada's nominal GDP growth. Therefore, the disparities in fiscal capacity compared to the average of the ten provinces have not been fully offset.
- Over the past nine years, Québec has had a significant shortfall of \$5.8 billion because of this GDP cap, and this has required a greater tax effort to provide reasonably comparable levels of public services.

Since 2014, the decline in revenue stemming from the drop in oil prices has had a downward effect on the fiscal capacity of oil-producing provinces (Newfoundland and Labrador, Saskatchewan and Alberta) and on the average fiscal capacity of the ten provinces, thereby reducing disparities in fiscal capacity compared to the average of the ten provinces.

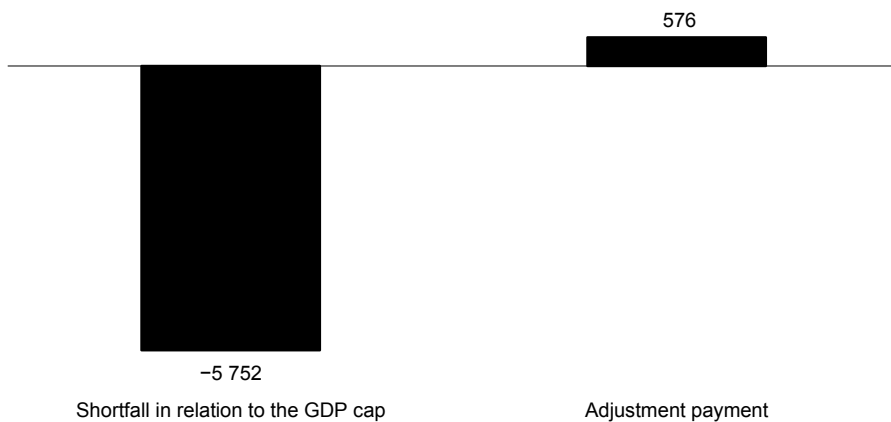
In 2018-2019, for the first time since 2009-2010, the sum of equalization payments to the recipient provinces, which are calculated on the basis of disparities in fiscal capacity as compared to the average of the ten provinces, are insufficient for the size of the equalization envelope determined by the growth in Canada's nominal GDP.<sup>1</sup>

- Under the *Federal-Provincial Fiscal Arrangements Act*, the federal government decided to make adjustment payments of \$1.8-billion to fill this gap, including \$576 million to Québec.
- Note that the adjustment payment of \$576 million to Québec in 2018-2019 will offset only a fraction—10%—of the losses incurred since the imposition of the GDP cap (\$5.8 billion).

<sup>1</sup> The equalization envelope for 2018-2019 (\$19.0 billion) was determined using the average annual growth rate of Canada's nominal GDP for 2016, 2017 and 2018, which is up 3.9% compared to that for 2017-2018 (\$18.3 billion).

**Adjustment payment in 2018-2019 (cont.)**

**Cumulative impact of the GDP cap and adjustment payments on Québec's equalization payments from 2009-2010 to 2018-2019**  
(millions of dollars)



Sources: Department of Finance Canada and Ministère des Finances du Québec.

### 1.3 Change in consolidated expenditure

Consolidated expenditure consists primarily of program spending by government departments, spending by special funds, non-budget-funded bodies and bodies in the health and social services and education networks, and debt service.

Consolidated expenditure stands at \$104.1 billion in 2017-2018. This represents an upward adjustment of \$334 million relative to the Québec Economic Plan of March 2017.

— Program spending remains unchanged compared with the Québec Economic Plan of March 2017, and other consolidated expenditure will increase by \$965 million.

— In addition, spending on debt service is \$631 million lower.

Consolidated expenditure will stand at \$108.7 billion in 2018-2019 and \$111.5 billion in 2019-2020, representing growth of 4.5% and 2.6%, respectively.

TABLE F.7

#### Change in consolidated expenditure (millions of dollars)

	March 2017		March 2018		
	2017-2018	Adjustments	2017-2018	2018-2019	2019-2020
Program spending <sup>(1)</sup>	72 591	—	72 591	76 869	79 682
% change	4.1		4.6	5.9	3.7
Other consolidated expenditure <sup>(2)</sup>	21 261	965	22 226	22 444	22 384
% change	3.0		13.2	1.0	-0.3
<b>Mission expenditures</b>	<b>93 852</b>	<b>965</b>	<b>94 817</b>	<b>99 313</b>	<b>102 066</b>
% change	3.8		6.5	4.7	2.8
Debt service	9 868	-631	9 237	9 380	9 422
% change	1.9		-3.0	1.5	0.4
<b>TOTAL</b>	<b>103 720</b>	<b>334</b>	<b>104 054</b>	<b>108 693</b>	<b>111 488</b>
% change	3.6		5.6	4.5	2.6

(1) Includes transfers intended for consolidated entities.

(2) Includes consolidation adjustments.

### 1.3.1 Mission expenditures

#### □ Adjustments for 2017-2018

In 2017-2018, mission expenditures will stand at \$94.8 billion, which corresponds to an upward adjustment of \$965 million compared with the forecast in the March 2017 Québec Economic Plan.

TABLE F.8

#### Change in mission expenditures (millions of dollars)

	March 2017		March 2018		
	2017-2018	Adjustments	2017-2018	2018-2019	2019-2020
Health and Social Services	40 223	17	40 240	42 062	43 768
% change	4.3		3.9	4.6 <sup>(1)</sup>	4.1
Education and Culture	22 662	-90	22 572	23 781	24 645
% change	4.0		4.3	5.0 <sup>(1)</sup>	3.6
Economy and Environment	12 965	868	13 833	14 374	14 338
% change	2.1		12.1	3.9	-0.3
Support for Individuals and Families	9 935	178	10 113	10 372	10 489
% change	1.0		5.5	3.3 <sup>(1)</sup>	1.1
Administration and Justice	8 067	-8	8 059	8 724	8 826
% change	7.4		20.1	8.3	1.2
<b>TOTAL</b>	<b>93 852</b>	<b>965</b>	<b>94 817</b>	<b>99 313</b>	<b>102 066</b>
<b>Variation en %</b>	<b>3.8</b>		<b>6.5</b>	<b>4.7</b>	<b>2.8</b>

(1) To assess growth in 2018-2019 based on comparable spending levels, the percent changes for that year were calculated by excluding, from 2017-2018 expenditures, transfers from the provision for francization attributed to the Health and Social Services mission (\$12 million) and the Support for Individuals and Families mission (\$75 million) and including them in the 2016-2017 expenditures of the Education and Culture mission.

This adjustment is explained by:

- a \$17-million increase in the expenditures of the Health and Social Services mission, owing, in particular, to the additional funding for the health and social services network announced in the November 2017 update of the Québec Economic Plan;
- a \$90-million decrease in the expenditures of the Education and Culture mission, due to lower depreciation expenses in the education networks;
- an \$868-million increase in the expenditures of the Economy and Environment mission, resulting, in particular, from the initiatives announced since the March 2017 Québec Economic Plan;
- a \$178-million increase in the expenditures of the Support for Individuals and Families mission, due, in particular, to the measures announced in the November 2017 update of the Québec Economic Plan, including the supplement for the purchase of school supplies under child assistance; Outlook for 2018-2019 and 2019-2020.

#### **□ Outlook for 2018-2019 and 2019-2020**

In 2018-2019 and 2019-2020, mission expenditures will amount to \$99.3 billion and \$102.1 billion, respectively.

## Program spending

### Adjustments for 2017-2018

In 2017-2018, program spending amounts to \$72.6 billion, which represents an increase of 4.6% and is unchanged compared with the forecast in the March 2017 Québec Economic Plan.

In addition, adjustments of \$266 million have been observed in the various portfolios and they stem from additional investments in public services, in particular:

- \$105 million in the Santé et Services sociaux portfolio;
- \$187 million in the Éducation et Enseignement supérieur portfolio.

These additional investments are being funded essentially by the Contingency Fund.

### Outlook for 2018-2019 and 2019-2020

In 2018-2019, program spending will total \$76.4 billion, with growth of 5.2% before the impact of the school tax system reform.

- Spending on the Santé et Services sociaux portfolio will amount to \$38.5 billion, with growth of 4.6%. As for spending on the Éducation et Enseignement supérieur portfolio, it will stand at \$18.9 billion, which amounts to growth of 5.0%.

In 2019-2020, program spending will total \$79.0 billion, with growth of 3.4% before the impact of the school tax system reform.

### Change in program spending

(millions of dollars)

	March 2017		March 2018		
	2017-2018	Adjustments	2017-2018	2018-2019	2019-2020
Santé et Services sociaux	36 764	105	36 869	38 541	40 076
% change	4.2		4.2	4.6 <sup>(1)</sup>	4.0
Éducation et Enseignement supérieur	17 882	187	18 069	18 881	19 595
% change	4.2		5.4	5.0 <sup>(1)</sup>	3.8
Other portfolios	17 067	–27	17 040	17 870	18 764
% change	1.8		1.1	4.3 <sup>(1)</sup>	5.0
Contingency Fund	879	–266	613	1 078	568
<b>Subtotal<sup>(2)</sup></b>	<b>72 591</b>	<b>—</b>	<b>72 591</b>	<b>76 371</b>	<b>79 003</b>
% change	4.1		4.6	5.2	3.4
Reform of the school tax system	—	—	—	499	679
<b>TOTAL</b>	<b>72 591</b>	<b>—</b>	<b>72 591</b>	<b>76 869</b>	<b>79 682</b>
% change	4.1		4.6	5.9	3.7

Note: Totals may not add due to rounding.

(1) To assess growth in 2018-2019 based on comparable spending levels, the percent changes for that year were calculated by excluding, from 2017-2018 expenditures, transfers from the provision for francization attributed to the Santé et Services sociaux (\$12 million) and the Éducation et Enseignement supérieur (\$79 million) portfolios and including them in the 2017-2018 expenditures of the other portfolios.

(2) Program spending before taking into account the impact of the reform of the school tax system.

## 1.3.2 Debt service

### ▣ Adjustments for 2017-2018

In 2017-2018, debt service amounts to \$9.2 billion, that is, \$7.4 billion for direct debt service and \$1.8 billion in interest on the liability for the retirement plans and other future benefits of public and parapublic sector employees.

Compared with the March 2017 Québec Economic Plan, debt service is adjusted downward by \$631 million in 2017-2018, mainly because of lower-than-expected long-term interest rates and the higher-than-anticipated return on the Retirement Plans Sinking Fund (RPSF) in 2016-2017, which has a downward effect on debt service as of 2017-2018. The income of the RPSF is applied against debt service.

### ▣ Outlook for 2018-2019 and 2019-2020

Debt service will grow by 1.5% in 2018-2019 and 0.4% in 2019-2020 mainly because of the anticipated increase in interest rates and capital investments.

TABLE F.9

#### Change in debt service (millions of dollars)

	March 2017		March 2018		
	2017-2018	Adjustments	2017-2018	2018-2019	2019-2020
Direct debt service	7 865	-441	7 424	7 991	8 381
% change	7.4		2.9	7.6	4.9
Interest on the liability for the retirement plans and other employee future benefits <sup>(1)</sup>	2 003	-190	1 813	1 389	1 041
% change	-15.2		-21.5	-23.4	-25.1
<b>TOTAL</b>	<b>9 868</b>	<b>-631</b>	<b>9 237</b>	<b>9 380</b>	<b>9 422</b>
% change	1.9		-3.0	1.5	0.4

(1) This corresponds to the interest on obligations relating to the retirement plans and other employee future benefits of public and parapublic sector employees, minus the investment income of the Retirement Plans Sinking Fund, individual funds and funds for other employee future benefit programs.



The rapid reduction in interest on the liability for the retirement plans and other employee future benefits can be explained by the investment income of the RPSF, which increases every year. The RPSF shows continued growth driven by returns and the absence of withdrawals.

### ■ A sharp decline in the proportion of revenue devoted to debt service

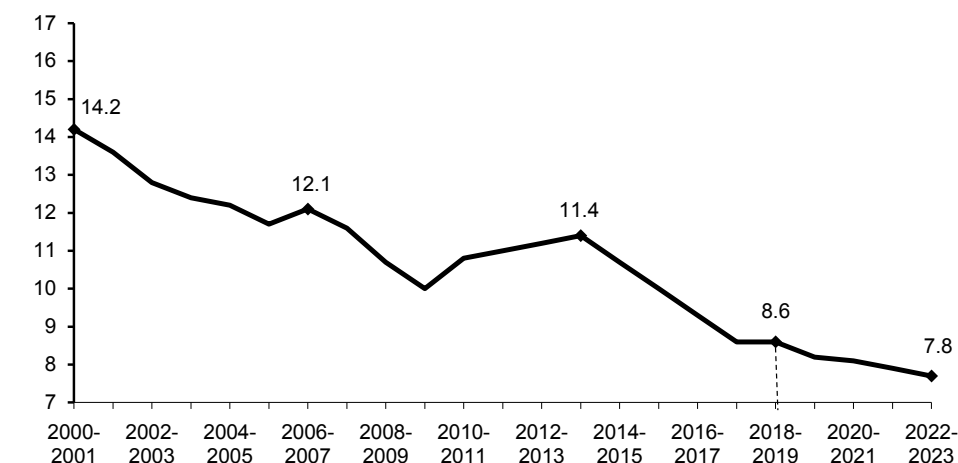
A large proportion of the government's revenue is devoted to paying interest on the debt. However, this proportion is declining.

In 2018-2019, the proportion of revenue devoted to debt service will stand at 8.6%, down sharply from the early 2000s. It will decrease in the coming years owing, in particular, to the use of the Generations Fund to repay the debt.

CHART F.1

#### Debt service

(percentage of consolidated revenue)

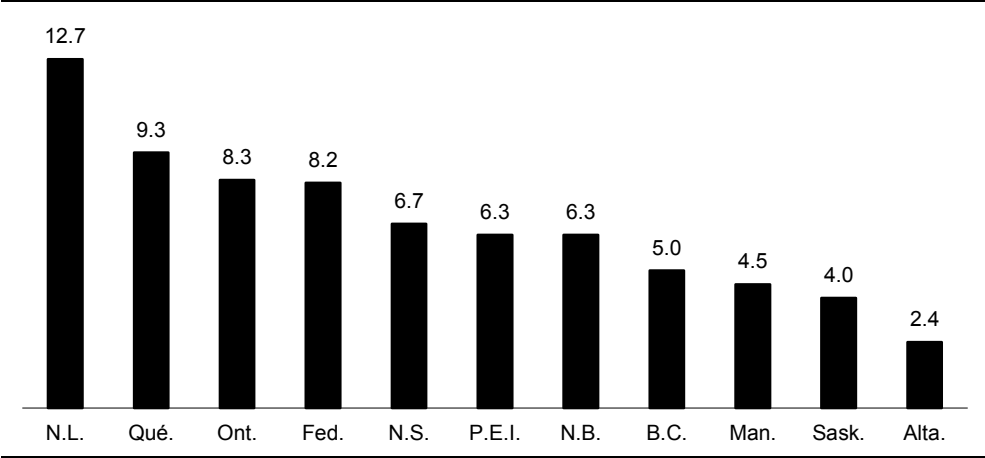


■ **Comparison of the debt service of governments in Canada**

In 2016-2017, Québec was the government that devoted the largest proportion of its revenue to debt service, after Newfoundland and Labrador. This results from the fact that Québec is the second most heavily indebted province after Newfoundland and Labrador.

CHART F.2

**Debt service of governments in Canada in 2016-2017**  
(percentage of revenue)



Sources: Governments' public accounts.

## **2. CONSOLIDATED REVENUE AND EXPENDITURE BY DEPARTMENTAL PORTFOLIO**

To fulfil its missions, the government sets up programs that are directly administered by government departments and bodies.

A departmental portfolio groups all of the entities under the responsibility of a minister, including the department and bodies.

Tables F.10 and F.11 present the revenue and expenditure forecasts for 2018-2019 by portfolio and sector.

Appendix 3 lists the entities making up each portfolio.

### **2.1 Consolidated revenue**

The own-source revenue of entities, as well as revenue allocated to them by law, is credited to the portfolio of the minister responsible for those entities.

With total revenue of \$94.2 billion in 2018-2019, the Finances portfolio is the one with the highest revenue. The revenue of this portfolio is very high compared to that of the other portfolios because it includes, among other things, the net results of government enterprises, as well as sums collected in order to fund public services of the State that are not allocated to another entity by law, such as:

- income and property taxes collected by Revenu Québec;
- the Québec sales tax;
- the main federal transfers.

The other portfolios with the highest revenue in 2018-2019 are:

- Transports, Mobilité durable et Électrification des transports, whose revenue of \$4.7 billion is derived in particular from the specific tax on fuel and fees for motor vehicles;
- Éducation et Enseignement supérieur, whose revenue of \$4.3 billion is derived in particular from the school property tax and tuition fees;
- Santé et Services sociaux, whose revenue of \$4.3 billion is drawn mainly from the sale of goods and services of the health and social services network and contributions to the Québec prescription drug insurance plan.

TABLE F.10

**Consolidated revenue by portfolio and sector – 2018-2019**  
(millions of dollars)

	Consolidated Revenue Fund			
	General Fund	Special funds	Generations Fund	Specified purpose accounts
Affaires municipales et Occupation du territoire	10	107	—	393
Agriculture, Pêcheries et Alimentation	22	—	—	92
Assemblée nationale <sup>(2)</sup>	1	—	—	—
Conseil du trésor et Administration gouvernementale	1	—	—	—
Conseil exécutif	—	—	—	—
Culture et Communications	5	25	—	3
Développement durable, Environnement et Lutte contre les changements climatiques	—	768	—	3
Économie, Science et Innovation	3	449	—	49
Éducation et Enseignement supérieur	183	114	—	132
Énergie et Ressources naturelles	29	212	—	—
Famille	19	2 454	—	—
Finances	80 621	2 777	2 491	504
Forêts, Faune et Parcs	42	487	—	8
Immigration, Diversité et Inclusion	616	—	—	6
Justice	236	121	—	1
Relations internationales et Francophonie	—	—	—	—
Santé et Services sociaux	38	211	—	164
Sécurité publique	44	650	—	193
Tourisme	—	228	—	—
Transports, Mobilité durable et Électrification des transports	51	4 415	—	—
Travail, Emploi et Solidarité sociale	886	1 407	—	—
<b>Subtotal</b>	<b>82 807</b>	<b>14 426</b>	<b>2 491</b>	<b>1 548</b>
Inter-portfolio eliminations <sup>(1)</sup>	—	—	—	—
<b>TOTAL</b>	<b>82 807</b>	<b>14 426</b>	<b>2 491</b>	<b>1 548</b>

Note: Totals may not add due to rounding.

(1) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in the same portfolio (intra-portfolio eliminations) or different portfolios (inter-portfolio eliminations).

(2) Includes the "Persons Appointed by the National Assembly" portfolio.

Tax-funded transfers	Non-budget-funded bodies	Bodies in the health and social services and education networks	Intra-portfolio eliminations <sup>(1)</sup>	Consolidated revenue
—	1 270	—	–536	1 244
—	531	—	–520	125
—	—	—	—	1
—	1 591	—	–436	1 156
—	3	—	–2	—
—	520	—	–425	128
—	42	—	–4	809
—	294	—	–488	307
—	64	17 662	–13 822	4 332
—	235	—	–86	391
—	—	—	–2 423	50
6 970	2 369	—	–1 510	94 221
—	158	—	–241	454
—	—	—	—	622
—	215	—	–199	373
—	9	—	–3	6
—	17 223	27 043	–40 395	4 285
—	41	—	–331	597
—	151	—	–210	169
—	443	—	–237	4 672
—	29	—	–1 198	1 124
<b>6 970</b>	<b>25 188</b>	<b>44 705</b>	<b>–63 068</b>	<b>115 067</b>
—	—	—	—	–5 470
<b>6 970</b>	<b>25 188</b>	<b>44 705</b>	<b>–63 068</b>	<b>109 597</b>

## Departmental portfolios

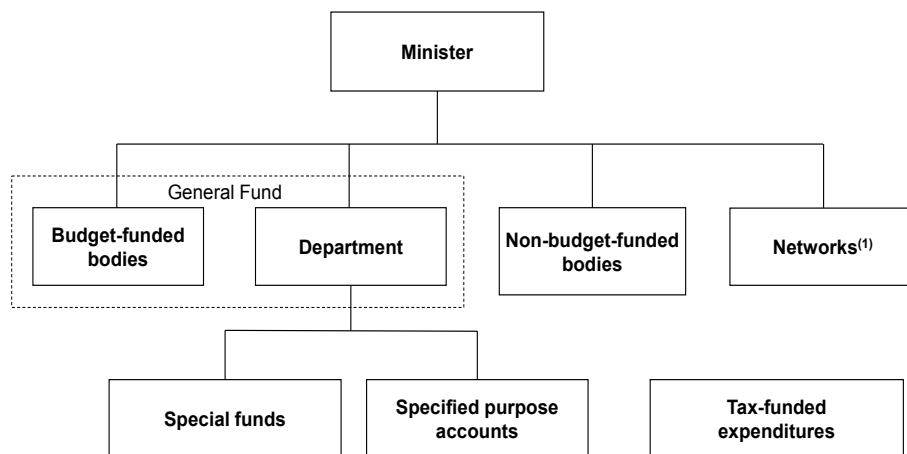
To fulfil its missions, the government sets up programs that government entities, including departments or bodies, directly administer. The array of entities for which a minister is responsible constitutes a portfolio.

The publication of revenue and expenditure by departmental portfolio better informs public decision-makers about the financial resources available to them for all of the entities for which they are responsible.

- The presentation of information in this manner is an additional budget management tool that helps to make public decision-makers more accountable with respect to their entire departmental portfolio.
- Furthermore, it enables public decision-makers to obtain a comprehensive view of the breakdown of their resources in each sectoral component of the government's financial organization.

The composition of and level of revenue and expenditure in each portfolio varies depending on the nature of the mission and the programs for which the minister in question is responsible. Accordingly, the expenditures of certain portfolios will exceed their revenues, while the revenues of other portfolios will exceed their expenditures.

### Departmental portfolio



(1) Bodies in the health and social services and education networks.

## 2.2 Consolidated expenditure

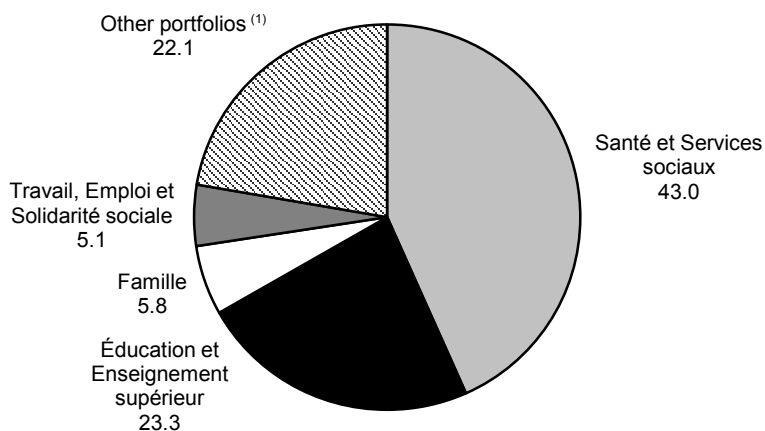
The expenditures of a departmental portfolio include the expenditures of entities under the responsibility of a minister, as well as tax-funded expenditures, the nature of which corresponds to the area covered by the portfolio.

The portfolios that will have the highest level of spending in 2018-2019 are:

- Santé et Services sociaux, whose expenditures of \$43.0 billion include, in particular, the activities of the health and social services network and the programs administered by the Régie de l'assurance maladie du Québec;
- Éducation et Enseignement supérieur, whose expenditures of \$23.3 billion, are allocated primarily to the activities of the education networks and to student financial assistance;
- Famille, whose expenditures of \$5.8 billion include transfers for subsidized educational childcare services and the refundable tax credit for child assistance;
- Travail, Emploi et Solidarité sociale, whose expenditures of \$5.1 billion include, in particular, last-resort financial assistance programs and employment assistance measures.

CHART F.3

### Expenditure by portfolio (billions of dollars)



Note: Excludes debt service.

(1) Includes inter-portfolio eliminations.

TABLE F.11

**Consolidated expenditure by portfolio and sector – 2018-2019**  
(millions of dollars)

	Consolidated Revenue fund			
	General Fund	Special funds	Specified purpose accounts	Tax-funded expenditures
Affaires municipales et Occupation du territoire	1 889	121	393	1
Agriculture, Pêcheries et Alimentation	899	—	92	—
Assemblée nationale <sup>(2)</sup>	328	—	—	—
Conseil du trésor et Administration gouvernementale	1 722	—	—	—
Conseil exécutif	463	—	—	—
Culture et Communications	726	33	3	337
Développement durable, Environnement et Lutte contre les changements climatiques	176	880	3	12
Économie, Science et Innovation	1 017	365	49	1 083
Éducation et Enseignement supérieur	19 380	139	132	136
Énergie et Ressources naturelles	84	190	—	183
Famille	2 657	2 459	—	3 111
Finances	201	1 065	504	848
Forêts, Faune et Parcs	489	538	8	14
Immigration, Diversité et Inclusion	339	—	6	—
Justice	1 017	141	1	—
Relations internationales et Francophonie	112	—	—	—
Santé et Services sociaux	38 541	210	164	735
Sécurité publique	1 588	650	193	6
Tourisme	185	229	—	—
Transports, Mobilité durable et Électrification des transports	698	3 883	—	27
Travail, Emploi et Solidarité sociale	4 360	1 414	—	477
Inter-portfolio eliminations <sup>(1)</sup>	—	—	—	—
<b>Subtotal</b>	<b>76 869</b>	<b>12 317</b>	<b>1 548</b>	<b>6 970</b>
Debt service	7 160	2 449	—	—
<b>TOTAL</b>	<b>84 030</b>	<b>14 766</b>	<b>1 548</b>	<b>6 970</b>

Note: Totals may not add due to rounding.

(1) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in the same portfolio (intra-portfolio eliminations) or different portfolios (inter-portfolio eliminations).

(2) Includes the "Persons Appointed by the National Assembly" portfolio.



Non-budget-funded bodies	Bodies in the health and social services and education networks	Intra-portfolio eliminations <sup>(1)</sup>	Inter-portfolio eliminations <sup>(1)</sup>	Consolidated expenditure
1 235	—	–536	—	3 103
403	—	–520	—	875
—	—	—	—	328
1 426	—	–436	—	2 711
3	—	–2	—	464
514	—	–425	—	1 188
41	—	–4	—	1 107
293	—	–488	—	2 319
61	17 248	–13 822	—	23 273
232	—	–86	—	603
—	—	–2 423	—	5 804
2 049	—	–1 501	—	3 166
153	—	–241	—	960
—	—	—	—	345
225	—	–199	—	1 184
9	—	–3	—	118
17 213	26 545	–40 395	—	43 013
41	—	–331	—	2 146
140	—	–210	—	344
435	—	–237	—	4 806
29	—	–1 198	—	5 082
—	—	—	–3 626	–3 626
<b>24 501</b>	<b>43 793</b>	<b>–63 059</b>	<b>–3 626</b>	<b>99 313</b>
579	938	–9	–1 737	9 380
<b>25 080</b>	<b>44 731</b>	<b>–63 068</b>	<b>–5 363</b>	<b>108 693</b>



### **3. FINANCIAL FRAMEWORK BY SECTOR**

The consolidated financial framework presents the sectoral components included in the government reporting entity that reflect the financial organization of public and parapublic sector activities. Table F.12 presents the forecast revenue and expenditure of these different components for fiscal 2017-2018 to 2019-2020.

Tables F.13 to F.22 present, for 2017-2018 to 2019-2020, transactions carried out by the General Fund, special funds, specified purpose accounts, non-budget-funded bodies and bodies in the health and social services and education networks, as well as tax-funded expenditures.

TABLE F.12

**Financial framework for consolidated revenue and expenditure by sector**  
(millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>Revenue</b>			
General Fund	80 605	82 807	86 694
Special funds	12 780	13 440	13 945
Generations Fund	2 292	2 491	2 707
Specified purpose accounts	1 569	1 548	939
Non-budget-funded bodies	21 268	21 180	21 850
Bodies in the health and social services network	25 654	27 043	28 086
Bodies in the education networks	16 909	17 662	18 542
Tax-funded transfers <sup>(1)</sup>	6 711	6 970	7 081
Consolidation adjustments <sup>(2)</sup>	-60 592	-63 544	-66 485
<b>Total consolidated revenue</b>	<b>107 196</b>	<b>109 597</b>	<b>113 359</b>
<b>Expenditure</b>			
<b>Mission expenditures</b>			
General Fund (program spending)	-72 591	-76 869	-79 682
Special funds	-11 580	-12 066	-12 487
Specified purpose accounts	-1 569	-1 548	-939
Non-budget funded bodies	-20 210	-20 494	-21 164
Bodies in the health and social services network	-25 209	-26 545	-27 499
Bodies in the education networks	-16 432	-17 248	-18 057
Tax-funded expenditures <sup>(1)</sup>	-6 711	-6 970	-7 081
Consolidation adjustments <sup>(2)</sup>	59 485	62 427	64 843
<b>Total mission expenditures</b>	<b>-94 817</b>	<b>-99 313</b>	<b>-102 066</b>
<b>Debt service</b>			
General Fund	-7 220	-7 160	-7 023
Consolidated entities <sup>(3)</sup>	-2 017	-2 220	-2 399
<b>Total debt service</b>	<b>-9 237</b>	<b>-9 380</b>	<b>-9 422</b>
<b>Total consolidated expenditure</b>	<b>-104 054</b>	<b>-108 693</b>	<b>-111 488</b>
Contingency reserve	—	—	-100
<b>SURPLUS</b>	<b>3 142</b>	<b>904</b>	<b>1 771</b>
<b>BALANCED BUDGET ACT</b>			
Deposits of dedicated revenues in the Generations Fund	-2 292	-2 491	-2 707
Use of the stabilization reserve	—	1 587	936
<b>BUDGETARY BALANCE<sup>(4)</sup></b>	<b>850</b>	<b>—</b>	<b>—</b>

(1) Includes doubtful tax accounts.

(2) These adjustments result mainly from the elimination of reciprocal transactions between entities in different sectors.

(3) Includes consolidation adjustments.

(4) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

## Change in consolidated revenue and expenditure by sector

The following table shows the change in consolidated revenue and expenditure by sector from 2017-2018 to 2019-2020.

### Change in consolidated revenue and expenditure by sector (per cent)

	2017-2018	2018-2019	2019-2020
<b>Revenue</b>			
General Fund	3.1	2.7	4.7
Special funds	9.7	5.2	3.8
Generations Fund	14.5	8.7	8.7
Specified purpose accounts	59.1	-1.3	-39.3
Non-budget-funded bodies	0.7	-0.4	3.2
Bodies in the health and social services network	3.1	5.4	3.9
Bodies in the education networks	4.3	4.5	5.0
Tax-funded transfers <sup>(1)</sup>	2.9	3.9	1.6
<b>TOTAL CONSOLIDATED REVENUE</b>	<b>4.2</b>	<b>2.2</b>	<b>3.4</b>
<b>Expenditure</b>			
<b>Mission expenditures</b>			
General Fund (program spending)	4.6	5.9	3.7
Special funds	14.7	4.2	3.5
Specified purpose accounts	59.1	-1.3	-39.3
Non-budget-funded bodies	1.4	1.4	3.3
Bodies in the health and social services network	3.1	5.3	3.6
Bodies in the education networks	5.3	5.0	4.7
Tax-funded expenditures <sup>(1)</sup>	2.9	3.9	1.6
<b>Total mission expenditures</b>	<b>6.5</b>	<b>4.7</b>	<b>2.8</b>
<b>Debt service</b>			
General Fund	-4.3	-0.8	-1.9
Consolidated entities <sup>(2)</sup>	1.7	10.1	8.1
<b>Total debt service</b>	<b>-3.0</b>	<b>1.5</b>	<b>0.4</b>
<b>TOTAL CONSOLIDATED EXPENDITURE</b>	<b>5.6</b>	<b>4.5</b>	<b>2.6</b>

(1) Includes doubtful tax accounts.

(2) Includes consolidation adjustments.

## 3.1 General Fund

The General Fund finances nearly three quarters of the government's consolidated expenditure.

The revenue of the General Fund, which consists of own-source revenue and federal transfers, totals \$80.6 billion in 2017-2018 and will increase by 2.7% in 2018-2019 and 4.7% in 2019-2020, to \$82.8 billion and \$86.7 billion, respectively.

The expenditures of the General Fund, which include, in particular, program spending, stand at \$79.8 billion in 2017-2018 and will grow by 5.3% in 2018-2019 and 3.2% in 2019-2020, to \$84.0 billion and \$86.7 billion, respectively.

TABLE F.13

### Summary of the budgetary transactions of the General Fund (millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>Revenue</b>			
Income and property taxes	35 469	36 658	38 121
Consumption taxes	18 945	19 578	20 132
Duties and permits	296	303	318
Miscellaneous revenue	1 344	1 352	1 352
Revenue from government enterprises	4 302	3 872	3 955
<b>Own-source revenue</b>	<b>60 356</b>	<b>61 763</b>	<b>63 878</b>
<b>% change</b>	<b>1.3</b>	<b>2.3</b>	<b>3.4</b>
Federal transfers	20 249	21 044	22 816
<b>Total revenue</b>	<b>80 605</b>	<b>82 807</b>	<b>86 694</b>
<b>% change</b>	<b>3.1</b>	<b>2.7</b>	<b>4.7</b>
<b>Expenditure</b>			
Program spending	-72 591	-76 869	-79 682
<b>% change</b>	<b>4.6</b>	<b>5.9</b>	<b>3.7</b>
Debt service	-7 220	-7 160	-7 023
<b>Total expenditure</b>	<b>-79 811</b>	<b>-84 029</b>	<b>-86 705</b>
<b>% change</b>	<b>3.8</b>	<b>5.3</b>	<b>3.2</b>
Contingency reserve	—	—	-100
<b>SURPLUS (DEFICIT)</b>	<b>794</b>	<b>-1 222</b>	<b>-111</b>

## 3.2 Special funds

Special funds are entities set up by law to finance certain activities within government departments and bodies.

The activities of special funds may be funded, in particular, through tax revenues, fees or transfers from program spending.

The following table shows the forecasts pertaining to special funds for 2017-2018 to 2019-2020.

TABLE F.14

**Summary of the budgetary transactions of special funds<sup>(1)</sup>**  
(millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>Revenue</b>			
Income and property taxes	974	1 045	1 079
Consumption taxes	2 462	2 534	2 540
Duties and permits	2 305	2 038	2 133
Miscellaneous revenue	2 125	2 354	2 573
<b>Own-source revenue</b>	<b>7 866</b>	<b>7 971</b>	<b>8 325</b>
<b>% change</b>	<b>12.1</b>	<b>1.3</b>	<b>4.4</b>
Québec government transfers	4 682	4 901	5 064
<b>% change</b>	<b>3.6</b>	<b>4.7</b>	<b>3.3</b>
Federal transfers	232	568	556
<b>Total revenue</b>	<b>12 780</b>	<b>13 440</b>	<b>13 945</b>
<b>% change</b>	<b>9.7</b>	<b>5.2</b>	<b>3.8</b>
<b>Expenditure</b>			
Mission expenditures	-11 580	-12 066	-12 487
<b>% change</b>	<b>14.7</b>	<b>4.2</b>	<b>3.5</b>
Debt service	-1 522	-1 714	-1 857
<b>Total expenditure</b>	<b>-13 102</b>	<b>-13 780</b>	<b>-14 344</b>
<b>% change</b>	<b>12.7</b>	<b>5.2</b>	<b>4.1</b>
<b>SURPLUS (DEFICIT)</b>	<b>-322</b>	<b>-340</b>	<b>-399</b>

(1) Excludes the Generations Fund.

The revenue of the special funds amounts to \$12.8 billion in 2017-2018, which represents a change of 9.7%. This revenue will total \$13.4 billion in 2018-2019 and \$13.9 billion in 2019-2020, representing a change of 5.2% and 3.8%, respectively.

In 2017-2018, the mission expenditures of special funds stand at \$11.6 billion, which represents a change of 14.7%. They will total \$12.1 billion in 2018-2019 and \$12.5 billion in 2019-2020, representing a change of 4.2% and 3.5%, respectively.

The growth in spending by special funds stems mainly from:

- the Land Transportation Network Fund (LTNF), for financing road network and public transit infrastructure;
- the Green Fund, given the implementation of the 2013-2020 Climate Change Action Plan (2013-2020 CCAP);
- the Economic Development Fund, which reflects the change in payments of financial assistance to businesses.

TABLE F.15

**Mission expenditures of special funds**  
(millions of dollars)

	2017-2018	2018-2019	2019-2020
Land Transportation Network Fund (LTNF)	3 804 <sup>(1)</sup>	3 587	3 788
Green Fund	709	792	789
Economic Development Fund	219	352	290
Elimination of reciprocal transactions between the LTNF and the Green Fund	-254	-238	-231
<b>Subtotal</b>	<b>4 478</b>	<b>4 493</b>	<b>4 636</b>
<b>% change</b>	<b>33.3</b>	<b>0.3</b>	<b>3.2</b>
Other special funds <sup>(2)</sup>	7 102	7 573	7 851
<b>% change</b>	<b>5.5</b>	<b>6.6</b>	<b>3.7</b>
<b>TOTAL</b>	<b>11 580</b>	<b>12 066</b>	<b>12 487</b>
<b>% change</b>	<b>14.7</b>	<b>4.2</b>	<b>3.5</b>

(1) This amount includes the government's contribution of \$733 million to the Autorité régionale de transport métropolitain for the operation of the Réseau express métropolitain (REM). The breakdown of the contribution is presented in the budget paper Electric Mobility: Sustainable Development of all Transportation Modes.

(2) These amounts include other eliminations of reciprocal transactions between special funds.



## Reconciliation of the special funds' expenditure budget with the government's consolidated financial framework

The Secrétariat du Conseil du trésor tables the budget of the special funds in the National Assembly in order for the expenditure and investment forecasts of these entities to be approved.

The following table illustrates the reconciliation of the expenditures presented in the special funds' budget with those presented in the Québec Economic Plan.

Expenditures to service the debt of the Financing Fund are not subject to authorization by the National Assembly since the advances received by the Financing Fund are derived from loans made by the government. Expenditures to service the debt of these borrowings are already covered by the General Fund and are repaid by the clientele of the Financing Fund.

The *Act respecting the Ministère des Finances* (CQLR, chapter M-24.01) provides for special treatment of the Financing Fund because of its role as financial intermediary between the General Fund and its clientele, which consists of public bodies and special funds.

In addition, the Québec Economic Plan presents the consolidated financial framework of the Québec government, including the reporting entity's various sectoral components. The spending forecasts for special funds included in the consolidated financial framework incorporate the elimination of reciprocal transactions between entities in the same sector (i.e. between special funds).

### Reconciliation of the special funds' expenditure budget with the government's consolidated financial framework (millions of dollars)

	2018-2019
Expenditure budget of special funds to be approved by the National Assembly	12 964
Expenditures already approved by the National Assembly	89
Debt service of the Financing Fund	1 511
<b>Subtotal</b>	<b>14 564</b>
Elimination of reciprocal transactions between special funds	-784 <sup>(1)</sup>
<b>Expenditure of special funds presented in the Québec Economic Plan</b>	<b>13 780</b>

(1) Including \$735 million attributable to reciprocal transactions of the Financing Fund with the other special funds.

## ☐ Generations Fund

Revenues dedicated to the Generations Fund amount to \$2.3 billion in 2017-2018 and will reach \$2.5 billion in 2018-2019 and \$2.7 billion in 2019-2020.

As at March 31, 2020, the book value of the Generations Fund will be \$14.0 billion. The results of and change in the Generations Fund are presented in greater detail in Section D of Additional Information 2018-2019.

TABLE F.16

### Summary of the budgetary transactions of the Generations Fund (millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>Revenue</b>			
<b>Consumption taxes</b>			
Specific tax on alcoholic beverages	500	500	500
<b>Subtotal</b>	<b>500</b>	<b>500</b>	<b>500</b>
<b>Duties and permits</b>			
Water-power royalties	802	787	805
Mining revenues	133	230	272
<b>Subtotal</b>	<b>935</b>	<b>1 017</b>	<b>1 077</b>
<b>Miscellaneous revenue</b>			
Unclaimed property	6	15	15
Investment income	418	499	600
<b>Subtotal</b>	<b>424</b>	<b>514</b>	<b>615</b>
<b>Government enterprises</b>			
Indexation of the price of heritage electricity	218	245	300
Additional contribution from Hydro-Québec	215	215	215
<b>Subtotal</b>	<b>433</b>	<b>460</b>	<b>515</b>
<b>TOTAL REVENUE</b>	<b>2 292</b>	<b>2 491</b>	<b>2 707</b>

### 3.3 Specified purpose accounts

A specified purpose account is a financial management mechanism that enables a government department to record separately sums paid into the Consolidated Revenue Fund by a third party under a contract or an agreement that provides for the sums to be allocated to a specific purpose.

The following table shows the forecasts pertaining to specified purpose accounts for 2017-2018 to 2019-2020.

TABLE F.17

**Summary of the budgetary transactions of specified purpose accounts**  
(millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>Revenue</b>			
Miscellaneous revenue	166	188	171
<b>Own-source revenue</b>	<b>166</b>	<b>188</b>	<b>171</b>
<b>% change</b>	<b>-21.7</b>	<b>13.3</b>	<b>-9.0</b>
Federal transfers	1 403	1 360	768
<b>Total revenue</b>	<b>1 569</b>	<b>1 548</b>	<b>939</b>
<b>% change</b>	<b>59.1</b>	<b>-1.3</b>	<b>-39.3</b>
<b>Expenditure</b>			
Mission expenditures	-1 569	-1 548	-939
<b>Total expenditure</b>	<b>-1 569</b>	<b>-1 548</b>	<b>-939</b>
<b>% change</b>	<b>59.1</b>	<b>-1.3</b>	<b>-39.3</b>
<b>SURPLUS</b>	<b>—</b>	<b>—</b>	<b>—</b>

The revenue and expenditure of specified purpose accounts total \$1.6 billion for 2017-2018. This revenue and expenditure will stand at \$1.5 billion in 2018-2019 and \$0.9 billion in 2019-2020.

The change in the revenue and expenditure of specified purpose accounts is explained chiefly by:

- agreements under Phase 1 of the federal infrastructure plan:
  - the Post-Secondary Institutions Strategic Investment Fund,
  - the Clean Water and Wastewater Fund;
- the federal Disaster Financial Assistance Arrangements program in connection with the spring flooding in Québec in 2017;
- the expiry of certain federal infrastructure project agreements.

### 3.4 Non-budget-funded bodies

Non-budget-funded bodies were created to provide specific public services.

The following table shows the forecasts pertaining to non-budget-funded bodies for 2017-2018 to 2019-2020.

TABLE F.18

#### Summary of the budgetary transactions of non-budget-funded bodies

(millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>Revenue</b>			
Consumption taxes	40	28	28
Duties and permits	411	439	451
Miscellaneous revenue	6 013	5 866	5 962
<b>Own-source revenue</b>	<b>6 464</b>	<b>6 333</b>	<b>6 441</b>
<b>% change</b>	<b>0.5</b>	<b>-2.0</b>	<b>1.7</b>
Québec government transfers	13 521	13 729	14 466
<b>% change</b>	<b>-1.6</b>	<b>1.5</b>	<b>5.4</b>
Federal transfers	1 283	1 118	943
<b>Total revenue</b>	<b>21 268</b>	<b>21 180</b>	<b>21 850</b>
<b>% change</b>	<b>0.7</b>	<b>-0.4</b>	<b>3.2</b>
<b>Expenditure</b>			
Mission expenditures	-20 210	-20 494	-21 164
<b>% change</b>	<b>1.4</b>	<b>1.4</b>	<b>3.3</b>
Debt service	-595	-579	-609
<b>Total expenditure</b>	<b>-20 805</b>	<b>-21 073</b>	<b>-21 773</b>
<b>% change</b>	<b>0.9</b>	<b>1.3</b>	<b>3.3</b>
<b>SURPLUS</b>	<b>463</b>	<b>107</b>	<b>77</b>

The revenue of non-budget-funded bodies amounts to \$21.3 billion in 2017-2018, which represents a change of 0.7%. This revenue will stand at \$21.2 billion in 2018-2019 and \$21.9 billion in 2019-2020, representing a change of -0.4% and 3.2%, respectively.

The mission expenditures of non-budget-funded bodies stand at \$20.2 billion in 2017-2018, which represents growth of 1.4%. This spending will total \$20.5 billion in 2018-2019 and \$21.2 billion in 2019-2020, representing growth of 1.4% and 3.3%, respectively.

The growth in spending by non-budget-funded bodies stems mainly from the Régie de l'assurance maladie du Québec and the Fonds de l'assurance médicaments.

TABLE F.19

**Mission expenditures of non-budget-funded bodies**

(millions of dollars)

	2017-2018	2018-2019	2019-2020
Régie de l'assurance maladie du Québec (RAMQ)	12 678	12 869	13 382
Fonds de l'assurance médicaments (FAM)	3 596	3 675	3 821
Elimination of reciprocal transactions between RAMQ and the PDIF	-3 587	-3 666	-3 812
<b>Subtotal</b>	<b>12 687</b>	<b>12 878</b>	<b>13 391</b>
<b>% change</b>	<b>2.3</b>	<b>1.5</b>	<b>4.0</b>
Other non-budget-funded bodies <sup>(1)</sup>	7 523	7 616	7 773
<b>% change</b>	<b>0.0</b>	<b>1.2</b>	<b>2.1</b>
<b>TOTAL</b>	<b>20 210</b>	<b>20 494</b>	<b>21 164</b>
<b>% change</b>	<b>1.4</b>	<b>1.4</b>	<b>3.3</b>

(1) Includes other eliminations of reciprocal transactions between non-budget-funded bodies.

## **Reconciliation of the expenditure budget of non-budget-funded bodies with the government's consolidated financial framework**

The Secrétariat du Conseil du trésor tables the revenue and expenditure forecasts for non-budget-funded bodies in the National Assembly.

The following table illustrates the reconciliation of the expenditures presented in the budget of non-budget-funded bodies with those presented in the Québec Economic Plan.

The Québec Economic Plan presents the consolidated financial framework of the Québec government, including the reporting entity's various sectoral components. The forecasts for non-budget-funded bodies included in the consolidated financial framework incorporate:

- the elimination of reciprocal transactions between entities in the same sector;
- harmonization entries intended to harmonize the entities' forecasts with the government's accounting policies.

### **Reconciliation of the expenditure budget of non-budget-funded bodies with the government's consolidated financial framework**

(millions of dollars)

	<b>2018-2019</b>
Expenditure budget of non-budget-funded bodies to be tabled in the National Assembly	24 996
Elimination of reciprocal transactions between non-budget-funded bodies and harmonizations	–3 923 <sup>(1)</sup>
<b>Expenditure of non-budget-funded bodies presented in the Québec Economic Plan</b>	<b>21 073</b>

(1) Including \$3.7 billion attributable to reciprocal transactions of the Régie de l'assurance maladie du Québec with the Fonds de l'assurance médicaments.

### 3.5 Bodies in the health and social services and education networks

#### □ Bodies in the health and social services network

Bodies in the health and social services network include integrated health and social services centres as well as other public institutions and regional authorities.

The following table shows the forecasts pertaining to bodies in the health and social services network for 2017-2018 to 2019-2020.

TABLE F.20

#### Summary of the budgetary transactions of bodies in the health and social services network (millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>Revenue</b>			
Miscellaneous revenue	2 442	2 511	2 582
<b>Own-source revenue</b>	<b>2 442</b>	<b>2 511</b>	<b>2 582</b>
<b>% change</b>	<b>-0.9</b>	<b>2.8</b>	<b>2.8</b>
Québec government transfers	23 061	24 381	25 353
<b>% change</b>	<b>3.6</b>	<b>5.7</b>	<b>4.0</b>
Federal transfers	151	151	151
<b>Total revenue</b>	<b>25 654</b>	<b>27 043</b>	<b>28 086</b>
<b>% change</b>	<b>3.1</b>	<b>5.4</b>	<b>3.9</b>
<b>Expenditure</b>			
Mission expenditures	-25 209	-26 545	-27 499
<b>% change</b>	<b>3.1</b>	<b>5.3</b>	<b>3.6</b>
Debt service	-445	-498	-587
<b>Total expenditure</b>	<b>-25 654</b>	<b>-27 043</b>	<b>-28 086</b>
<b>% change</b>	<b>3.1</b>	<b>5.4</b>	<b>3.9</b>
<b>SURPLUS</b>	<b>—</b>	<b>—</b>	<b>—</b>

The revenue of bodies in the health and social services network amounts to \$25.7 billion for 2017-2018, which represents a change of 3.1%. This revenue will stand at \$27.0 billion in 2018-2019 and \$28.1 billion in 2019-2020, representing a change of 5.4% and 3.9%, respectively.

The mission expenditures of bodies in the health and social services network stand at \$25.2 billion in 2017-2018, which represents a change of 3.1%. This spending will total \$26.5 billion in 2018-2019 and \$27.5 billion in 2019-2020, representing a change of 5.3% and 3.6%, respectively.

## □ Bodies in the Education networks

Bodies in the education networks consist of school boards, the Comité de gestion de la taxe scolaire de l'île de Montréal, CEGEPs and the Université du Québec and its constituents.

The following table shows the forecasts pertaining to bodies in the education networks for 2017-2018 to 2019-2020.

TABLE F.21

### Summary of the budgetary transactions of bodies in the education networks (millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>Revenue</b>			
Income and property taxes	2 242	1 817	1 706
Miscellaneous revenue	1 775	1 808	1 861
<b>Own-source revenue</b>	<b>4 017</b>	<b>3 625</b>	<b>3 567</b>
<b>% change</b>	<b>2.0</b>	<b>-9.8</b>	<b>-1.6</b>
Québec government transfers	12 737	13 882	14 820
<b>% change</b>	<b>5.3</b>	<b>9.0</b>	<b>6.8</b>
Federal transfers	155	155	155
<b>Total revenue</b>	<b>16 909</b>	<b>17 662</b>	<b>18 542</b>
<b>% change</b>	<b>4.3</b>	<b>4.5</b>	<b>5.0</b>
<b>Expenditure</b>			
Mission expenditures	-16 432	-17 248	-18 057
<b>% change</b>	<b>5.3</b>	<b>5.0</b>	<b>4.7</b>
Debt service	-377	-440	-493
<b>Total expenditure</b>	<b>-16 809</b>	<b>-17 688</b>	<b>-18 550</b>
<b>% change</b>	<b>5.4</b>	<b>5.2</b>	<b>4.9</b>
<b>SURPLUS (DEFICIT)</b>	<b>100</b>	<b>-26</b>	<b>-8</b>

The revenue of bodies in the education networks totals \$16.9 billion in 2017-2018, which represents a change of 4.3%. This revenue will amount to \$17.7 billion in 2018-2019 and \$18.5 billion in 2019-2020, representing a change of 4.5% and 5.0%, respectively.

The mission expenditures of bodies in the education networks stand at \$16.4 billion in 2017-2018, which represents a change of 5.3%. This spending will total \$17.2 billion in 2018-2019 and \$18.1 billion in 2019-2020, representing a change of 5.0% and 4.7%, respectively.



### 3.6 Tax-funded expenditures

Refundable tax credits for individuals and corporations, which are similar to taxation-related transfer expenditures, are recorded in spending rather than as reductions in revenue. Expenditures related to doubtful tax accounts are added to these refundable tax credits.

Tax-funded expenditures show an increase of 2.9% in 2017-2018 in relation to the previous year and will grow by 3.9% in 2018-2019 and 1.6% in 2019-2020. This change is explained in particular by certain measures announced in:

- the March 2016 Québec Economic Plan, including the enhancements to work premiums for households without children and to the tax shield;
- the March 2017 Québec Economic Plan, including the refundable tax credit for the upgrading of residential waste water treatment systems;
- the November 2017 update of the Québec Economic Plan, including the supplement of \$100 per child for the purchase of school supplies;
- the March 2018 Québec Economic Plan, including the one-year extension of the RénoVert tax credit.

TABLE F.22

#### Summary of budgetary transactions relating to tax-funded expenditures (millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>Revenue</b>			
Personal income tax	4 669	4 938	4 973
Corporate taxes	1 783	1 778	1 846
Consumption taxes	259	254	262
<b>Total revenue</b>	<b>6 711</b>	<b>6 970</b>	<b>7 081</b>
<b>% change</b>	<b>2.9</b>	<b>3.9</b>	<b>1.6</b>
<b>Expenditure</b>	<b>-6 711</b>	<b>-6 970</b>	<b>-7 081</b>
<b>% change</b>	<b>2.9</b>	<b>3.9</b>	<b>1.6</b>
<b>SURPLUS</b>	<b>—</b>	<b>—</b>	<b>—</b>



## 4. NET FINANCIAL SURPLUSES OR REQUIREMENTS

Net financial surpluses or requirements represent the difference between the government's cash inflow and disbursements. These net financial surpluses or requirements take into account changes in the budgetary balance on an accrual basis, resources or requirements arising from the acquisition or disposal of capital assets, investments, loans and advances and from other activities such as paying accounts payable and collecting accounts receivable.

The government will post a financial surplus of \$2.3 billion for 2017-2018, a financial requirement of 2.1 billion for fiscal 2018-2019 and a financial surplus of \$1.2 billion for 2019-2020.

TABLE F.23

### Net financial surpluses or requirements<sup>(1)</sup>

(millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>SURPLUS (DEFICIT)</b>	<b>3 142</b>	<b>904</b>	<b>1 771</b>
<b>Non-budgetary transactions</b>			
Investments, loans and advances	-2 036	-2 294	-2 099
Capital investments	-2 388	-3 093	-2 877
Retirement plans and other employee future benefits	3 010	2 879	2 991
Other accounts	537	-480	1 387
<b>Total non-budgetary transactions</b>	<b>-877</b>	<b>-2 988</b>	<b>-598</b>
<b>NET FINANCIAL SURPLUS (REQUIREMENTS)</b>	<b>2 265</b>	<b>-2 084</b>	<b>1 173</b>

(1) A negative entry indicates a financial requirement and a positive entry, a source of financing.

### ☐ Investments, loans and advances

Investments, loans and advances include mainly investments made by the government in its enterprises and loans and advances granted to entities not included in the government reporting entity.

Net financial requirements for investments, loans and advances are estimated at \$2.0 billion for 2017-2018, \$2.3 billion for 2018-2019 and \$2.1 billion for 2019-2020. Investments, loans and advances include the government's investments in the Réseau express métropolitain (REM) de Montréal in 2017-2018, 2018-2019 and 2019-2020.

## ❑ Capital expenditures

In 2017-2018, forecast net financial requirements associated with net capital investments amount to \$2.4 billion.

Net financial requirements attributable to net investments for fiscal 2018-2019 and 2019-2020 will stand at \$3.1 billion and \$2.9 million, respectively.

TABLE F.24

### **Net capital investments<sup>(1)</sup>** (millions of dollars)

	2017-2018	2018-2019	2019-2020
Investments	-6 721	-7 505	-7 429
Depreciation	4 193	4 309	4 449
<b>Net investments</b>	<b>-2 528</b>	<b>-3 196</b>	<b>-2 980</b>
Less: PPP investments <sup>(2)</sup>	140	103	103
<b>NET CAPITAL INVESTMENTS</b>	<b>-2 388</b>	<b>-3 093</b>	<b>-2 877</b>

(1) A negative entry indicates a financial requirement and a positive entry, a source of financing.

(2) Investments made under public-private partnership (PPP) agreements correspond to new commitments that are taken into account in the government's gross debt. In accordance with the government's accounting policies, PPP investments are recognized in the government's assets as well as in its debt.

## ❑ Retirement plans and other employee future benefits

The non-budgetary balance of the retirement plans and other employee future benefits is expected to increase by \$3.0 billion for fiscal 2017-2018, \$2.9 billion for 2018-2019 and \$3.0 billion for 2019-2020.

## ❑ Other accounts

Net financial surpluses or requirements for other accounts consist of a series of changes in assets and liabilities such as accounts receivable and accounts payable.

The change in the government's other accounts reduces net financial requirements by \$537 million for 2017-2018 and will raise net financial requirements by \$480 million for 2018-2019. In 2019-2020, other accounts will generate a financial surplus of \$1.4 billion.

## ❑ Net financial surpluses or requirements by sector

The following table shows net financial surpluses or requirements by sector, namely, the General Fund, consolidated entities and the Generations Fund.

TABLE F.25

### Net financial surpluses or requirements by sector<sup>(1)</sup>

(millions of dollars)

	2017-2018	2018-2019	2019-2020
General Fund	4 340	–11	2 935
Consolidated entities <sup>(2)</sup>	–4 367	–4 564	–4 469
Generations Fund	2 292	2 491	2 707
<b>NET FINANCIAL SURPLUSES (REQUIREMENTS)</b>	<b>2 265</b>	<b>–2 084</b>	<b>1 173</b>

(1) A negative entry indicates a financial requirement and a positive entry, a source of financing.

(2) Excludes the Generations Fund.



## APPENDIX 1: ALLOCATION OF REVENUE FROM CONSUMPTION TAXES

### □ Consumption taxes

Consumption taxes include sales taxes and specific taxes. Sales taxes include, in particular, the Québec sales tax (QST) and the tax on insurance premiums, while specific taxes are applied to fuel, tobacco products and alcoholic beverages.

For 2017-2018, revenue from consumption taxes amounts to \$20.3 billion, that is, \$16.4 billion from sales taxes and \$3.9 billion from specific taxes.

TABLE F.26

#### Revenue from consumption taxes

(millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>Sale tax<sup>(1)</sup></b>	<b>16 367</b>	<b>16 967</b>	<b>17 459</b>
<b>Specific taxes</b>			
Fuel	2 276	2 321	2 353
Tobacco products	1 023	993	961
Alcoholic beverages <sup>(2)</sup>	633	640	645
<b>Subtotal</b>	<b>3 932</b>	<b>3 954</b>	<b>3 959</b>
<b>TOTAL</b>	<b>20 299</b>	<b>20 921</b>	<b>21 418</b>

(1) Includes revenue from pari mutuel.

(2) Includes an annual amount of \$500 million dedicated to the Generations Fund.

## ■ Sales tax

Within the meaning of the *Act respecting the Québec sales tax*,<sup>3</sup> sales taxes include the QST as well as the tax on insurance premiums, the tax on lodging and the specific duty on new tires. For 2017-2018, sales tax revenue stands at \$16.4 billion. More specifically:

- the revenue of the General Fund derived from the QST and the tax on insurance premiums amounts to \$17.9 billion;
- revenue of \$109 million derived mainly from the tax on lodging, is allocated to the Tourism Partnership Fund to promote and develop tourism;
- revenue of \$31 million derived in particular from the specific duty on new tires (\$3 per tire), is earmarked for the Société québécoise de récupération et de recyclage (RECYC-QUÉBEC) to finance the recycling of used tires.

Sales taxes also take into account the cost of the solidarity tax credit and consolidation adjustments, such as the elimination of reciprocal transactions between entities in different sectors.

TABLE F.27

### Allocation of sales tax revenue (millions of dollars)

	2017-2018	2018-2019	2019-2020
General Fund <sup>(1)</sup>	17 891	18 552	19 103
Tourism Partnership Fund	109	112	117
RECYC-QUÉBEC	31	28	28
Solidarity tax credit and other <sup>(2)</sup>	-1 664	-1 725	-1 789
<b>TOTAL</b>	<b>16 367</b>	<b>16 967</b>	<b>17 459</b>

(1) Includes revenue from pari mutuel.

(2) Includes, in particular, the solidarity tax credit and the partial rebate of the QST paid on property and services acquired by bodies in the health and social services and education networks.

<sup>3</sup> CQLR, chapter T-0.1.



## ■ Specific taxes

### ■ Specific tax on fuel

For 2017-2018, the government's own-source revenue from the specific tax on fuel totals \$2.3 billion. This amount includes:

- revenue from the specific tax of 19.2 cents per litre of gasoline and 20.2 cents per litre of diesel fuel paid into the Land Transportation Network Fund (LTNF) to finance the road network and public transit infrastructure (\$2.2 billion):
  - Revenue from the LTNF also includes revenue from the specific tax of 1 cent per litre of gasoline sold within the territory of the Gaspésie-Îles-de-la-Madeleine administrative region to improve public transportation services in this region (\$1.5 million);
- revenue from the specific tax of 3 cents per litre on kerosene fuel (domestic), aviation fuel and fuel oil for locomotives, paid into the General Fund (\$17 million);

The activities of the Agence métropolitaine de transport (AMT) were transferred on June 1, 2017 to the Autorité régionale de transport métropolitain and the Réseau de transport métropolitain, bodies that are not included in the government reporting entity.

- Revenue from the specific tax of 3 cents per litre of gasoline sold within the territory of the AMT before June 1, 2017 (\$18 million), was paid to the AMT, for public transportation services in Greater Montréal.

TABLE F.28

### Allocation of revenue from the specific taxes on fuel

(millions of dollars)

	2017-2018	2018-2019	2019-2020
LTNF	2 241	2 303	2 335
General Fund	17	18	18
AMT	18 <sup>(1)</sup>	—	—
<b>TOTAL</b>	<b>2 276</b>	<b>2 321</b>	<b>2 353</b>

(1) Includes a consolidation adjustment of \$9 million.

## ■ Specific tax on tobacco products

For 2017-2018, tax revenue from the sale of tobacco products amounts to \$1 023 million, including \$904 million paid into the General Fund and \$119 million allocated to various special funds.

TABLE F.29

### Allocation of revenue from the specific tax on tobacco products (millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>General Fund</b>	<b>904</b>	<b>868</b>	<b>866</b>
<b>Special funds</b>			
Sports and Physical Activity Development Fund <sup>(1)</sup>	68	70	70
Québec Cultural Heritage Fund	16	20	20
Fund for the Promotion of a Healthy Lifestyle <sup>(2)</sup>	—	—	—
Early Childhood Development Fund	15	15	—
Caregiver Support Fund	15	15	—
Avenir Mécénat Culture Fund	5	5	5
<b>Subtotal</b>	<b>119</b>	<b>125</b>	<b>95</b>
<b>TOTAL</b>	<b>1 023</b>	<b>993</b>	<b>961</b>

(1) This fund includes an allocation of \$8 million in 2017-2018 subject to the passage, by March 31, 2018 at the latest, of the Act respecting mainly the implementation of certain provisions of the Budget Speeches of 17 March 2016 and 28 March 2017.

(2) This fund is being eliminated as of 2017-2018, following the passage, by March 31, 2018 at the latest, of the Act respecting mainly the implementation of certain provisions of the Budget Speeches of 17 March 2016 and 28 March 2017. The revenues will be allocated to the General Fund and the expenditures will be covered by the Ministère de la Santé et des Services sociaux.

▪ **Specific tax on alcoholic beverages**

Tax revenue from the sale of alcoholic beverages totals \$633 million in 2017-2018. This revenue will reach \$645 million in 2019-2020.

— Since 2016-2017, an annual amount of \$500 million drawn from the specific tax on alcoholic beverages has been allocated to the Generations Fund.

TABLE F.30

**Allocation of revenue from the specific tax on alcoholic beverages**  
(millions of dollars)

	2017-2018	2018-2019	2019-2020
General Fund	133	140	145
Generations Fund	500	500	500
<b>TOTAL</b>	<b>633</b>	<b>640</b>	<b>645</b>



## **APPENDIX 2: DETAILED FINANCIAL FRAMEWORK BY SECTOR**

TABLE F.31

**Detailed financial framework by sector**  
(millions of dollars)

	2017-2018			
	Fonds consolidé du revenu			
	General Fund	Special funds	Generations Fund	Specified purpose accounts
<b>Revenue</b>				
Personal income tax	22 193	771	—	—
Contributions for health services	7 362	—	—	—
Corporate taxes	5 914	203	—	—
School property tax	—	—	—	—
Consumption taxes	18 945	2 462	500	—
Duties and permits	296	2 305	935	—
Miscellaneous revenue	1 344	2 125	424	166
Revenue from government enterprises	4 302	—	433	—
<b>Own-source revenue</b>	<b>60 356</b>	<b>7 866</b>	<b>2 292</b>	<b>166</b>
Québec government transfers	—	4 682	—	—
Federal transfers	20 249	232	—	1 403
<b>Total revenue</b>	<b>80 605</b>	<b>12 780</b>	<b>2 292</b>	<b>1 569</b>
<b>Expenditure</b>				
Mission expenditures	-72 591	-11 580	—	-1 569
Debt service	-7 220	-1 522	—	—
<b>Total expenditure</b>	<b>-79 811</b>	<b>-13 102</b>	<b>—</b>	<b>-1 569</b>
Contingency reserve	—			
<b>SURPLUS (DEFICIT)</b>	<b>794</b>	<b>-322</b>	<b>2 292</b>	<b>—</b>
<b>BALANCED BUDGET ACT</b>				
Deposits of dedicated revenues in the Generations Fund			-2 292	
Use of the stabilization reserve				
<b>BUDGETARY BALANCE<sup>(3)</sup></b>				

(1) Includes doubtful tax accounts.

(2) Reclassification of abatements and consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors.

(3) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

2017-2018					
Tax-funded expenditures <sup>(1)</sup>	Non-budget-funded bodies	Bodies in the health and social services network	Bodies in the education networks	Consolidation adjustments <sup>(2)</sup>	Consolidated results
4 669	—	—	—	1 482	29 115
—	—	—	—	-1 313	6 049
1 783	—	—	—	—	7 900
—	—	—	2 242	—	2 242
259	40	—	—	-1 907	20 299
—	411	—	—	—	3 947
—	6 013	2 442	1 775	-4 049	10 240
—	—	—	—	—	4 735
<b>6 711</b>	<b>6 464</b>	<b>2 442</b>	<b>4 017</b>	<b>-5 787</b>	<b>84 527</b>
—	13 521	23 061	12 737	-54 001	—
—	1 283	151	155	-804	22 669
<b>6 711</b>	<b>21 268</b>	<b>25 654</b>	<b>16 909</b>	<b>-60 592</b>	<b>107 196</b>
-6 711	-20 210	-25 209	-16 432	59 485	-94 817
—	-595	-445	-377	922	-9 237
<b>-6 711</b>	<b>-20 805</b>	<b>-25 654</b>	<b>-16 809</b>	<b>60 407</b>	<b>-104 054</b>
—	—	—	—	—	—
<b>—</b>	<b>463</b>	<b>—</b>	<b>100</b>	<b>-185</b>	<b>3 142</b>
—	—	—	—	—	—
—	—	—	—	—	-2 292
—	—	—	—	—	—
—	—	—	—	—	<b>850</b>

TABLE F.32

**Detailed financial framework by sector**  
(millions of dollars)

	2018-2019			
	Consolidated Revenue Fund			
	General Fund	Special funds	Generations Fund	Specified purpose accounts
<b>Revenue</b>				
Personal income tax	23 238	833	—	—
Contributions for health services	7 382	—	—	—
Corporate taxes	6 038	212	—	—
School property tax	—	—	—	—
Consumption taxes	19 578	2 534	500	—
Duties and permits	303	2 038	1 017	—
Miscellaneous revenue	1 352	2 354	514	188
Revenue from government enterprises	3 872	—	460	—
<b>Own-source revenue</b>	<b>61 763</b>	<b>7 971</b>	<b>2 491</b>	<b>188</b>
Québec government transfers	—	4 901	—	—
Federal transfers	21 044	568	—	1 360
<b>Total revenue</b>	<b>82 807</b>	<b>13 440</b>	<b>2 491</b>	<b>1 548</b>
<b>Expenditure</b>				
Mission expenditures	-76 869	-12 066	—	-1 548
Debt service	-7 160	-1 714	—	—
<b>Total expenditure</b>	<b>-84 029</b>	<b>-13 780</b>	<b>—</b>	<b>-1 548</b>
Contingency reserve	—			
<b>SURPLUS (DEFICIT)</b>	<b>-1 222</b>	<b>-340</b>	<b>2 491</b>	<b>—</b>
<b>BALANCED BUDGET ACT</b>				
Deposits of dedicated revenues in the Generations Fund			-2 491	
Use of the stabilization reserve				
<b>BUDGETARY BALANCE<sup>(3)</sup></b>				

(1) Includes doubtful tax accounts.

(2) Reclassification of abatements and consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors.

(3) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.



2018-2019					
Tax-funded expenditures <sup>(1)</sup>	Non-budget-funded bodies	Bodies in the health and social services network	Bodies in the education networks	Consolidation adjustments <sup>(2)</sup>	Consolidated results
4 938	—	—	—	1 540	30 549
—	—	—	—	-1 354	6 028
1 778	—	—	—	—	8 028
—	—	—	1 817	—	1 817
254	28	—	—	-1 973	20 921
—	439	—	—	—	3 797
—	5 866	2 511	1 808	-4 142	10 451
—	—	—	—	—	4 332
<b>6 970</b>	<b>6 333</b>	<b>2 511</b>	<b>3 625</b>	<b>-5 929</b>	<b>85 923</b>
—	13 729	24 381	13 882	-56 893	—
—	1 118	151	155	-722	23 674
<b>6 970</b>	<b>21 180</b>	<b>27 043</b>	<b>17 662</b>	<b>-63 544</b>	<b>109 597</b>
-6 970	-20 494	-26 545	-17 248	62 427	-99 313
—	-579	-498	-440	1 011	-9 380
<b>-6 970</b>	<b>-21 073</b>	<b>-27 043</b>	<b>-17 688</b>	<b>63 438</b>	<b>-108 693</b>
—	—	—	—	—	—
<b>—</b>	<b>107</b>	<b>—</b>	<b>-26</b>	<b>-106</b>	<b>904</b>
—	—	—	—	—	—
—	—	—	—	—	-2 491
—	—	—	—	—	1 587
—	—	—	—	—	—

TABLE F.33

**Detailed financial framework by sector**  
(millions of dollars)

	2019-2020			
	Consolidated Revenue Fund			
	General Fund	Special Funds	Generations Fund	Specified purpose accounts
<b>Revenue</b>				
Personal income tax	24 569	860	—	—
Contributions for health services	7 557	—	—	—
Corporate taxes	5 995	219	—	—
School property tax	—	—	—	—
Consumption taxes	20 132	2 540	500	—
Duties and permits	318	2 133	1 077	—
Miscellaneous revenue	1 352	2 573	615	171
Revenue from government enterprises	3 955	—	515	—
<b>Own-source revenue</b>	<b>63 878</b>	<b>8 325</b>	<b>2 707</b>	<b>171</b>
Québec government transfers	—	5 064	—	—
Federal transfers	22 816	556	—	768
<b>Total revenue</b>	<b>86 694</b>	<b>13 945</b>	<b>2 707</b>	<b>939</b>
<b>Expenditure</b>				
Mission expenditures	-79 682	-12 487	—	-939
Debt service	-7 023	-1 857	—	—
<b>Total expenditure</b>	<b>-86 705</b>	<b>-14 344</b>	<b>—</b>	<b>-939</b>
Contingency reserve	-100			
<b>SURPLUS (DEFICIT)</b>	<b>-111</b>	<b>-399</b>	<b>2 707</b>	<b>—</b>
<b>BALANCED BUDGET ACT</b>				
Deposits of dedicated revenues in the Generations Fund			-2 707	
Use of the stabilization reserve				
<b>BUDGETARY BALANCE<sup>(3)</sup></b>				

(1) Includes doubtful tax accounts.

(2) Reclassification of abatements and consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors.

(3) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

2019-2020					
Tax-funded expenditures <sup>(1)</sup>	Non-budget-funded bodies	Bodies in the health and social services network	Bodies in the education networks	Consolidation adjustments <sup>(2)</sup>	Consolidated results
4 973	—	—	—	1 572	31 974
—	—	—	—	-1 389	6 168
1 846	—	—	—	—	8 060
—	—	—	1 706	—	1 706
262	28	—	—	-2 044	21 418
—	451	—	—	—	3 979
—	5 962	2 582	1 861	-4 296	10 820
—	—	—	—	—	4 470
<b>7 081</b>	<b>6 441</b>	<b>2 582</b>	<b>3 567</b>	<b>-6 157</b>	<b>88 595</b>
—	14 466	25 353	14 820	-59 703	—
—	943	151	155	-625	24 764
<b>7 081</b>	<b>21 850</b>	<b>28 086</b>	<b>18 542</b>	<b>-66 485</b>	<b>113 359</b>
-7 081	-21 164	-27 499	-18 057	64 843	-102 066
—	-609	-587	-493	1 147	-9 422
<b>-7 081</b>	<b>-21 773</b>	<b>-28 086</b>	<b>-18 550</b>	<b>65 990</b>	<b>-111 488</b>
					-100
—	77	—	-8	-495	1 771
					-2 707
					936
					—



## **APPENDIX 3: LIST OF ENTITIES INCLUDED IN THE FINANCIAL FRAMEWORK**

TABLE F.34

**List of entities included in the financial framework**

<b>Affaires municipales et Occupation du territoire</b>		<b>Culture et Communications</b>	
Ministère des Affaires municipales et de l'Occupation du territoire	Dept	Ministère de la Culture et des Communications	Dept
Commission municipale du Québec	BFB	Commission de toponymie	BFB
Office de la protection du consommateur	BFB	Conseil du patrimoine culturel du Québec	BFB
Régie du logement	BFB	Conseil supérieur de la langue française	BFB
Territories Development fund	SF	Office québécois de la langue française	BFB
Régie du bâtiment du Québec	NBFB	Avenir Mécénat Culture Fund	SF
Société d'habitation du Québec	NBFB	Québec Cultural Heritage Fund	SF
		Bibliothèque et Archives nationales du Québec	NBFB
<b>Agriculture, Pêcheries et Alimentation</b>		Conseil des arts et des lettres du Québec	NBFB
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation	Dept	Conservatoire de musique et d'art dramatique du Québec	NBFB
Commission de protection du territoire agricole du Québec	BFB	Musée d'Art contemporain de Montréal	NBFB
Régie des marchés agricoles et alimentaires du Québec	BFB	Musée de la Civilisation	NBFB
La Financière agricole du Québec	NBFB	Musée national des beaux-arts du Québec	NBFB
		Société de développement des entreprises culturelles	NBFB
		Société de la Place des Arts de Montréal	NBFB
<b>National Assembly</b>		Société de télédiffusion du Québec	NBFB
National Assembly	Other	Société du Grand Théâtre de Québec	NBFB
<b>Conseil du trésor et Administration gouvernementale</b>		<b>Développement durable, Environnement et Lutte contre les changements climatiques</b>	
Secrétariat du Conseil du trésor	Dept	Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques	Dept
Commission de la fonction publique	BFB	Bureau d'audiences publiques sur l'environnement	BFB
Autorité des marchés publics	NBFB	Green Fund	SF
Centre de services partagés du Québec	NBFB	Fund for the Protection of the Environment and the Waters in the Domain of the State	SF
Société québécoise des infrastructures	NBFB	Conseil de gestion du Fonds vert	NBFB
		Société québécoise de récupération et de recyclage	NBFB
<b>Conseil exécutif</b>			
Ministère du Conseil exécutif	Dept		
Commission d'accès à l'information	BFB		
Centre de la francophonie des Amériques	NBFB		

Legend: Dept: department; BFB: budget-funded body; SF: special fund; NBFB: non-budget-funded body; HSSE: bodies in the health and social services and education networks.

TABLE F.34 (cont.)

**List of entities included in the financial framework (cont.)**

<b>Économie, Science et Innovation</b>		<b>Énergie et Ressources naturelles</b>	
Ministère de l'Économie, de la Science et de l'Innovation	Dept	Ministère de l'Énergie et des Ressources naturelles	Dept
Commission de l'éthique en science et en technologie	BFB	Territorial Information Fund	SF
Mining and Hydrocarbon Capital Fund	SF	Energy Transition Fund	SF
Economic Development Fund	SF	Natural Resources Fund	SF
Fonds de recherche du Québec – Nature et technologies	NBFB	Régie de l'énergie	NBFB
Fonds de recherche du Québec – Santé	NBFB	Société de développement de la Baie-James	NBFB
Fonds de recherche du Québec – Société et culture	NBFB	Société du Plan Nord	NBFB
Centre de recherche industrielle du Québec	NBFB	Transition énergétique Québec	NBFB
Société du parc industriel et portuaire de Bécancour	NBFB		
		<b>Famille</b>	
		Ministère de la Famille	Dept
		Curateur public	BFB
		Caregiver Support Fund	SF
		Educational Childcare Services Fund	SF
		Early Childhood Development Fund	SF
<b>Éducation et Enseignement supérieur</b>		<b>Finances</b>	
Ministère de l'Éducation et de l'Enseignement supérieur	Dept	Ministère des Finances	Dept
Comité consultatif sur l'accessibilité financière aux études	BFB	Financing Fund	SF
Commission consultative de l'enseignement privé	BFB	Generations Fund	SF
Commission d'évaluation de l'enseignement collégial	BFB	IFC Montréal Fund	SF
Conseil du statut de la femme	BFB	Fonds du Plan Nord	SF
Conseil supérieur de l'éducation	BFB	Fund of the Financial Markets	
Capitale-Nationale Region Fund	SF	Administrative Tribunal	SF
University Excellence and Performance Fund	SF	Tax Administration Fund	SF
Sports and Physical Activity Development Fund	SF	Agence du revenu du Québec	NBFB
Commission de la capitale nationale du Québec	NBFB	Autorité des marchés financiers	NBFB
Institut de tourisme et d'hôtellerie du Québec	NBFB	Financement-Québec	NBFB
Institut national des mines	NBFB	Institut de la statistique du Québec	NBFB
Collèges d'enseignement général et professionnel	HSSE	Société de financement des infrastructures locales du Québec	NBFB
Commissions scolaires	HSSE	Government enterprises <sup>(1)</sup>	Other
Université du Québec et ses constituantes	HSSE		

(1) At the financial level, the net results of government enterprises are credited to the Finances portfolio. However, the administration of a government enterprise may come under another portfolio.

TABLE F.34 (cont.)

**List of entities included in the financial framework (cont.)**

<b>Forêts, Faune et Parcs</b>		<b>Persons appointed by the National Assembly</b>	
Ministère des Forêts, de la Faune et des Parcs	Dept	Ethics Commissioner	BFB
Natural Resources Fund – Sustainable Forest Development Component	SF	Lobbyists Commissioner	BFB
Fondation de la faune du Québec	NBFB	Chief Electoral Officer	BFB
Société des établissements de plein air du Québec	NBFB	Québec Ombudsman	BFB
		Auditor General	BFB
<b>Immigration, Diversité et Inclusion</b>		<b>Relations internationales et Francophonie</b>	
Ministère de l'Immigration, de la Diversité et de l'Inclusion	Dept	Ministère des Relations internationales et de la Francophonie	Dept
		Office Québec-Monde pour la jeunesse	NBFB
<b>Justice</b>		<b>Santé et Services sociaux</b>	
Ministère de la Justice	Dept	Ministère de la Santé et des Services sociaux	Dept
Committee on the Remuneration of Judges	BFB	Commissaire à la santé et au bien-être	BFB
Committee on the Remuneration of Criminal and Penal Prosecuting Attorneys	BFB	Office des personnes handicapées du Québec	BFB
Commission des droits de la personne et des droits de la jeunesse	BFB	Health and Social Services Information Resources Fund	SF
Conseil de la justice administrative	BFB	Corporation d'urgences-santé	NBFB
Conseil de la magistrature	BFB	Fonds de l'assurance médicaments	NBFB
Directeur des poursuites criminelles et pénales	BFB	Héma-Québec	NBFB
Human Rights Tribunal	BFB	Institut national d'excellence en santé et en services sociaux	NBFB
Access to Justice Fund	SF	Institut national de santé publique du Québec	NBFB
Crime Victims Assistance Fund	SF	Régie de l'assurance maladie du Québec	NBFB
Register Fund of the Ministère de la Justice	SF	Integrated health and social services centres, other public institutions and regional authorities	HSSE
Fund of the Administrative Tribunal of Québec	SF		
Public Contracts Fund	SF		
Commission des services juridiques	NBFB		
Fonds d'aide aux actions collectives	NBFB		
Office des professions du Québec	NBFB		
Société québécoise d'information juridique	NBFB		



TABLE F.34 (cont.)

**List of entities included in the financial framework (cont.)**

<b>Sécurité publique</b>		<b>Travail, Emploi et Solidarité sociale</b>	
Ministère de la Sécurité publique	Dept	Ministère du Travail, de l'Emploi et de la Solidarité sociale	Dept
Bureau des enquêtes indépendantes	BFB	Commission des partenaires du marché du travail	BFB
Bureau du coroner	BFB	Assistance Fund for Independent Community Action	SF
Comité de déontologie policière	BFB	Labour Market Development Fund	SF
Commissaire à la déontologie policière	BFB	Goods and Services Fund	SF
Commissaire à la lutte contre la corruption	BFB	Information Technology Fund of the Ministère de l'Emploi et de la Solidarité sociale	SF
Commission québécoise des libérations conditionnelles	BFB	Administrative Labour Tribunal Fund	SF
Régie des alcools, des courses et des jeux	BFB	Québec Social Initiatives Fund	SF
Police Services Fund	SF	Office de la sécurité du revenu des chasseurs et piégeurs cris	NBFB
École nationale de police du Québec	NBFB		
École nationale des pompiers du Québec	NBFB		
<b>Tourisme</b>			
Ministère du Tourisme	Dept		
Tourism Partnership Fund	SF		
Régie des installations olympiques	NBFB		
Société du Centre des congrès de Québec	NBFB		
Société du Palais des congrès de Montréal	NBFB		
<b>Transports, Mobilité durable et Électrification des transports</b>			
Ministère des Transports, de la Mobilité durable et de l'Électrification des transports	Dept		
Commission des transports du Québec	BFB		
Government Air Services Fund	SF		
Rolling Stock Management Fund	SF		
Highway Safety Fund	SF		
Land Transportation Network Fund	SF		
Société de l'assurance automobile du Québec	NBFB		
Société des Traversiers du Québec	NBFB		



# Section G

## THE QUÉBEC GOVERNMENT'S DEBT

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# 1. REDUCTION OF THE DEBT

## 1.1 Québec is on track to achieve its debt reduction objectives

The government has set debt reduction objectives that have been included in the *Act to reduce the debt and establish the Generations Fund*.

- For fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP.

Note that there was a very broad consensus around the adoption of this Act in 2006.

The gross debt burden has decreased for the third year in a row. As at March 31, 2018, the gross debt will stand at \$204.5 billion. As a proportion of the economy, this is equivalent to 49.6% of GDP.

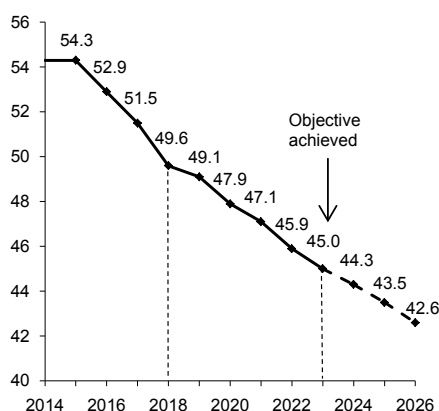
The ratio will stand at 45.0% as at March 31, 2023; the gross debt reduction objective stipulated in the Act will thus have been achieved.

As at March 31, 2018, the debt representing accumulated deficits will amount to \$115.1 billion, or 27.9% of GDP. The objective of reducing the debt representing accumulated deficits will be achieved in 2025-2026, as stipulated in the Act.

CHART G.1

### Gross debt as at March 31

(percentage of GDP)

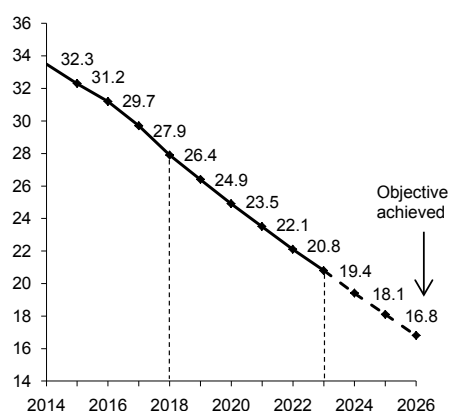


Note: These are forecasts up to 2023 and projections thereafter.

CHART G.2

### Debt representing accumulated deficits as at March 31

(percentage of GDP)



Note: These are forecasts up to 2023 and projections thereafter.

Québec is on track to achieve its debt reduction objectives thanks to:

- the return to a balanced budget in 2015-2016 and continued fiscal balance thereafter;
- economic growth, which is helping to ease the debt burden;
- deposits to the Generations Fund since 2006-2007.

## 1.2 A strategy with good results

The debt reduction strategy pursued by the government since 2006 is getting good results.

- In 2006, only a few months after the announcement of the creation of the Generations Fund, two credit rating agencies, Moody's and DBRS, upgraded Québec's credit rating, specifically mentioning the government's commitment to reduce its debt.
- In 2015-2016, thanks to the return to budget balance, the gross-debt-to-GDP ratio fell for the first time since 2008-2009. For that fiscal year, the gross debt even declined in absolute terms, a first since the late 1950s.
- Québec is no longer the most indebted province in Canada.
- In 2017, Standard & Poor's improved Québec's credit rating owing, in particular, to the government's debt control.
- The objective of reducing the gross debt to 45% of GDP will be achieved in 2022-2023.
- The objective of reducing the debt representing accumulated deficits to 17% of GDP will be achieved in 2025-2026, as stipulated in the Act.

### **□ Continued control of the debt**

Once the debt reduction objectives have been achieved, the government intends to take steps to ensure that the gross debt burden remains below 45% of GDP and the debt representing accumulated deficits below 17% of GDP.

To that end, the government will continue managing public finances in a responsible manner by continuing to deposit the projected amounts in the Generations Fund.

Gradual reduction of the gross debt burden beyond 2025-2026 will enable Québec to address:

- the demographic change, which is slowing growth of the labour pool;
- the need to maintain a high level of investment spending on infrastructure;
- a possible economic slowdown resulting from the global economic situation.

Moreover, reducing the debt burden will continue to contribute to economic growth by creating a climate of confidence that is conducive to investment and growth in productivity.

## **Reduction of the debt: a strategy recognized by credit rating agencies**

The fact that the government is continuing to implement its debt reduction strategy is important to credit rating agencies.

For example, in June 2017, Fitch credit rating agency noted that the stable outlook assigned to Québec's credit rating was based on the assumption that the debt burden would be reduced in the coming years:

The Stable Outlook at the current rating level assumes the Province retains its focus on lowering the burden of debt. The resumption of significant borrowing to support operating deficits would result in a downgrade.<sup>1</sup>

Moody's credit rating agency, for its part, noted that the stable outlook assigned to Québec's credit rating was based on the assumption that Québec would maintain a balanced budget over the medium term, making it possible to gradually reduce the debt burden:

The rating outlook is stable reflecting the assumption that the province will succeed in recording balanced budgets across the medium term, allowing for a gradual decrease in the debt burden.<sup>2</sup>

### **The Generations Fund: a key component of the strategy**

Credit rating agencies and investors welcome the Generations Fund, which represents a concrete commitment on the part of the government to reduce the debt.

When the Generations Fund was created in 2006, DBRS noted that this initiative demonstrated the province's determination to contain the growth of the debt.

Standard & Poor's, for its part, noted that Québec's credit rating was supported, in particular, by the province's intention to reduce its debt burden through deposits to the Generations Fund.

By making a positive contribution to Québec's credit quality, the Generations Fund ensures that Québec maintains access to a large pool of investors on financial markets in Canada and abroad.

Note that Québec's debt on financial markets will stand at \$195.6 billion as at March 31, 2018.

1 Fitch, press release, June 13, 2017.

2 Moody's, Credit Opinion, June 21, 2017.



### 1.3 \$10-billion repayment of the debt over the next five years

The Generations Fund will stand at \$12.8 billion as at March 31, 2018. In accordance with the Act, the sums accumulated in the fund may be used solely to repay the debt.

The March 2018 Québec Economic Plan is providing for the use of a sum of \$10 billion from the Generations Fund, at the rate of \$2 billion a year from 2018-2019 to 2022-2023, to repay maturing borrowings on financial markets.

The Generations Fund will continue to receive revenues dedicated to debt reduction every year, but a portion of this asset will be used to repay maturing borrowings, as provided for in the Act.

Indeed, the *Act to reduce the debt and establish the Generations Fund* already stipulates that the Minister of Finance may take any sum from the Generations Fund to repay the debt. Therefore, such action by the government does not require a legislative amendment. What is new is that a schedule has been established for using the Generations Fund.

This \$10-billion repayment of the debt over the next five years will reduce interest charges on the debt. Starting in 2018-2019, all Quebecers will thus be able to reap the benefits of these debt reduction efforts.

TABLE G.1

#### Use of the Generations Fund to repay the debt (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
<b>Book value, beginning of year</b>	<b>10 523</b>	<b>12 815</b>	<b>13 306</b>	<b>14 013</b>	<b>15 004</b>	<b>16 269</b>	
Revenues dedicated to the Generations Fund	2 292	2 491	2 707	2 991	3 265	3 502	
Use of the Generations Fund to repay maturing borrowings	—	-2 000	-2 000	-2 000	-2 000	-2 000	<b>-10 000</b>
<b>BOOK VALUE, END OF YEAR</b>	<b>12 815</b>	<b>13 306</b>	<b>14 013</b>	<b>15 004</b>	<b>16 269</b>	<b>17 771</b>	

Since its creation in 2006, the sums deposited to the Generations Fund have been managed by the Caisse de dépôt et placement du Québec. Using the Generations Fund to repay the debt will also make it possible to realize part of the investment income and thereby profit from the good returns recorded in recent years.

The Generations Fund will continue to grow gradually over the coming years, even after the allocation of a portion of it to debt repayment.

— As at March 31, 2023, the Generations Fund will amount to \$17.8 billion.

### **❑ A balanced approach**

The government's approach is balanced. Sums earmarked for the Generations Fund will continue to be deposited in it and a portion of this asset, that is, \$2 billion a year as of 2018-2019, will be used to pay the debt and thus free up interest savings that will serve to fund public services.

Using a larger portion of the Generations Fund to pay the debt could jeopardize the achievement of the debt reduction objectives. This is because the Generations Fund generates investment income that accelerates debt reduction. Using a larger portion of the Generations Fund would have a downward effect on that income and would thus slow reduction of the debt burden.

Using \$2 billion a year from the Generations Fund to pay the debt will both ensure that the debt reduction objectives are achieved by 2025-2026 and reduce government spending on interest on the debt for the benefit of Quebecers as a whole.

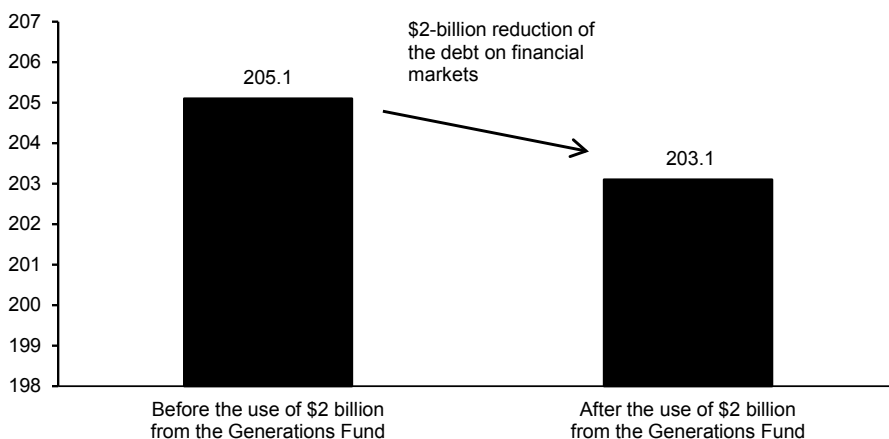
### Reduction of the debt on financial markets

Using the Generations Fund to pay the debt will reduce by an equivalent amount the consolidated direct debt, that is, the debt issued on financial markets.

For example, as at March 31, 2019, the government's debt on financial markets will decrease from \$205.1 billion to \$203.1 billion after the repayment of \$2 billion from the Generations Fund.

#### Reduction of the debt on financial markets as at March 31, 2019

(billions of dollars)



However, this will have no impact on the gross debt, since the Generations Fund is subtracted from that debt.

#### Gross debt as at March 31, 2019

(millions of dollars)

	Before the use of \$2 billion from the Generations Fund to repay the debt	Debt repayment	After the use of \$2 billion from the Generations Fund to repay the debt
Consolidated direct debt	205 058	-2 000	203 058
Plus: Retirement plans and other employee future benefits	19 666	—	19 666
Less: Generations Fund	-15 306	2 000	-13 306
<b>GROSS DEBT</b>	<b>209 418</b>	<b>—</b>	<b>209 418</b>
<b>% of GDP</b>	<b>49.1</b>	<b>—</b>	<b>49.1</b>

### **Reduction of the debt on financial markets (cont.)**

#### **A \$2-billion reduction in borrowings to be refinanced in 2018-2019**

The government refinances maturing borrowings every year. In concrete terms, using the Generations Fund to pay the debt will reduce such refinancing.

For example, in 2018-2019, repayments of government borrowings will total \$16.6 billion. The use of a sum of \$2 billion from the Generations Fund will reduce the refinancing of maturing borrowings from \$16.6 billion to \$14.6 billion and, at the same time, reduce the government's debt on financial markets.

### 1.3.1 Savings of \$1.1 billion in interest on the debt over five years

Using the Generations Fund to pay the debt will lead to savings of nearly \$1.1 billion in debt service over five years.

Government expenditure consists of mission expenditures and debt service. For the same level of spending, a reduction in debt service means an increase in the sums that can be allocated to the government's missions, such as Health and Social Services or Education and Culture.

Quebecers will thus reap the benefits of the debt reduction efforts starting in 2018-2019.

In 2022-2023, nearly \$400 million more per year will be allocated to the funding of public services.

TABLE G.2

#### **Interest savings on the debt resulting from repayment of the debt** (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Interest savings on the debt	61	130	209	295	383	<b>1 078</b>

### 1.3.2 A sharp decline in the proportion of revenue devoted to debt service

A large proportion of the government’s revenue is devoted to paying interest on the debt. However, this proportion is declining.

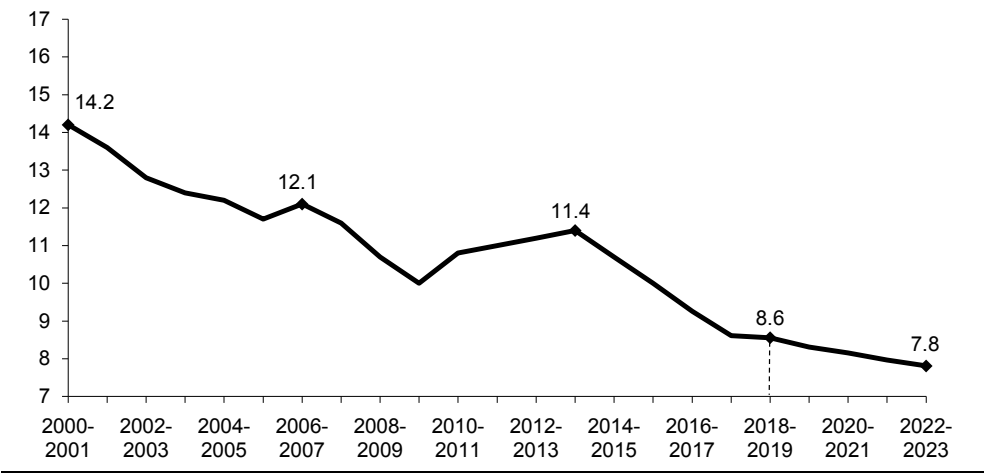
In 2018-2019, the proportion of revenue devoted to debt service will stand at 8.6%, down sharply from the early 2000s. It will decrease in the coming years owing, in particular, to the use of the Generations Fund to pay the debt.

In addition, sound management of public finances led to an improvement in Québec’s credit rating in June 2017, enabling the government to continue benefiting from advantageous borrowing costs on financial markets.

CHART G.3

#### Debt service

(percentage of consolidated revenue)



## 1.4 Generations Fund

Deposits to the Generations Fund will amount to \$2.5 billion in 2018-2019.

The balance of the Generations Fund will remain high over the next five years, from 2018-2019 to 2022-2023, even after the use of \$2 billion a year to repay maturing borrowings.

The sums accumulated in the Generations Fund will reach \$17.8 billion as at March 31, 2023.

These sums will come primarily from:

- water-power royalties paid by Hydro-Québec and private producers of hydro-electricity;
- revenue generated by the indexation of the price of heritage electricity;
- mining revenues;
- an amount derived from the specific tax on alcoholic beverages;
  - In 2013, the government chose to offset the impact on the debt of the additional deficits caused by the decision to postpone for two years the return to a balanced budget, which was forecast for 2013-2014, by increasing deposits to the Generations Fund drawn from the specific tax on alcoholic beverages as of 2016-2017.
- investment income that accumulates in the Generations Fund and thus accelerates debt reduction.

TABLE G.3

**Generations Fund**

(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023
<b>Book value, beginning of year</b>	<b>10 523</b>	<b>12 815</b>	<b>13 306</b>	<b>14 013</b>	<b>15 004</b>	<b>16 269</b>
<b>Dedicated revenues</b>						
Water-power royalties						
Hydro-Québec	700	687	703	727	734	761
Private producers	102	100	102	104	106	108
<b>Subtotal</b>	<b>802</b>	<b>787</b>	<b>805</b>	<b>831</b>	<b>840</b>	<b>869</b>
Indexation of the price of heritage electricity	218	245	300	385	470	565
Additional contribution from Hydro-Québec	215	215	215	215	215	215
Mining revenues	133	230	272	324	356	388
Specific tax on alcoholic beverages	500	500	500	500	500	500
Unclaimed property	6	15	15	15	15	15
Investment income <sup>(1)</sup>	418	499	600	721	869	950
<b>Total dedicated revenues</b>	<b>2 292</b>	<b>2 491</b>	<b>2 707</b>	<b>2 991</b>	<b>3 265</b>	<b>3 502</b>
Use of the Generations Fund to repay maturing borrowings	—	-2 000	-2 000	-2 000	-2 000	-2 000
<b>BOOK VALUE, END OF YEAR</b>	<b>12 815</b>	<b>13 306</b>	<b>14 013</b>	<b>15 004</b>	<b>16 269</b>	<b>17 771</b>

(1) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on the disposal of assets, etc.). Therefore, the forecast may be adjusted upward or downward according to the timing of realized gains or losses.



## ❑ The importance of the Generations Fund

The Generations Fund is the most powerful instrument of intergenerational equity ever adopted by a Québec government.

Without the deposits made in the Generations Fund, the ratio of gross debt to GDP would be much higher. As at March 31, 2023, the gross debt burden will stand at 45.0% of GDP. Without the Generations Fund, the forecast would be 51.0% of GDP, or 6.0 percentage points higher.

This difference means that if the government had not created the Generations Fund in 2006, the gross debt forecast as at March 31, 2023 would be \$28.8 billion higher.<sup>1</sup>

This represents \$3 305 on a per capita basis. As at March 31, 2023, the gross debt per capita will stand at \$24 908. Without the Generations Fund, it would be \$28 213 per capita.

CHART G.4

### Gross debt as at March 31 (percentage of GDP)

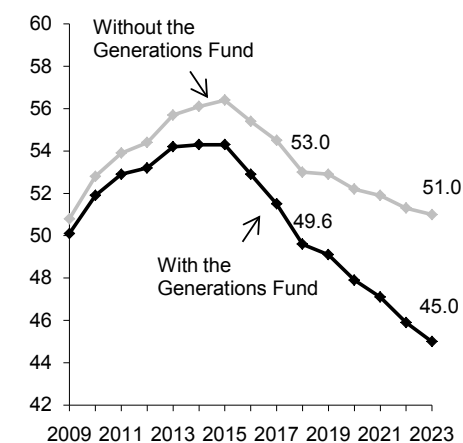
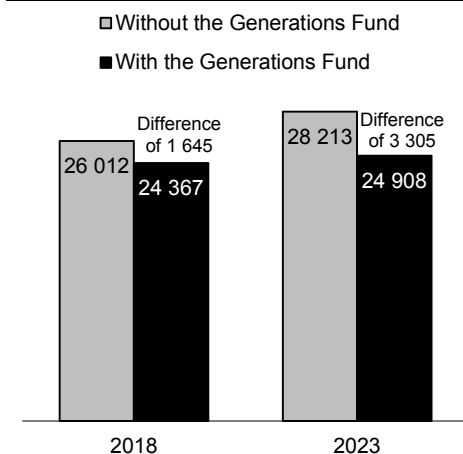


CHART G.5

### Gross debt as at March 31 (dollars per capita)



<sup>1</sup> The \$28.8 billion-difference is \$11 billion higher than the balance of the Generations Fund as at March 31, 2023 (\$17.8 billion) owing to the use of \$11 billion from the Generations Fund to repay maturing borrowings (\$1 billion in 2013-2014 and \$10 billion from 2018-2019 to 2022-2023).

## ❑ Investment income of the Generations Fund

The government's debt reduction strategy, which has been pursued since 2006, is to dedicate revenues to the Generations Fund every year and to entrust the management of these sums to the Caisse de dépôt et placement du Québec in order to obtain returns exceeding the government's borrowing costs.

Since the first deposit was made to the Generations Fund in January 2007, the return has been higher than the cost of new borrowings by the government 10 years out of 11.

- From 2007 to 2017, the average return was 5.6%, while the average cost of new borrowings was 3.5%, which represents a difference of 2.1 percentage points.
- Over the past nine years, from 2009 to 2017, so as to exclude the global financial crisis of 2008, the average return was 9.3%, while the average cost of new borrowings was 3.2% for this period, which represents a difference of 6.1 percentage points.

TABLE G.4

### Comparison of the Generations Fund's annual return and the Québec government's borrowing costs

(per cent, on a calendar year basis)

	Return of the Generations Fund	Cost of new borrowings <sup>(1)</sup>	Difference (percentage points)
2007	5.6	4.7	0.9
2008	-22.4	4.5	-26.9
2009	11.3	4.4	6.9
2010	12.3	4.1	8.2
2011	4.0	3.7	0.3
2012	8.4	3.0	5.4
2013	12.0	3.3	8.7
2014	11.7	3.2	8.5
2015	8.1	2.4	5.7
2016	7.3	2.2	5.1
2017	8.5	2.5	6.0

(1) The government's borrowing costs correspond to the yield on 10-year maturity Québec bonds.

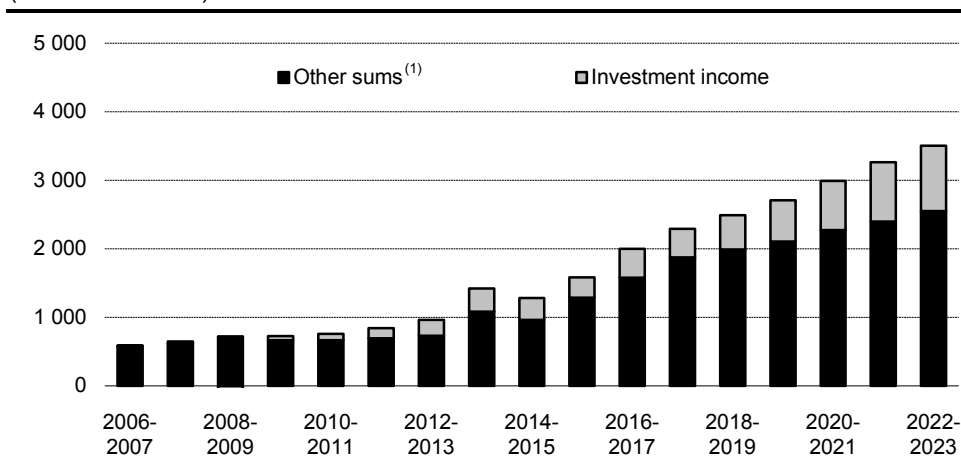
Source: PC-Bond for the yield on 10-year maturity Québec bonds.

In the coming years, the Generations Fund will continue to generate investment income, creating leverage for repayment of the debt.

- In 2021-2022, investment income will amount to \$869 million, or 26.6% of the revenues dedicated to the Generations Fund. It will then be the main source of revenues dedicated to the Generations Fund.

CHART G.6

**Sums dedicated to the Generations Fund**  
(millions of dollars)



(1) These sums include revenues dedicated to the Generations Fund (excluding investment income) and certain one-time deposits, such as the \$131-million deposit made in 2015-2016 from the accumulated surplus of the Commission des normes du travail.

## Book value and market value of the Generations Fund

The following table shows the book and market values of the Generations Fund since its creation. The book value is used to calculate the gross debt.

As at March 31, 2017, the market value of the Generations Fund was \$1.7 billion higher than its book value.

### Book value and market value of the Generations Fund as at March 31 (millions of dollars)

	Book value	Market value	Difference
2007	584	576	8
2008	1 233	1 147	86
2009	1 952	1 598	354
2010	2 677	2 556	121
2011	3 437	3 524	-87
2012	4 277	4 375	-98
2013	5 238	5 550	-312
2014	5 659	6 299	-640
2015	6 938	8 182	-1 244
2016	8 522	9 562	-1 040
2017	10 523	12 243	-1 720

## 1.5 Gross debt

The gross debt represents the amount of debt issued on financial markets plus the net liability for the retirement plans and other future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

As at March 31, 2018, the gross debt will stand at \$204.5 billion. As a proportion of the economy, this is equivalent to 49.6% of GDP. The debt burden is expected to show a gradual and steady decline over the five-year forecast period. The ratio of gross debt to GDP will be 45.0% as at March 31, 2023.

TABLE G.5

### Gross debt as at March 31 (millions of dollars)

	2017	2018	2019	2020	2021	2022	2023
Consolidated direct debt	189 366	195 550	203 058	207 978	214 813	220 282	227 102
Plus: Retirement plans and other employee future benefits <sup>(1)</sup>	24 647	21 798	19 666	17 155	14 342	11 063	7 545
Less: Generations Fund	-10 523	-12 815	-13 306	-14 013	-15 004	-16 269	-17 771
<b>GROSS DEBT</b>	<b>203 490</b>	<b>204 533</b>	<b>209 418</b>	<b>211 120</b>	<b>214 151</b>	<b>215 076</b>	<b>216 876</b>
<b>% of GDP</b>	<b>51.5</b>	<b>49.6</b>	<b>49.1</b>	<b>47.9</b>	<b>47.1</b>	<b>45.9</b>	<b>45.0</b>

(1) The net liability for the retirement plans and other employee future benefits is expected to decline mainly because of the Retirement Plans Sinking Fund (RPSF), which is an asset that grows at a faster pace than the corresponding liability. For further details on the retirement plans and other employee future benefits, see section 3.

### 1.5.1 Capital investments: the main factor responsible for the change in the gross debt

The gross debt will rise in absolute terms over the coming years, mainly because of capital investments, but its weight in the economy will continue to decline.

Over the next five years, from 2018-2019 to 2022-2023, the gross debt will rise overall by \$12.3 billion, primarily because of capital investments.<sup>2</sup> This factor will increase the gross debt by \$14.0 billion.

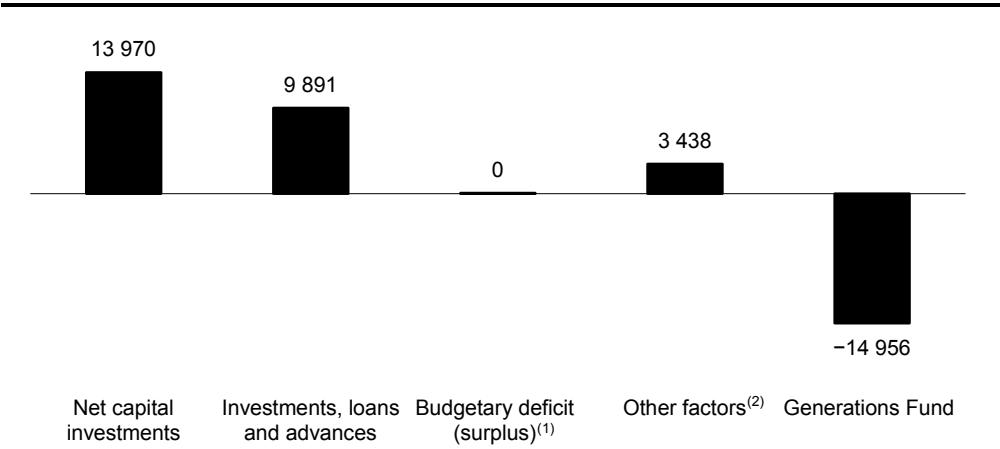
Investments, loans and advances<sup>3</sup> will increase the gross debt by \$9.9 billion over five years.

Deposits in the Generations Fund will lead to a \$15.0-billion reduction in the gross debt over five years.

CHART G.7

#### Factors responsible for the change in the gross debt over five years – 2018-2019 to 2022-2023

(millions of dollars)



(1) The budgetary balance presented is the budgetary balance after use of the stabilization reserve.

(2) Other factors include, in particular, the change in other accounts, such as accounts receivable and accounts payable.

<sup>2</sup> These are net capital investments, which consist of gross investments minus depreciation expenses. Even though gross investments have an impact on the gross debt, net capital investments are presented in the factors responsible for the change in the gross debt due to the fact that depreciation expenses are presented in the budgetary balance.

<sup>3</sup> For example, Hydro-Québec pays the government every year a dividend corresponding to 75% of its net earnings. Hydro-Québec uses the portion of net earnings (25%) not paid to the government to fund its own investments, particularly hydroelectric dams. For the government, this constitutes an investment in Hydro-Québec that creates a financial requirement and thus leads to an increase in the gross debt.

TABLE G.6

# Factors responsible for the change in the Québec government's gross debt (millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus) <sup>(1)</sup>	Investments, loans and advances	Net investment in the networks	Net capital investments <sup>(2)</sup>	Other factors <sup>(3)</sup>	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2000-2001	116 761	-427	1 701	841	578	1 108		3 801	120 562	52.4
2001-2002	120 562	-22	1 248	934	1 199	-9		3 350	123 912	51.9
2002-2003	123 912	728	1 921	631	1 706	237		5 223	129 135	51.7
2003-2004	129 135	358	1 367	560	1 186	625		4 096	133 231	51.4
2004-2005	133 231	664	1 303	1 486	1 006	-796		3 663	136 894	50.4
2005-2006	136 894	-37	1 488	1 013	1 179	-809		2 834	139 728	49.9
2006-2007	139 728	-109	2 213	1 002	1 177	1 078	-584	4 777	144 505	49.7
2007-2008	144 505	—	2 658	487	1 457	767	-649	4 720	149 225	48.8
2008-2009	149 225	—	966	622	2 448	-28	-719	3 289	152 514	48.5
<b>With networks consolidated line by line<sup>(4)</sup></b>										
2009-2010	157 630	3 174	1 746		4 226	-2 733	-725	5 688	163 318	51.9
2010-2011	163 318	3 150	2 507		4 923	298	-760	10 118	173 436	52.9
2011-2012	173 436	2 628	1 861		5 071	1 228	-840	9 948	183 384	53.2
2012-2013	183 384	3 476 <sup>(5)</sup>	659		4 863	445	-961	8 482	191 866	54.2
2013-2014	191 866	2 824	1 349		3 977	-788	-1 421	5 941	197 807	54.3
2014-2015	197 807	1 143 <sup>(6)</sup>	2 146		2 980	1 160	-1 279	6 150	203 957	54.3
2015-2016	203 957	-2 191	808		2 695	-338	-1 584	-610	203 347	52.9
2016-2017	203 347	-2 361	2 527		1 784	194	-2 001	143	203 490	51.5
2017-2018	203 490	-850	2 036		2 528	-379	-2 292	1 043	204 533	49.6
2018-2019	204 533	—	2 294		3 196	1 886	-2 491	4 885	209 418	49.1
2019-2020	209 418	—	2 099		2 980	-670	-2 707	1 702	211 120	47.9
2020-2021	211 120	—	2 088		3 116	818	-2 991	3 031	214 151	47.1
2021-2022	214 151	—	1 640		2 422	128	-3 265	925	215 076	45.9
2022-2023	215 076	—	1 770		2 256	1 276	-3 502	1 800	216 876	45.0

(1) The budgetary balance presented is the budgetary balance after use of the stabilization reserve.

(2) Investments made under public-private partnership agreements are included in net capital investments.

(3) Other factors include, in particular, the change in other accounts, such as accounts receivable and accounts payable.

(4) The line-by-line consolidation of the health and social services and education networks raised the gross debt by \$5 116 million as at March 31, 2009.

(5) This amount includes the loss of \$1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plant.

(6) The budgetary balance presented excludes the impact of accounting adjustments. The budgetary balance including accounting adjustments of \$418 million is a deficit of \$725 million.

## 1.6 Debt representing accumulated deficits

The debt representing accumulated deficits corresponds to the difference between the Québec government's liabilities and its financial and non-financial assets as a whole. According to the *Act to reduce the debt and establish the Generations Fund*, this debt is the accumulated deficits figuring in the government's financial statements plus the balance of the stabilization reserve.

As at March 31, 2018, the debt representing accumulated deficits will stand at \$115.1 billion, or 27.9% of GDP. As a proportion of GDP, the debt representing accumulated deficits began to decrease in 2013-2014 and will continue to fall over the coming years, reaching 20.8% as at March 31, 2023.

TABLE G.7

### Factors responsible for the change in the debt representing accumulated deficits

(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus) <sup>(1)</sup>	Allocation to the stabilization reserve	Accounting adjustments	Revenues dedicated to the Generations Fund	Total change	Debt, end of year	% of GDP
2012-2013	115 220	3 476 <sup>(2)</sup>	—	4 880	-961	7 395	122 615	34.6
2013-2014	122 615	2 824	—	-2 308	-1 121	-605	122 010	33.5
2014-2015	122 010	1 143 <sup>(3)</sup>	—	-606	-1 279	-742	121 268	32.3
2015-2016	121 268	-2 191	2 191	306	-1 453	-1 147	120 121	31.2
2016-2017	120 121	-2 361	2 361	-719	-2 001	-2 720	117 401	29.7
2017-2018	117 401	-850	850	—	-2 292	-2 292	115 109	27.9
2018-2019	115 109	—	—	—	-2 491	-2 491	112 618	26.4
2019-2020	112 618	—	—	—	-2 707	-2 707	109 911	24.9
2020-2021	109 911	—	—	—	-2 991	-2 991	106 920	23.5
2021-2022	106 920	—	—	—	-3 265	-3 265	103 655	22.1
2022-2023	103 655	—	—	—	-3 502	-3 502	100 153	20.8

(1) The budgetary balance presented is the budgetary balance after use of the stabilization reserve.

(2) This amount includes the loss of \$1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plant.

(3) The budgetary balance presented excludes the impact of accounting adjustments. The budgetary balance including accounting adjustments of \$418 million is a deficit of \$725 million.



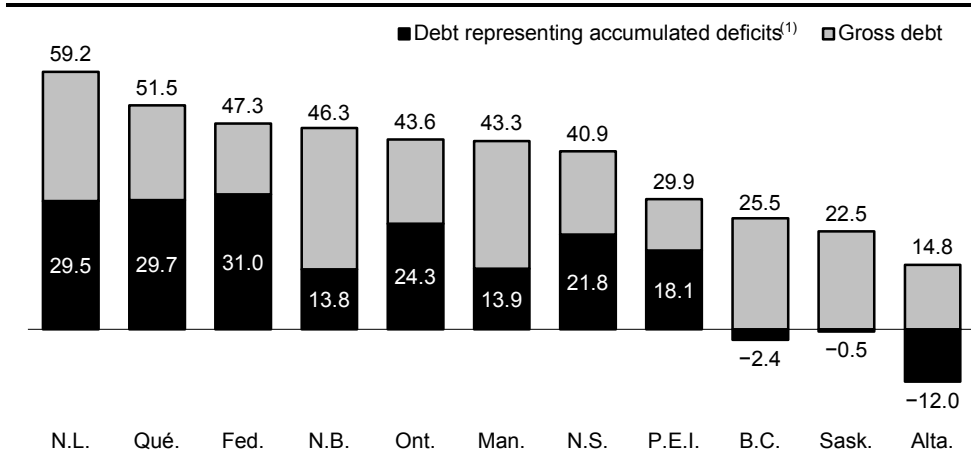
## 1.7 Comparison of the debt of governments in Canada

On the basis of gross debt and percentage of GDP, Québec is the second most indebted province after Newfoundland and Labrador.

As at March 31, 2017, the federal government's ratio of debt representing accumulated deficits to GDP was higher than that of each of the provinces.

CHART G.8

### Gross debt and debt representing accumulated deficits as at March 31, 2017 (percentage of GDP)



(1) A negative entry indicates that the government has an accumulated surplus.

Sources: Public accounts and Statistics Canada.

## Québec is gradually approaching the average of the Canadian provinces

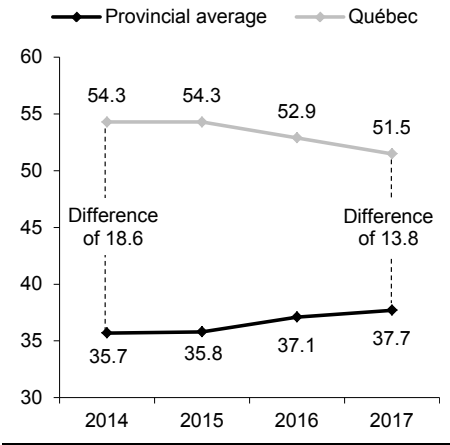
Québec's debt load is higher than the Canadian provincial average, but the gap is gradually getting narrower.

From March 31, 2014 to March 31, 2017, the gross-debt-to-GDP ratio fell from 54.3% to 51.5% in Québec, while it rose from 35.7% to 37.7% on average in the Canadian provinces.<sup>1</sup> The gap with the average of the ten provinces has thus decreased from 18.6 to 13.8 percentage points in three years.

This is also the case of the debt representing accumulated deficits. The gap decreased from 19.5 to 14.9 percentage points between 2014 and 2017.

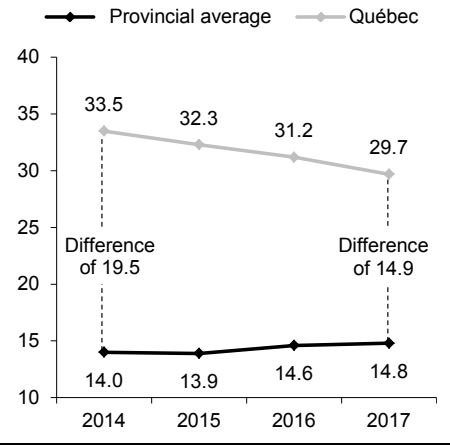
### Comparison of Québec's gross debt with the provincial average as at March 31

(percentage of GDP and percentage points)



### Comparison of Québec's debt representing accumulated deficits with the provincial average as at March 31

(percentage of GDP and percentage points)



<sup>1</sup> Weighted averages have been used.

TABLE G.8

**Debt of governments in Canada as at March 31, 2017 according to various concepts<sup>(1)</sup>**  
(millions of dollars)

	N.L.	Qué.	Fed.	N.B.	Ont.	Man.	N.S.	P.E.I.	B.C.	Sask.	Alta.
<b>Consolidated direct debt</b>	<b>10 643</b>	<b>189 366</b>	<b>719 322</b>	<b>14 647</b>	<b>346 799</b>	<b>26 306</b>	<b>14 261</b>	<b>2 129</b>	<b>65 048</b>	<b>9 166</b>	<b>36 545</b>
Retirement plans and other employee future benefits	7 762	24 647	243 474	1 186	-555	3 095	2 791	-240	2 259	7 786	10 023
Generations Fund	—	-10 523	—	—	—	—	—	—	—	—	—
<b>Gross debt</b>	<b>18 405</b>	<b>203 490</b>	<b>962 796</b>	<b>15 833</b>	<b>346 244</b>	<b>29 401</b>	<b>17 052</b>	<b>1 889</b>	<b>67 307</b>	<b>16 952</b>	<b>46 568</b>
% of GDP	59.2	51.5	47.3	46.3	43.6	43.3	40.9	29.9	25.5	22.5	14.8
Less: Financial assets, net of other liabilities	-4 807	-21 735	-248 339	-2 006	-44 596	-6 708	-2 097	283	-29 512	-6 760	-34 881
<b>Net debt</b>	<b>13 598</b>	<b>181 755</b>	<b>714 457</b>	<b>13 827</b>	<b>301 648</b>	<b>22 693</b>	<b>14 955</b>	<b>2 172</b>	<b>37 795</b>	<b>10 192</b>	<b>11 687</b>
% of GDP	43.7	46.0	35.1	40.4	38.0	33.4	35.8	34.4	14.3	13.5	3.7
Less: Non-financial assets	-4 406	-68 906	-82 558	-9 098	-108 138	-13 293	-5 842	-1 027	-44 185	-10 564	-49 408
Plus: Stabilization reserve	—	4 552	—	—	—	—	—	—	—	—	—
<b>Debt representing accumulated deficits<sup>(2)</sup></b>	<b>9 192</b>	<b>117 401</b>	<b>631 899</b>	<b>4 729</b>	<b>193 510</b>	<b>9 400</b>	<b>9 113</b>	<b>1 145</b>	<b>-6 390</b>	<b>-372</b>	<b>-37 721</b>
% of GDP	29.5	29.7	31.0	13.8	24.3	13.9	21.8	18.1	-2.4	-0.5	-12.0

(1) For more details on the different debt concepts, see the appendix in this section.

(2) A negative entry indicates that the government has an accumulated surplus.

Sources: Public accounts and Statistics Canada.

Note: Contrary to the net debt and the debt representing accumulated deficits, the gross debt cannot be observed directly in the public accounts of the other provinces. However, the public accounts show the components of gross debt, that is, the consolidated direct debt and the net liability for the retirement plans and other employee future benefits. Therefore, it is possible to calculate the level of the gross debt according to the same concept used by Québec.

## 1.8 Debt projection up to 2035

Once the debt reduction objectives have been achieved, the debt burden should continue to decrease, thanks to continued fiscal balance and deposits in the Generations Fund.

- The debt burden projection up to 2035 includes, as in the case of the projection up to 2023, the use of a sum of \$2 billion per year from the Generations Fund to repay maturing borrowings.

As at March 31, 2035, the gross debt burden should reach 34.6% of GDP, a level lower than the current average of the Canadian provinces (37.7% of GDP as at March 31, 2017).<sup>4</sup>

- Gradual reduction of the debt burden through deposits in the Generations Fund will help to maintain a high level of public infrastructure investment without exerting additional pressure on the level of the debt.

The debt representing accumulated deficits should reach 5.1% of GDP as at March 31, 2035.

- Over that period, Québec could get closer to eliminating the debt representing accumulated deficits, that is, the debt that does not correspond to any assets, commonly called the “grocery debt”.
- Three Canadian provinces are already in this situation: British Columbia, Alberta and Saskatchewan.

Gradual elimination of the debt representing accumulated deficits is precisely part of a broader search for greater intergenerational equity. Once this objective has been achieved, the gross debt will correspond solely to assets, in particular investments in public infrastructure, that benefit the taxpayers who shoulder this debt.

The Generations Fund will continue to grow over the years. It should amount to \$59.7 billion as at March 31, 2035.

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<sup>4</sup> For more information on the projections up to 2034-2035, see the budget paper *The Generations Fund: Québec is Repaying Its Debt*.

TABLE G.9

**Projections of the debt burden and the balance of the Generations Fund as at March 31**

(millions of dollars and percentage of GDP)

	Ratio of gross debt to GDP	Ratio of debt representing accumulated deficits to GDP	Balance of the Generations Fund
2019	49.1%	26.4%	13 306
2020	47.9%	24.9%	14 013
2021	47.1%	23.5%	15 004
2022	45.9%	22.1%	16 269
2023	45.0%	20.8%	17 771
2024	44.3%	19.4%	19 525
2025	43.5%	18.1%	21 549
2026	42.6%	16.8%	23 855
2027	41.7%	15.4%	26 433
2028	40.7%	14.1%	29 308
2029	39.8%	12.8%	32 498
2030	39.0%	11.5%	36 030
2031	38.2%	10.2%	39 926
2032	37.3%	8.9%	44 214
2033	36.4%	7.6%	48 912
2034	35.5%	6.4%	54 059
2035	34.6%	5.1%	59 678

Note: These are forecasts up to 2023 and projections thereafter.



## 2. FINANCING STRATEGY AND DEBT MANAGEMENT

### 2.1 Financing program

The government's financing program for 2017-2018 amounts to \$17.9 billion, which is \$6.6 billion more than forecast in the March 2017 budget.

This upward revision can be attributed mainly to pre-financing for the following year.

TABLE G.10

#### The government's financing program in 2017-2018 (millions of dollars)

	March 2017	Revisions	March 2018
<b>GENERAL FUND</b>			
Net financial requirements <sup>(1)</sup>	3 013	-3 002	11
Repayments of borrowings	5 484	298	5 782
Change in cash position <sup>(2)</sup>	-5 433	-2 499	-7 932
Deposits in the Retirement Plans Sinking Fund (RPSF) <sup>(3)</sup>	—	1 500	1 500
Transactions under the credit policy <sup>(4)</sup>	—	-577	-577
Contributions to the Sinking Fund for borrowings	—	1 684	1 684
Pre-financing	—	9 342	9 342
<b>GENERAL FUND</b>	<b>3 064</b>	<b>6 746</b>	<b>9 810</b>
<b>FINANCING FUND</b>	<b>7 000</b>	<b>200</b>	<b>7 200</b>
<b>FINANCEMENT-QUÉBEC</b>	<b>1 200</b>	<b>-300</b>	<b>900</b>
<b>TOTAL</b>	<b>11 264</b>	<b>6 646</b>	<b>17 910<sup>(5)</sup></b>
Including: repayments of borrowings	10 992	308	11 300

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

(1) These amounts exclude the net financial requirements of consolidated entities funded through the Financing Fund. They are adjusted to take into account, in particular, the non-receipt of revenues of the RPSF and of funds dedicated to other employee future benefits.

(2) The change in cash position corresponds to pre-financing carried out the previous year.

(3) Deposits in the RPSF are optional. They are recorded in the financing program only once they are made.

(4) Under the credit policy, which is designed to limit financial risk with respect to counterparties, the government disburses or receives amounts following, in particular, movements in exchange rates. These amounts have no effect on the debt.

(5) This data is based on borrowings contracted as at March 14, 2018.

The financing program will amount to \$13.4 billion in 2018-2019.

For the following four years, from 2019-2020 to 2022-2023, it will average \$18.7 billion a year.

Using the Generations Fund to repay maturing borrowings (\$2 billion a year as of 2018-2019) will help to reduce the government's borrowing requirements.

TABLE G.11

**The government's financing program, 2018-2019 to 2022-2023**  
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
<b>GENERAL FUND</b>					
Net financial requirements <sup>(1)</sup>	5 012	2 556	3 628	2 764	4 953
Repayments of borrowings	8 252	8 215	7 674	11 969	9 467
Use of the Generations Fund to repay maturing borrowings	-2 000	-2 000	-2 000	-2 000	-2 000
Change in cash position <sup>(2)</sup>	-9 342	—	—	—	—
<b>GENERAL FUND</b>	<b>1 922</b>	<b>8 771</b>	<b>9 302</b>	<b>12 733</b>	<b>12 420</b>
<b>FINANCING FUND</b>	<b>10 100</b>	<b>7 500</b>	<b>7 400</b>	<b>6 300</b>	<b>5 700</b>
<b>FINANCEMENT-QUÉBEC</b>	<b>1 400</b>	<b>2 300</b>	<b>1 400</b>	<b>700</b>	<b>300</b>
<b>TOTAL</b>	<b>13 422</b>	<b>18 571</b>	<b>18 102</b>	<b>19 733</b>	<b>18 420</b>
Including: repayments of borrowings	16 559	14 079	11 580	15 335	12 628

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

(1) These amounts exclude the net financial requirements of consolidated entities funded through the Financing Fund. They are adjusted to take into account, in particular, the non-receipt of revenues of the RPSF and of funds dedicated to other employee future benefits.

(2) The change in cash position corresponds to pre-financing carried out the previous year.



## 2.2 Financing strategy

The government aims to borrow at the lowest possible cost. To that end, it applies a strategy for diversifying sources of funding by market, financial instrument and maturity.

### 2.2.1 Diversification by market

Financing transactions are carried out regularly on most markets, namely, in Canada, the United States, Europe, Australia and Asia.

From 2008-2009 to 2017-2018, an average of 20% of borrowings were contracted in foreign currency. Nonetheless, the government keeps no exposure of its debt to those currencies (see section 2.5).

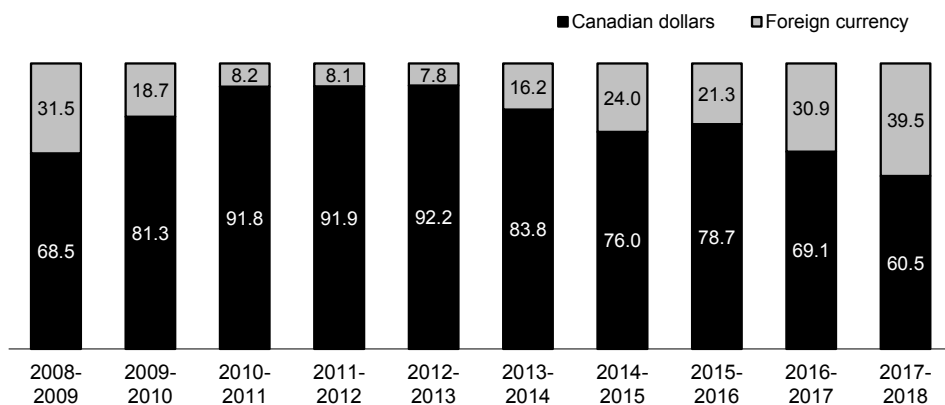
In 2017-2018, the government has carried out 39.5% of its borrowings on foreign markets:

- 2.25 billion euros (CAN\$3.4 billion);
- US\$2.5 billion (CAN\$3.2 billion);
- 300 million pounds sterling (CAN\$521 million).

CHART G.9

#### Long-term borrowings by currency

(per cent)



Note: For 2017-2018, the data are based on borrowings contracted as at March 14, 2018.

After 2016-2017, this was another exceptional year with regard to financing on foreign markets. Excellent opportunities arose, particularly on the European market, where Québec completed the largest euro issue in its history (2.25 billion euros). The equivalent of this borrowing in Canadian dollars makes it the largest in Québec's history. Québec also contracted its first borrowing in pounds sterling since 1996.

The government continues to market its bonds by meeting with current and potential buyers on a regular basis. This year, in addition to his annual visit to New York and Europe, the Minister of Finance added a visit to Asia. Asian investors purchase Québec bonds denominated in various currencies, including the Canadian dollar, the U.S. dollar, the Australian dollar, the yen and the euro.

In addition, given that the Chinese capital market is growing significantly and has a promising future, the government is exploring the possibility of issuing bonds in renminbis at some point.

However, it is important to mention that Canada is still the main market on which Québec contracts borrowings. In fact, the proportion of Québec's gross debt in Canadian dollars is expected to be 81.5%<sup>5</sup> as at March 31, 2018.

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<sup>5</sup> This is the proportion before taking into account interest rate and currency swap agreements. The proportion of Québec's gross debt in Canadian dollars will be 100% after taking these agreements into account.

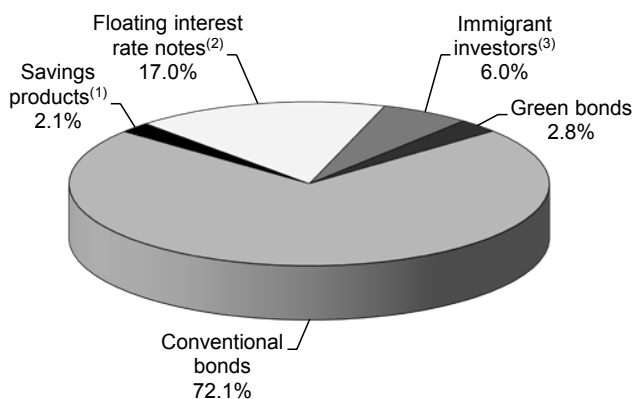
## 2.2.2 Diversification by instrument

To satisfy investors' needs, an extensive array of financial products is used in the course of financing transactions.

Long-term instruments consist primarily of bonds (conventional and green) and floating interest rate notes.

CHART G.10

### Long-term borrowings contracted in 2017-2018 by instrument (per cent)



Note: The data are based on borrowings contracted as at March 14, 2018.

(1) Savings products issued by Épargne Placements Québec.

(2) The government uses interest rate and currency swap agreements to neutralize interest rate risk. After these agreements are taken into account, the proportion of the gross debt at floating interest rates is expected to stand at 5.0% as at March 31, 2018.

(3) These borrowings are from immigrant investors. The sums advanced by immigrant investors are lent to the government through Investissement Québec. With the income generated by the investments, Investissement Québec funds two assistance programs for Québec businesses: the Business Assistance – Immigrant Investor Program and the Employment Integration Program for Immigrants and Visible Minorities.

## Green Bond program

In 2017, the government engaged in green finance with the launching of a Green Bond program that funds projects providing tangible benefits with regard to protecting the environment, reducing greenhouse gas (GHG) emissions or adapting to climate change.

In this way, the government is contributing to the development of a socially responsible investment market and facilitating the shift to a low-carbon intensity economy.

The inaugural \$500-million issue of green bonds on February 24, 2017 was a huge success on financial markets. Building on this success, the Québec government launched a second issue of green bonds, also for \$500 million, on February 22, 2018.

Given the demand for Québec's green bonds and the government's commitment to the environment, Québec will be a regular issuer of green bonds. Through these two issues, the government is funding public transit projects such as the replacement of Société de transport de Montréal métro cars (with AZUR trains).

Besides seeking to diversify its sources of funding, the Ministère des Finances du Québec is aligning itself with new infrastructure financing trends. By putting this program in place, Québec is demonstrating not only its commitment to developing the green bond market, but also its commitment to protecting the environment.

### Highlights

- Québec's green bonds, which are part of the government's annual borrowing program, have the same characteristics as conventional bonds as far as price, yield, maturity and credit ratings are concerned.
- The Green Bond program draws on the Green Bond Principles, a set of core guidelines introduced in 2014 by a group of financial institutions seeking to improve transparency in this rapidly growing market.
- The framework of Québec's Green Bond program has received the highest rating possible from CICERO (Center for International Climate Research).
- Québec and Ontario are the only two provinces that issue green bonds on the Canadian market.

For further details, please visit:

[www.finances.gouv.qc.ca/en/RI\\_GB\\_Green\\_Bonds.asp](http://www.finances.gouv.qc.ca/en/RI_GB_Green_Bonds.asp).

### 2.2.3 Diversification by maturity

Maturities of new borrowings are distributed over time to obtain a stable refinancing profile and ensure the government's regular presence on capital markets.

In 2017-2018, 30.8% of the borrowings contracted had a maturity of less than 10 years, 53.4% had a maturity of 10 years and 15.8% had a maturity of 30 years or more.

TABLE G.12

**Long-term borrowings<sup>(1)</sup> contracted in 2017-2018 by maturity**  
(per cent)

<b>Maturity</b>	<b>%</b>
Less than 10 years	30.8
10 years	53.4
30 years or more	15.8
<b>TOTAL</b>	<b>100.0</b>

Note: The data are based on borrowings contracted as at March 14, 2018.

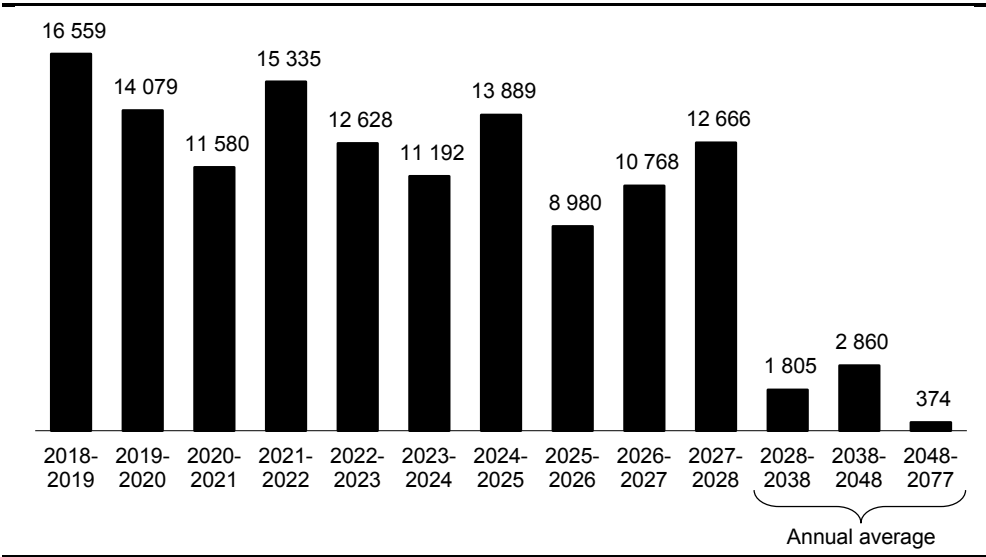
(1) Long-term borrowings correspond to borrowings with a maturity of more than one year.

This diversification by maturity is reflected on the maturity of the debt. As at March 31, 2018, the average maturity of the debt, that is, of all borrowings contracted, is expected to be 11 years.

The following chart shows, for each year, the maturity of the long-term debt as at March 31, 2018. For example, repayments of borrowings will amount to \$16 559 million in 2018-2019 and \$14 079 million in 2019-2020. The maturity of the debt extends to 2076-2077, with one borrowing maturing on December 1, 2076.

CHART G.11

**Maturity of the long-term debt as at March 31, 2018**  
(millions of dollars)



Note: Long-term debt of the general fund, the Financing Fund and Financement-Québec.

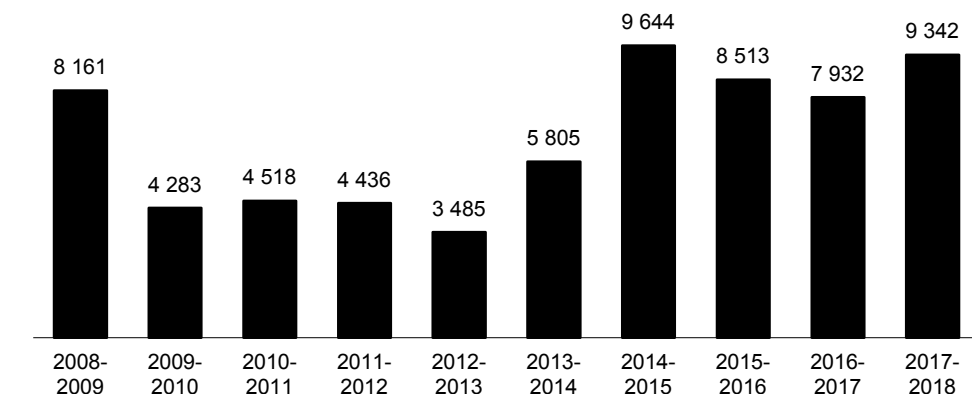
## 2.3 Pre-financing

The government carries out pre-financing to take advantage of favourable market conditions. These are borrowings that would normally be contracted during the following fiscal year.

In 2017-2018, the government carried out pre-financing totalling \$9.3 billion. The average for the past ten years is \$6.6 billion per year.

CHART G.12

### **Pre-financing** (millions of dollars)



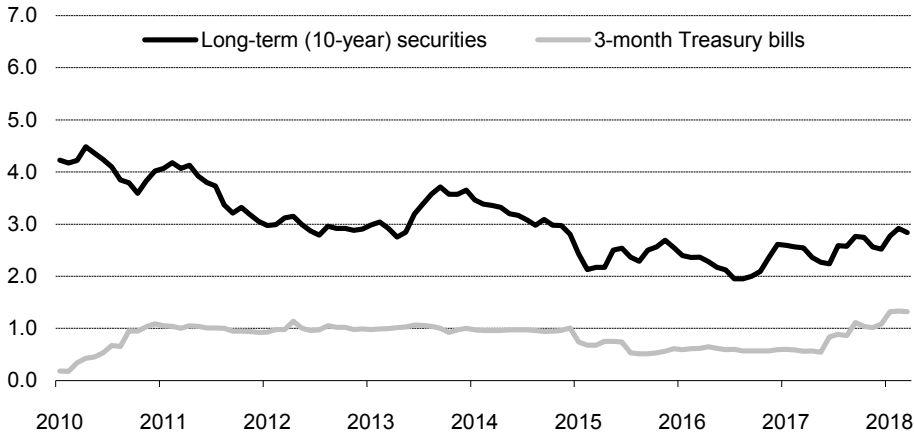
## 2.4 Yield on Québec's debt securities

The yield on the Québec government's 10-year securities is currently about 2.8%, while that on short-term securities is roughly 1.3%. Since the beginning of year 2010, the yield has averaged 3.0% for long-term securities and 0.8% for short-term securities.

The increase in yield observed since early summer 2017 reflects, among other things, the decision by the Bank of Canada to raise its key interest rate.

CHART G.13

### Yield on the Québec government's securities (per cent)



Sources: PC-Bond and Ministère des Finances du Québec.



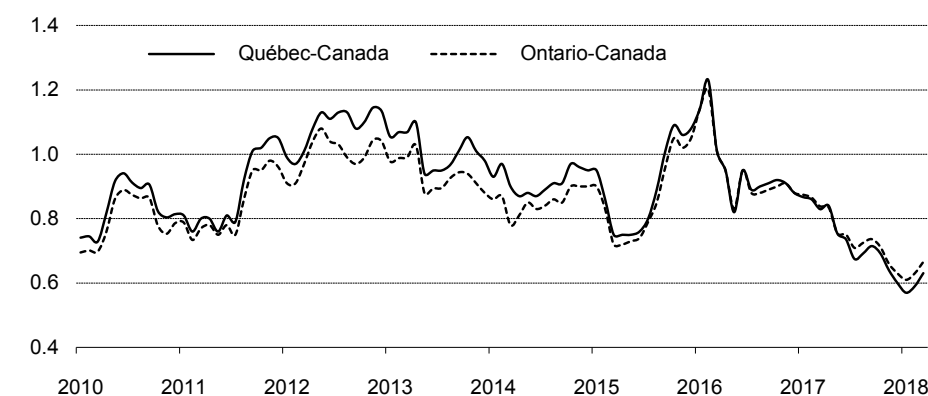
Since January 1, 2010, the spread between the yield on 10-year securities of the Québec government and those of the federal government has varied between 0.6 and 1.2 percentage points. The spread is currently about 0.6 percentage point. The same trend has been observed with regard to the spread between the yield on the long-term securities of Ontario and the federal government.

In June 2017, Standard & Poor's raised Québec's credit rating.

Since that announcement, a spread in favour of Québec has been observed between the yield on 10-year securities of Québec and those of Ontario.

CHART G.14

**Yield spread on long-term (10-year) securities**  
(percentage points)



Source: PC-Bond.

## 2.5 Debt management strategy

The government's debt management strategy aims to minimize the cost of debt while limiting the risks related to fluctuations in foreign exchange and interest rates.

The government uses a range of financial instruments, particularly interest rate and currency swap agreements (swaps), to achieve desired debt proportions by currency and interest rate.

### ❑ Structure of the gross debt by currency

As at March 31, 2018, before taking swaps into account, 81.5% of the gross debt is expected to be in Canadian dollars, 9.8% in U.S. dollars, 6.7% in euros, 0.8% in Australian dollars, 0.8% in Swiss francs and 0.4% in other foreign currencies (in yens, in Hong Kong dollars and in pounds sterling).

However, after taking swaps into account, the gross debt in its entirety will be denominated in Canadian dollars.

Since 2012-2013, the government has maintained no exposure of its debt to foreign currencies.

Swaps help to neutralize the variations of foreign exchange rates on debt service.

TABLE G.13

### Structure of the gross debt by currency (per cent)

	Before swaps	After swaps
Canadian dollar	81.5	100.0
U.S. dollar	9.8	0.0
Euro	6.7	0.0
Australian dollar	0.8	0.0
Swiss franc	0.8	0.0
Other (yen, Hong Kong dollar, pound sterling)	0.4	0.0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

Note: Gross debt including pre-financing.

## ❑ Structure of the gross debt by interest rate

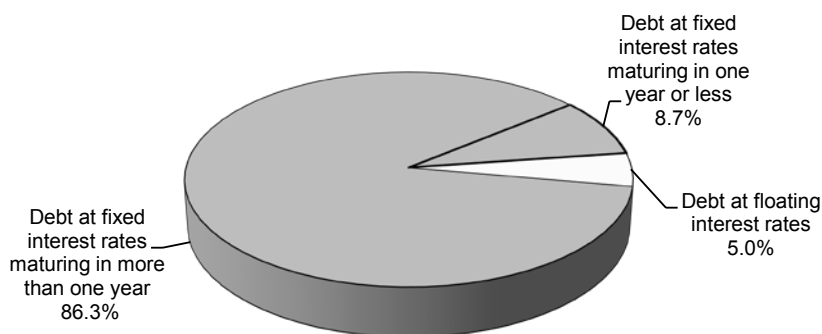
The government keeps part of its debt at fixed interest rates and part at floating interest rates.

As at March 31, 2018, after taking swaps into account, the proportion of the gross debt at fixed interest rates is expected to be 95.0%, while the proportion at floating interest rates is expected to be of 5.0%.

In addition, as at March 31, 2018, the proportion of the gross debt repayable or subject to an interest rate change in 2018-2019 is expected to be 13.7%. This proportion includes the debt at floating interest rates (5.0%) as well as the debt at fixed rates, which will have to be repaid<sup>6</sup> or refinanced in 2018-2019 (8.7%).

CHART G.15

### Structure of the gross debt by interest rate (per cent)



Note: Gross debt including pre-financing.

<sup>6</sup> Includes, in particular, long-term borrowings that will be repaid from the \$2 billion taken from the Generations Fund in 2018-2019.

## Borrowings in 2017-2018

### Summary of long-term borrowings in 2017-2018

Currency	\$ million	%
<b>CANADIAN DOLLAR</b>		
Conventional bonds	7 385	41.2
Floating interest rate notes	1 501	8.4
Immigrant investors	1 080	6.0
Green bonds	499	2.8
Savings products issued by Épargne Placements Québec	376	2.1
<b>Subtotal</b>	<b>10 841</b>	<b>60.5</b>
<b>OTHER CURRENCIES</b>		
Euro	3 360	18.8
U.S. dollar	3 188	17.8
Pound sterling	521	2.9
<b>Subtotal</b>	<b>7 069</b>	<b>39.5</b>
<b>TOTAL</b>	<b>17 910</b>	<b>100.0</b>

Note: The data are based on borrowings contracted as at March 14, 2018.

### 3. INFORMATION ON THE RETIREMENT PLANS AND ON FUNDS DEPOSITED WITH THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

#### 3.1 Retirement plans liability

The Québec government covers its share of the funding of its employees' retirement plans, which are defined-benefit plans. In its financial statements, the government discloses the present value of the retirement benefits that it will pay to its employees, taking into account the conditions governing their plan as well as their years of service. This value is called the retirement plans liability. It does not take into account the sums accumulated to pay retirement benefits, particularly the Retirement Plans Sinking Fund (RPSF).

The net liability for the retirement plans and other employee future benefits, which is included in the gross debt, is calculated by subtracting from the liability the balance of the sums accumulated to pay for these benefits. The balances concerned are those of the RPSF, the Accumulated Sick Leave Fund and the Survivor's Pension Plan Fund.

As at March 31, 2017, the net liability for the retirement plans and other employee future benefits stood at \$24.6 billion.

TABLE G.14

**Net liability for the retirement plans and other employee future benefits as at March 31, 2017**  
(millions of dollars)

<b>Retirement plans</b>	
Liability for the Government and Public Employees Retirement Plan (RREGOP)	57 634
Liability for the Pension Plan of Management Personnel (PPMP) and the Retirement Plan for Senior Officials (RPSO)	13 613
Liability for the other plans <sup>(1)</sup>	18 028
<b>Retirement plans liability</b>	<b>89 275</b>
Less: Retirement Plans Sinking Fund (RPSF)	-64 598
<b>Net retirement plans liability</b>	<b>24 677</b>
<b>Other employee future benefits</b>	
Other employee future benefits liability	1 479
Less: Funds dedicated to other employee future benefits	-1 509
<b>Net other employee future benefits liability</b>	<b>-30</b>
<b>NET LIABILITY FOR THE RETIREMENT PLANS AND OTHER EMPLOYEE FUTURE BENEFITS</b>	<b>24 647</b>

(1) The liability for the other plans takes into account the assets of the other plans, including those of the Pension Plan of the Université du Québec.

### **The actuarial obligation in regard to certain retirees under the Pension Plan of Management Personnel is assumed by the government**

In December 2016, an agreement was reached between the government and its management personnel on the working conditions of those staff members. Under the *Act to foster the financial health and sustainability of the Pension Plan of Management Personnel and to amend various legislative provisions* (S.Q. 2017, chapter 7), the government is assuming responsibility for paying the pensions of retirees under the Pension Plan for Management Personnel (PPMP) as at December 31, 2014 and of their surviving spouses. In exchange, the portion of the PPMP participants' fund attributable to those benefits was transferred to the Retirement Plans Sinking Fund (RPSF) on June 1, 2017. At that date, the amount of the obligations and of the transferred funds both totalled \$5 billion.

Since the amount of the additional obligations being charged to the government was equivalent to the amount of the assets received by the RPSF, no material impact on the net retirement plans liability was recognized at the time of this transfer.

## ❑ Annual retirement plans expenditure

Every year, the government records its expenditure as an employer with regard to the retirement plans. This expenditure comprises:

- the net cost of vested benefits, namely, the present value of retirement benefits that employees have accumulated for work performed during the year, net of contributions paid, that is, \$2 293 million in 2016-2017;
- the amortization of revisions to the government's actuarial obligations arising from previous updates of actuarial valuations, for a cost of \$633 million in 2016-2017.

In 2016-2017, government spending in respect of the retirement plans thus stood at \$2 926 million.

TABLE G.15

### Spending in respect of the retirement plans (millions of dollars)

	2016-2017
Net cost of vested benefits	2 293
Amortization of revisions stemming from actuarial valuations	633 <sup>(1)</sup>
<b>SPENDING IN RESPECT OF THE RETIREMENT PLANS</b>	<b>2 926</b>

(1) This amount includes the impact of the changes made to certain plans, mainly RREGOP (decrease of \$672 million).

## ❑ Interest on the retirement plans liability

The government records an interest charge on the retirement plans liability. This stems from the fact that, historically, it decided to manage its contributions to the retirement plans of its employees internally rather than have an external fund manage them.

This reduced borrowings on financial markets and growth in the direct debt. On the other hand, the commitments in respect of the retirement plans of government employees are shown as a liability and the government must record an interest charge calculated on the value of the actuarial obligations in respect of these plans.

However, the investment income of the RPSF must be subtracted from this amount. The interest charge on the retirement plans liability is included in the government's debt service.

TABLE G.16

### Interest on the retirement plans liability (millions of dollars)

	2016-2017
Interest on the actuarial obligations relating to the retirement plans <sup>(1)</sup>	5 683
Less: Investment income of the RPSF	-3 360
<b>INTEREST ON THE RETIREMENT PLANS LIABILITY</b>	<b>2 323</b>

(1) This interest is net of the income of specific funds of the plans.



## ❑ Retirement Plans Sinking Fund

The Retirement Plans Sinking Fund (RPSF) is an asset that was created in 1993 for the purpose of paying the retirement benefits of public and parapublic sector employees. As at March 31, 2018, the RPSF's book value will be \$75 416 million.

TABLE G.17

### Change in the RPSF

(millions of dollars)

	Book value, beginning of year	Deposits	Imputed investment income	Book value, end of year
1993-1994	—	850	4	854
1994-1995	854	—	-5	849
1995-1996	849	—	74	923
1996-1997	923	—	91	1 014
1997-1998	1 095 <sup>(1)</sup>	—	84	1 179
1998-1999	1 179	944	86	2 209
1999-2000	2 209	2 612	219	5 040
2000-2001	5 040	1 607	412	7 059
2001-2002	7 059	2 535	605	10 199
2002-2003	10 199	900	741	11 840
2003-2004	11 840	1 502	862	14 204
2004-2005	14 204	3 202	927	18 333
2005-2006	18 333	3 000	1 230	22 563
2006-2007	22 437 <sup>(1)</sup>	3 000	1 440	26 877
2007-2008	26 877	3 000	1 887	31 764
2008-2009	31 749 <sup>(2)</sup>	2 100	2 176	36 025
2009-2010	36 025	—	2 175	38 200
2010-2011	38 200	2 000	2 065	42 265
2011-2012	42 265	1 000	2 087	45 352
2012-2013	45 352	1 000	1 992	48 344
2013-2014	48 344	1 000	1 989	51 333
2014-2015	51 333	1 500	2 430	55 263
2015-2016	55 263	1 500	2 975	59 738
2016-2017	59 738	1 500	3 360	64 598
2017-2018	64 598	6 571 <sup>(3)</sup>	4 247	75 416

(1) These amounts take into account restatements arising from the government accounting reforms of 1997-1998 and 2006-2007.

(2) This amount takes into account an adjustment arising from consideration of the expected average remaining service life (EARSLS) of participants in the PPMP.

(3) This amount includes deposits totalling \$1.5 billion and the transfer of approximately \$5 billion from the participants' fund of the PPMP under the *Act to foster the financial health and sustainability of the Pension Plan of Management Personnel and to amend various legislative provisions* (S.Q. 2017, chapter 7).

**❑ A flexible deposit policy**

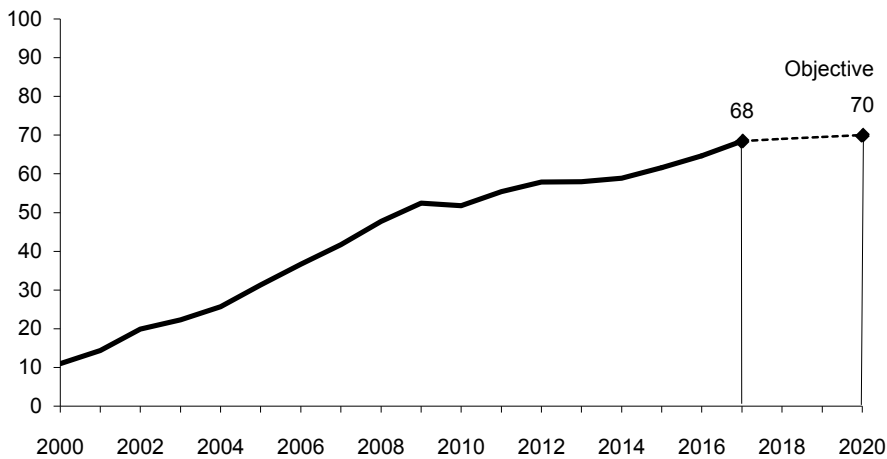
In December 1999, as part of the agreement concluded for the renewal of its employees' collective agreements, the government set the objective that the book value of the sums accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in regard to the retirement plans of public and parapublic sector employees.

However, the government has all the necessary flexibility in applying this policy. Deposits in the RPSF are made only when market conditions are favourable, particularly with respect to interest rates and market receptiveness to bond issues.

As at March 31, 2017, the RPSF's book value represented 68% of the government's actuarial obligations in regard to the retirement plans of public and parapublic sector employees.

CHART G.16

**Book value of the RPSF in proportion to the government's actuarial obligations regarding the retirement plans of public and parapublic sector employees as at March 31**  
(per cent)



## ❑ A decline in debt service

Deposits in the RPSF entail a reduction in the government's debt service. Indeed, the rates of return on funds managed by the Caisse de dépôt et placement du Québec are generally higher than interest rates on Québec government bonds issued to finance deposits in the RPSF.

Therefore, the income of the RPSF, which is applied against the government's debt service, is usually higher than the additional interest charge that arises from new borrowings. This leads to a net decrease in the government's debt service.

Since the RPSF was created, the return obtained by the Caisse has been higher than the cost of new borrowings by the government 19 years out of 24.

- From 1994 to 2017, the average return was 7.2%, while the average cost of new borrowings was 5.0%, which represents a difference of 2.2 percentage points.
- Over the past nine years, from 2009 to 2017, so as to exclude the global financial crisis of 2008, the average return was 9.6%, while the average cost of new borrowings was 3.2% for this period, which represents a difference of 6.4 percentage points.

TABLE G.18

**Comparison of the RPSF's annual return and the Québec government's borrowing costs**

(per cent, on a calendar year basis)

	Return of the RPSF	Cost of new borrowings <sup>(1)</sup>	Difference (percentage points)
1994	-3.3	9.2	-12.5
1995	17.0	8.9	8.1
1996	16.1	7.7	8.4
1997	13.4	6.5	6.9
1998	10.4	5.8	4.6
1999	15.3	6.0	9.3
2000	7.2	6.5	0.7
2001	-4.7	6.1	-10.8
2002	-8.5	5.8	-14.3
2003	14.9	5.2	9.7
2004	11.4	5.0	6.4
2005	13.5	4.5	9.0
2006	13.5	4.6	8.9
2007	5.2	4.7	0.5
2008	-25.6	4.5	-30.1
2009	10.7	4.4	6.3
2010	13.4	4.1	9.3
2011	3.5	3.7	-0.2
2012	9.4	3.0	6.4
2013	12.6	3.3	9.3
2014	11.9	3.2	8.7
2015	8.3	2.4	5.9
2016	7.8	2.2	5.6
2017	9.0	2.5	6.5

(1) The government's borrowing costs correspond to the yield on 10-year maturity Québec bonds.

Source: PC-Bond for the yield on 10-year maturity Québec bonds.

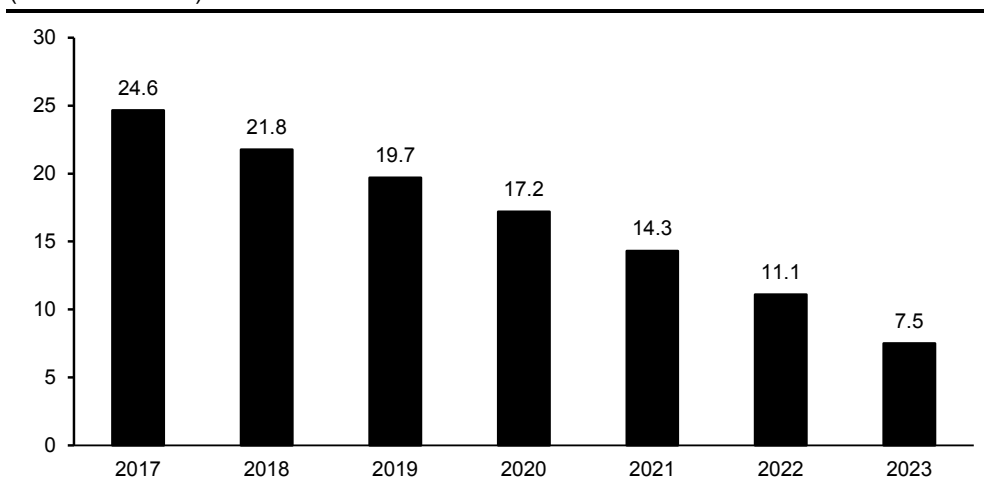
## ❑ Anticipated decrease in the net retirement plans liability

The net liability for the retirement plans and other employee future benefits will decrease rapidly in the coming years, reaching \$7.5 billion as at March 31, 2023. The pace of the decrease is such that the net liability for the retirement plans and other employee future benefits could be eliminated in the medium term.

The net liability for the retirement plans and other employee future benefits is calculated by subtracting, in particular, the value of the RPSF from the liability. Since the RPSF's value is expected to grow more quickly than the liability, the net liability is expected to decline. Indeed, the accumulation phase of the RPSF is ongoing. This fund shows continued growth driven by returns and by the absence of withdrawals. The corresponding liability is growing less rapidly because it takes benefit payments into account.

CHART G.17

### Forecast change in the net liability for the retirement plans and other employee future benefits as at March 31 (billions of dollars)



Note: The decrease observed as at March 31, 2018 in the net liability for the retirement plans and other employee future benefits can be explained, in particular, by deposits totalling \$1.5 billion in the RPSF in 2017-2018.

### 3.2 Returns on the main funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec

Funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec (the RPSF, the Generations Fund and the Accumulated Sick Leave Fund) are managed in accordance with an investment policy established by the Ministère des Finances in cooperation with the Caisse.

This investment policy is established taking several factors into account, including 10-year return, standard deviation and correlation forecasts for various categories of assets, opportunities for investing in these assets and recommendations of the Caisse.

In 2017, the return on funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec was 8.97% for the RPSF, 8.52% for the Generations Fund and 8.97% for the Accumulated Sick Leave Fund. The investment policy of these funds is presented in the box on page G.55.

TABLE G.19

#### **Market value and return in 2017 of the main funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec**

	<b>Return (%)</b>	<b>Market value as at December 31, 2017 (\$ million)</b>
Retirement Plans Sinking Fund (RPSF)	8.97	78 468
Generations Fund	8.52	13 780
Accumulated Sick Leave Fund (ASLF)	8.97	1 191

### 3.2.1 Retirement Plans Sinking Fund

The RPSF posted a return of 8.97% in 2017. Its market value was \$78 468 million as at December 31, 2017.

The investment policy of the RPSF consists of 33.5% fixed-income securities (e.g. bonds), 18.0% real assets (real estate and infrastructure) and 48.5% equities.

TABLE G.20

#### Investment policy of the RPSF as at January 1, 2018 (per cent)

	Benchmark portfolio of the RPSF	Average benchmark portfolio of depositors as a whole <sup>(1)</sup>
Fixed-income securities	33.5	32.5
Real assets	18.0	18.3
Equities	48.5	49.2
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

(1) Data as at December 31, 2016 drawn from *Annual Report 2016* of the Caisse de dépôt et placement du Québec.

With its investment policy, the RPSF should generate an annual return of 6.35%. It is important to note that the RPSF's investment policy is based on a long-term horizon and constitutes the benchmark portfolio for the Caisse. However, through active management, the Caisse adjusts the allocation of the RPSF's assets, particularly to take fluctuations in the economic and financial situation into account.

### 3.2.2 Generations Fund

The Generations Fund posted a return of 8.52% in 2017. Its market value was \$13 780 million as at December 31, 2017.

The investment policy of the Generations Fund consists of 37.5% fixed-income securities (e.g. bonds), 16.0% real assets (real estate and infrastructure) and 46.5% equities.

TABLE G.21

**Investment policy of the Generations Fund as at January 1, 2018**  
(per cent)

	<b>Benchmark portfolio of the Generations Fund</b>	<b>Average benchmark portfolio of depositors as a whole<sup>(1)</sup></b>
Fixed-income securities	37.5	32.5
Real assets	16.0	18.3
Equities	46.5	49.2
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

(1) Data as at December 31, 2016 drawn from *Annual Report 2016* of the Caisse de dépôt et placement du Québec.

### 3.2.3 Accumulated Sick Leave Fund

The Accumulated Sick Leave Fund (ASLF) posted a return of 8.97% in 2017. Its market value was \$1 191 million as at December 31, 2017.

The assets of the ASLF are managed by the Caisse in accordance with an investment policy established by the Ministère des Finances in cooperation with the Caisse. The ASLF's investment policy is identical to that of the RPSF.



## Comparison of investment policies

### Investment policies as at January 1, 2018

(per cent)

Specialized portfolios	RPSF and ASLF	Generations Fund	Average benchmark portfolio of depositors as a whole <sup>(1)</sup>
Short-Term Investments	1.0	1.0	1.1
Rates <sup>(2)</sup>	15.5	17.5	} 30.0 <sup>(4)</sup>
Credit <sup>(3)</sup>	17.0	19.0	
Long-Term Bonds	0.0	0.0	1.0
Real Return Bonds	0.0	0.0	0.4
<b>Total – Fixed Income</b>	<b>33.5</b>	<b>37.5</b>	<b>32.5</b>
Infrastructure	6.5	6.0	6.3
Real Estate	11.5	10.0	12.0
<b>Total – Real assets</b>	<b>18.0</b>	<b>16.0</b>	<b>18.3</b>
Public Equity	35.5	34.5	37.3
Private Equity	13.0	12.0	11.9
<b>Total – Equity</b>	<b>48.5</b>	<b>46.5</b>	<b>49.2</b>
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

RPSF: Retirement Plans Sinking Fund.

ASLF: Accumulated Sick Leave Fund.

(1) Data as at December 31, 2016 drawn from *Annual Report 2016* of the Caisse de dépôt et placement du Québec.

(2) Fixed nominal income government bonds.

(3) Broader range of instruments with fixed income securities characteristics.

(4) As at December 31, 2016, these asset categories were represented by the “Bonds” and “Real estate debt” specialized portfolios. These portfolios were closed on January 1, 2017 and replaced by the “Rates” and “Credit” portfolios.



## **4. CREDIT RATINGS**

### **4.1 The Québec government's credit ratings**

A borrower's credit rating measures its capacity to pay the interest on its debt and repay the principal at maturity. To establish the credit rating of a borrower like the Québec government, credit rating agencies analyze a series of factors. Among the main factors are the size, structure and vitality of the economy, the situation on the labour market, fiscal competitiveness and the budgetary situation, as well as debt and liquidity levels.

To express the quality of a borrower's credit, credit rating agencies use rating scales, namely, a scale for long-term debt and a scale for short-term debt.

## ❑ Credit ratings for long-term debt

The following table shows the rating scales used by rating agencies for long-term debt. The higher the credit quality, the higher will be the rating on the scale. This means, for example, that a borrower rated “AA” presents a lower credit risk than a borrower rated “A”.

The Québec government’s current credit ratings are shown in the boxes. They differ from one credit rating agency to another because of the methodology used by each agency to determine credit risk.

TABLE G.22

### Credit rating scales for long-term debt

	Moody's	Standard & Poor's	Fitch	DBRS	Japan Credit Rating Agency
Highest credit quality	Aaa	AAA	AAA	AAA	AAA
	Aa1	AA+	AA+	AA (high)	AA+
	Aa2	AA	AA	AA	AA
	Aa3	AA-	AA-	AA (low)	AA-
	A1	A+	A+	A (high)	A+
	A2	A	A	A	A
	A3	A-	A-	A (low)	A-
	Baa1	BBB+	BBB+	BBB (high)	BBB+
	Baa2	BBB	BBB	BBB	BBB
	Baa3	BBB-	BBB-	BBB (low)	BBB-
	Ba1	BB+	BB+	BB (high)	BB+
	Ba2	BB	BB	BB	BB
	Ba3	BB-	BB-	BB (low)	BB-
	B1	B+	B+	B (high)	B+
	B2	B	B	B	B
	B3	B-	B-	B (low)	B-

## ❑ Increase in Québec's credit rating

In June 2017, rating agency Standard & Poor's (S&P) upgraded Québec's credit rating from "A+" to "AA–", a first since 1993. In fact, Québec recovered the credit rating it had with S&P from 1982 to 1993.

This improvement in Québec's credit rating can be attributed to the government's responsible management of public finances. The gross debt burden has been declining since 2015-2016. Budgetary surpluses were posted in 2015-2016 and 2016-2017. A budgetary surplus is forecast in 2017-2018 and the budget is expected to remain balanced in subsequent years.

S&P also explained that its decision was based on the fact that Québec's economy is very strong and diversified. It includes major sectors such as aerospace, transportation, telecommunications and aluminium production.

In 2017, the other credit rating agencies (Moody's, Fitch, DBRS and Japan Credit Rating Agency) affirmed Québec's credit rating with a stable outlook.

It should be recalled that in June 2016, Fitch had upgraded the outlook related to Québec's credit rating by raising it from "negative" to "stable", due to the return to a balanced budget. Fitch had previously downgraded this outlook in December 2013, following the postponement of a balanced budget to 2015-2016, announced in November 2013.

TABLE G.23

### The Québec government's credit ratings

Credit rating agency	2015		→ 2017	
	Credit rating	Outlook	Credit rating	Outlook
Moody's	Aa2	Stable	Aa2	Stable
<b>Standard &amp; Poor's (S&amp;P)</b>	<b>A+</b>	<b>Stable</b>	<b>AA–</b>	<b>Stable</b>
<b>Fitch</b>	<b>AA–</b>	<b>Negative</b>	<b>AA–</b>	<b>Stable</b>
DBRS	A (high)	Stable	A (high)	Stable
Japan Credit Rating Agency (JCR)	AA+	Stable	AA+	Stable

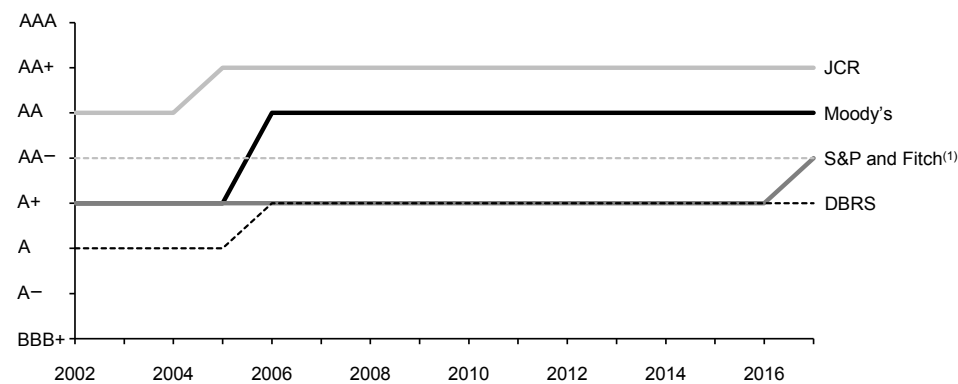
# Change in Québec's credit ratings

The following chart shows the change in Québec's credit ratings since 2002. In June 2017, S&P raised Québec's credit rating by one notch, from "A+" to "AA-".

The three main international credit rating agencies (Moody's, S&P and Fitch) now assign Québec a credit rating in the "double A" category.

CHART G.18

## Change in Québec's credit ratings



Note: The credit ratings for 2017 are those in effect as at March 14, 2018.

(1) Fitch's credit rating is indicated by the dotted line.

## ❑ Credit ratings for short-term debt

The following table shows the rating scales used by rating agencies for short-term debt. The higher the credit quality, the higher will be the rating on the scale. The Québec government's current credit ratings are shown in the boxes.

TABLE G.24

### Credit rating scales for short-term debt<sup>(1)</sup>

	Moody's	Standard & Poor's	Fitch	DBRS
Highest credit quality  ↑	<span>P-1</span>	<span>A-1+</span> A-1	<span>F1+</span> F1	R-1 (high) <span>R-1 (middle)</span> R-1 (low)
	P-2	A-2	F2	R-2 (high)
	P-3	A-3	F3	R-2 (middle) R-2 (low)
	Not Prime <sup>(2)</sup>	B-1		R-3
		B-2	B	R-4
		B-3	C	R-5
	Not Prime <sup>(2)</sup>	C D	D	D

(1) JCR does not assign a credit rating to Québec's short-term debt.

(2) Moody's uses the "Not Prime" category for all securities not included in the upper categories.

## 4.2 Comparison of the credit ratings of the Canadian provinces

The following charts show the credit ratings of the Canadian provinces as at March 14, 2018. No chart is given for JCR since Québec is the only province that receives a credit rating from that agency.

CHART G.19

### Credit ratings of the Canadian provinces – Moody's

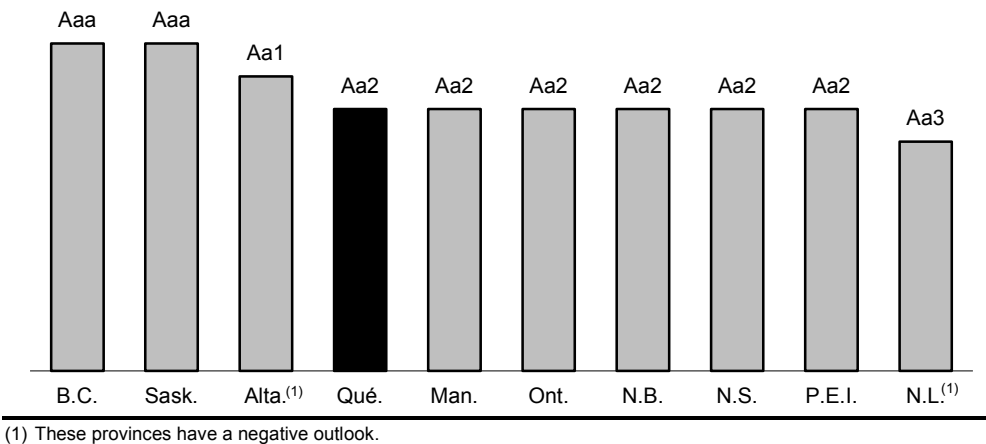


CHART G.20

### Credit ratings of the Canadian provinces – Standard & Poor's

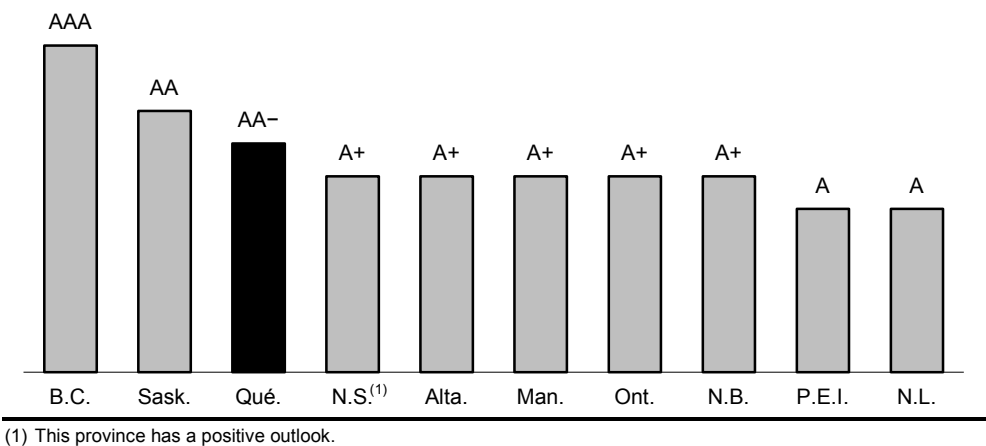
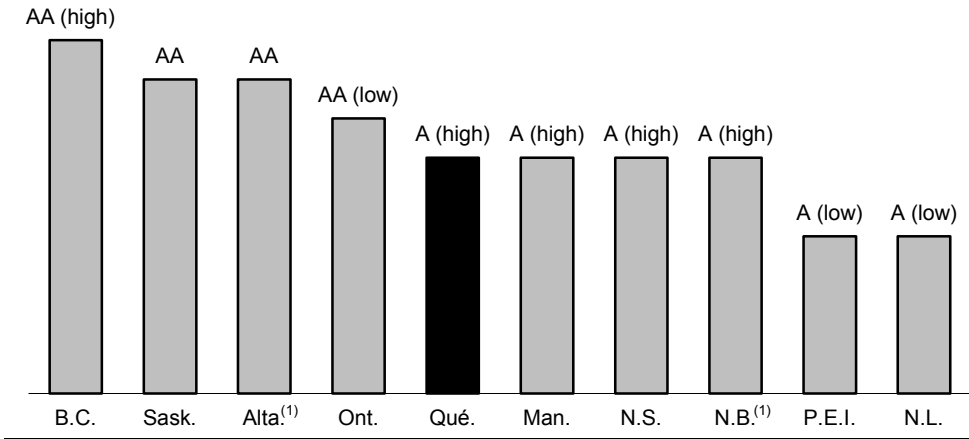


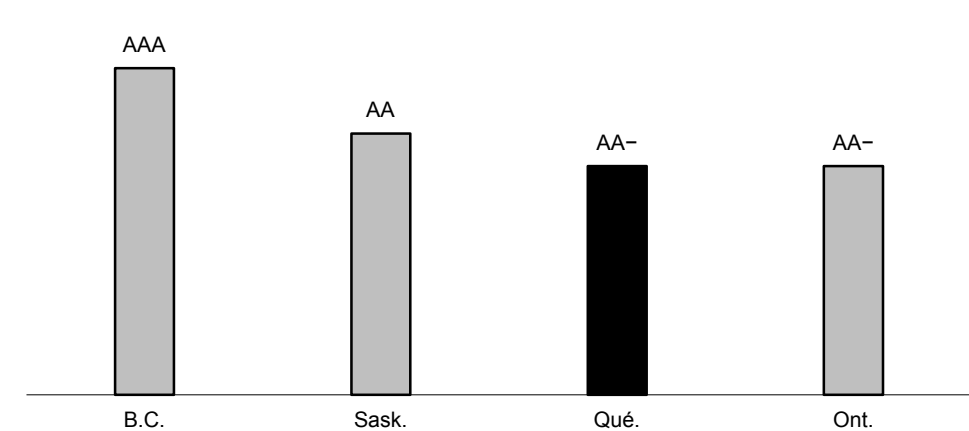


CHART G.21

**Credit ratings of the Canadian provinces – DBRS**

(1) These provinces have a negative outlook.

CHART G.22

**Credit ratings of the Canadian provinces – Fitch**

Note: British Columbia, Saskatchewan, Québec and Ontario are the only provinces that receive credit ratings from this agency.



## APPENDIX: DIFFERENT CONCEPTS OF DEBT

Several concepts of debt are used to measure a government's indebtedness. The following table presents data on Québec's debt according to three concepts, namely, gross debt, net debt and debt representing accumulated deficits.

TABLE G.25

### Debt of the Québec government as at March 31

(millions of dollars)

	2017	2018	2019	2020	2021	2022	2023
<b>GROSS DEBT<sup>(1)</sup></b>	<b>203 490</b>	<b>204 533</b>	<b>209 418</b>	<b>211 120</b>	<b>214 151</b>	<b>215 076</b>	<b>216 876</b>
% of GDP	51.5	49.6	49.1	47.9	47.1	45.9	45.0
Less: Financial assets, net of other liabilities	-21 735	-23 392	-25 985	-26 478	-28 905	-30 673	-33 719
<b>NET DEBT</b>	<b>181 755</b>	<b>181 141</b>	<b>183 433</b>	<b>184 642</b>	<b>185 246</b>	<b>184 403</b>	<b>183 157</b>
% of GDP	46.0	43.9	43.0	41.9	40.7	39.4	38.0
Less: Non-financial assets	-68 906	-71 434	-74 630	-77 610	-80 726	-83 148	-85 404
Plus: Stabilization reserve	4 552	5 402	3 815	2 879	2 400	2 400	2 400
<b>DEBT REPRESENTING ACCUMULATED DEFICITS<sup>(2)</sup></b>	<b>117 401</b>	<b>115 109</b>	<b>112 618</b>	<b>109 911</b>	<b>106 920</b>	<b>103 655</b>	<b>100 153</b>
% of GDP	29.7	27.9	26.4	24.9	23.5	22.1	20.8

(1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.

(2) According to the *Act to reduce the debt and establish the Generations Fund*, the debt representing accumulated deficits consists of the accumulated deficits figuring in the government's financial statements plus the balance of the stabilization reserve.

## ☐ **Net debt**

The net debt is equal to the Québec government's liabilities less its financial assets. It represents the debt that has funded capital investments and current expenditures.

As at March 31, 2018, the net debt will stand at \$181.1 billion, or 43.9% of GDP. As a proportion of GDP, the net debt began to decrease in 2013-2014 and will continue to fall over the coming years, reaching 38.0% of GDP as at March 31, 2023.

TABLE G.26

### **Factors responsible for the change in the net debt** (millions of dollars)

	Net debt, beginning of year	Budgetary deficit (surplus) <sup>(1)</sup>	Net capital investments	Other	Revenues dedicated to the Generations Fund	Total change	Net debt, end of year	% of GDP
2012-2013	167 700	3 476 <sup>(2)</sup>	4 863	4 959	-961	12 337	180 037	50.9
2013-2014	180 037	2 824	3 977	-2 302	-1 121	3 378	183 415	50.3
2014-2015	183 415	1 143 <sup>(3)</sup>	2 980	-572	-1 279	2 272	185 687	49.4
2015-2016	185 687	-2 191	2 695	287	-1 453	-662	185 025	48.1
2016-2017	185 025	-2 361	1 784	-692	-2 001	-3 270	181 755	46.0
2017-2018	181 755	-850	2 528	—	-2 292	-614	181 141	43.9
2018-2019	181 141	—	3 196	1 587	-2 491	2 292	183 433	43.0
2019-2020	183 433	—	2 980	936	-2 707	1 209	184 642	41.9
2020-2021	184 642	—	3 116	479	-2 991	604	185 246	40.7
2021-2022	185 246	—	2 422	—	-3 265	-843	184 403	39.4
2022-2023	184 403	—	2 256	—	-3 502	-1 246	183 157	38.0

(1) The budgetary balance presented is the budgetary balance after use of the stabilization reserve.

(2) This amount includes the loss of \$1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plant.

(3) The budgetary balance presented excludes the impact of accounting adjustments. The budgetary balance including accounting adjustments of \$418 million is a deficit of \$725 million.

## ❑ Public sector debt

The public sector debt includes the government's gross debt as well as the debt of Hydro-Québec, the municipalities, universities other than the Université du Québec and its constituents, and other government enterprises. This debt has served, in particular, to fund public infrastructure, such as roads, schools, hospitals, hydroelectric dams and water treatment plants.

As at March 31, 2018, Québec's public sector debt will stand at \$273.3 billion, or 66.3% of GDP. These figures must be put into perspective for they do not take into account the economic value of certain assets held by the government, such as Hydro-Québec, the Société des alcools du Québec and Loto-Québec.

The ratio of public sector debt has been falling since 2015-2016.

TABLE G.27

### Public sector debt as at March 31 (millions of dollars)

	2014	2015	2016	2017	2018
Government's gross debt	197 807	203 957	203 347	203 490	204 533
Hydro-Québec	40 361	41 662	43 843	42 882	43 078
Municipalities <sup>(1)</sup>	22 622	23 305	23 846	24 058	24 008
Universities other than the Université du Québec and its constituents <sup>(2)</sup>	1 610	1 624	1 608	1 656	1 656
Other government enterprises <sup>(3)</sup>	433	383	308	258	—
<b>PUBLIC SECTOR DEBT</b>	<b>262 833</b>	<b>270 931</b>	<b>272 952</b>	<b>272 344</b>	<b>273 275</b>
<b>% of GDP</b>	<b>72.1</b>	<b>72.1</b>	<b>71.0</b>	<b>69.0</b>	<b>66.3</b>

(1) These amounts correspond to the long-term debt contracted by municipalities in their own name. Part of this debt is subsidized by the government (\$3 451 million as at March 31, 2018).

(2) These amounts correspond to the debt contracted by universities other than the Université du Québec and its constituents in their own name. Part of this debt is subsidized by the government (\$1 012 million as at March 31, 2018).

(3) These amounts correspond to the debt of the Financing Fund used to finance government enterprises and entities not included in the reporting entity. As of 2018, this debt is included in the gross debt (\$218 million as at March 31, 2018).



# Section H

## UPDATE ON FEDERAL TRANSFERS

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## INTRODUCTION

The federal government occupies nearly half of the fiscal room, so it is important that federal transfers contribute to the funding of the principal missions of the state that are under the purview of the provinces, such as health, education and infrastructure to improve the quality of life of the population.

Despite an increase in the Canada Health Transfer and the addition of targeted funds, it is clear that the federal contribution to provincial health spending will decline over the next ten years, in a context in which health spending growth that is strongly influenced by factors, like population aging, over which the provinces have little control, and in which the principles of the *Canada Health Act* must be followed. To assume its fair share of health spending, the federal government must:

- restore its funding to a share representing 25% of provincial health spending by 2020-2021;
- ensure that its health funding increases at the same pace as provincial health spending—by 5.2% per year—to maintain its share over time.

Equitable sharing of education and social services expenditures between the federal government and the provinces is very much an ongoing issue. The Canada Social Transfer (CST) envelope has lost 15% of its value after inflation compared to 1994-1995. That is why Québec is also asking the federal government to increase the CST envelope so as to restore its funding to its 1994-1995 level.

In addition, this section presents Québec's requests to the federal government: termination of the closed envelope, restoration of the 2007 fair individual cap and fair treatment of Hydro-Québec dividends in the equalization formula.

Lastly, with respect to the federal infrastructure plan, Québec welcomes the proposal of a single integrated bilateral agreement to provide a framework for federal amounts invested in Phase 2 of its investment plan. However, Québec expects the federal government to respect Québec's priorities and ways of doing things under this agreement.



# 1. TOWARD AN ADEQUATE FEDERAL CONTRIBUTION TO HEALTH CARE AND SOCIAL PROGRAMS

In 2017-2018, annual growth in the Canada Health Transfer (CHT) declined by one half, from 6% to 3%, following the federal government's decision to reduce the increase in its health contribution to the rate of Canada's nominal GDP growth, subject to a floor of 3%.<sup>1</sup> At the same time, the federal government decided to add targeted funds, outside the CHT, for the provinces.

- On March 10, 2017, Québec obtained a new recognition of the principle of asymmetry, by entering into an asymmetrical health funding agreement comprising three components:
  - \$2.5 billion, corresponding to Québec's demographic share of the \$11 billion in targeted health funds for the period from 2017-2018 to 2026-2027, for mental health and home care;
  - \$1.2 billion from the early childhood component of the new federal social infrastructure funds, for the period from 2017-2018 to 2027-2028;
  - \$25 million, for the training of nurse practitioners in 2017-2018.

Although the targeted funds represent additional health funding for the provinces, they are one-time amounts that are insufficient to ensure the sustainability of health care systems, on which pressures will only build over the long term.

That is why Québec continues to ask the federal government to assume a fair share—25%—of provincial health spending by 2020-2021, and to maintain that share over time.

In regard to social programs, Québec reiterates its request to adequately narrow the funding gap in the Canada Social Transfer (CST) so that it reaches its 1994-1995 level, after inflation.

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<sup>1</sup> The 2017-2018 CHT envelope (\$37.1 billion) rose according to the 3% floor, in relation to 2016-2017, since average annual growth in Canada's nominal GDP for 2015, 2016 and 2017 (2.1%), which determines the increase in the CHT envelope, was below that floor.

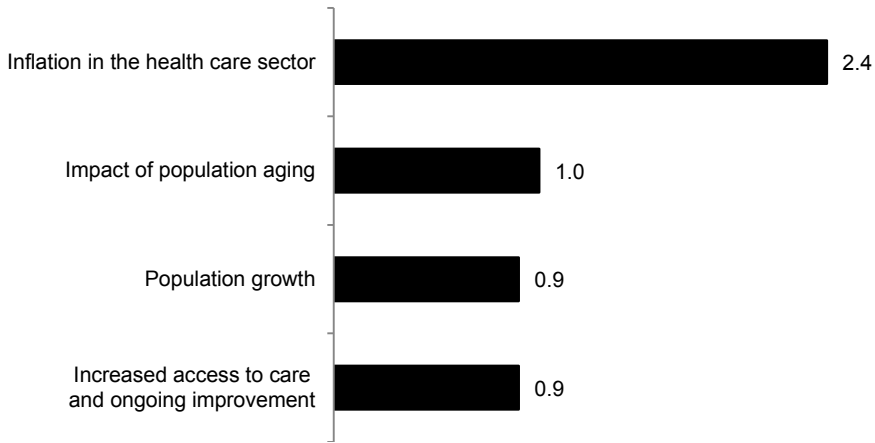
## 1.1 Long-term annual health spending growth of 5.2%

In 2016, the Council of the Federation mandated an independent body, the Conference Board of Canada (CBoC), to forecast growth in provincial and territorial health spending. The CBoC predicted this growth would reach an average of 5.2% per year over a 20-year period, from 2015 to 2035, based on the following four factors:

- inflation in the health sector (2.4%), including the rise in wages and the cost of prescription drugs;
  - This driver of growth is slightly higher than the consumer price index.
- the effect of population aging (1.0%), reflecting the substantial increase in health spending based on the age of patients;
- the growth in Canada's population by 2035 (0.9%), which will increase the demand for health care;
  - Canada's population is expected to grow by 5.7 million people in 2035, compared to its population in 2018.
- increased access to care and ongoing improvement (0.9%), which take into account the provinces' efforts to improve the quality of care provided to the public.
  - Scientific advances in new technologies and new medications have often led to higher health costs instead of generating savings, since lower prices increase demand.

CHART H.1

**Average breakdown of 5.2% growth in provincial and territorial health spending, according to the Conference Board of Canada, 2015-2035 (per cent)**



Source: Conference Board of Canada.

## 1.2 Funding that is still insufficient over the long term

Despite the provinces' request for a CHT escalator of 5.2%, the federal government instead cut the initial escalator in half, from 6% to that of Canada's nominal GDP, subject to a floor of 3% in 2017-2018.

In addition, the federal government decided to invest \$11 billion, for Canada as a whole, in targeted funds outside the CHT for the period from 2017-2018 to 2026-2027.

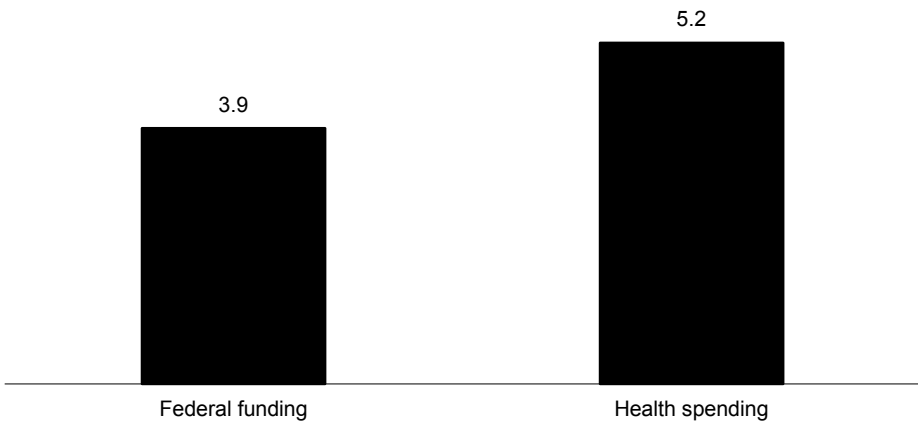
- Based on demographics, Québec's share of the \$11 billion in funds outside the CHT for Canada as a whole for the period from 2017-2018 to 2026-2027 is nearly \$2.5 billion.
- This funding will enable Québec to implement its own priorities, including mental health and home care.

CHT growth in pace with growth in Canada's nominal GDP, together with the targeted funds, will result in an average increase in federal health funding to the provinces of 4.4% per year over the first five years and 3.3% over the next five years.

- Federal funding will therefore rise 3.9% per year on average over ten years, which is far below the CBoC's estimate of 5.2% by 2035 necessary to ensure the sustainability of provincial health care system.

CHART H.2

**Growth in federal funding and health spending estimated by the Conference Board of Canada, 2017-2018 to 2026-2027**  
(per cent)



Sources: Conference Board of Canada and Ministère des Finances du Québec.

### 1.3 A substantial reduction in federal funding

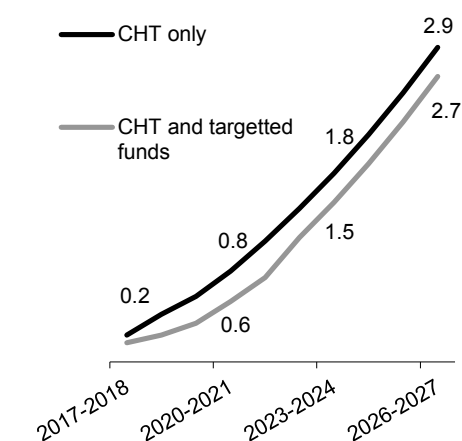
The new federal health funding formula will result in a significant shortfall for Québec.

— This drop in federal funding will create a \$14-billion shortfall for Québec for the period from 2017-2018 to 2026-2027.

— Despite the targeted funds, there will still be an \$11.5-billion shortfall.

CHART H.3

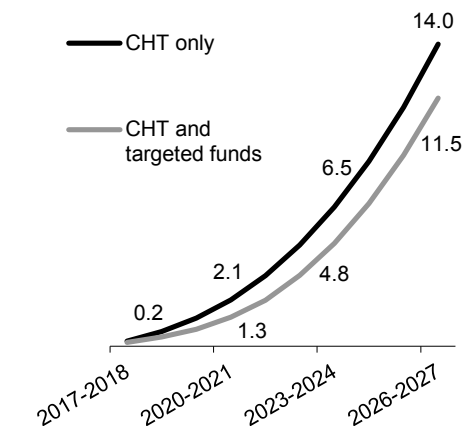
#### Québec's annual Canada Health Transfer shortfall (billions of dollars)



Sources: Department of Finance Canada and  
Ministère des Finances du Québec.

CHART H.4

#### Québec's cumulative Canada Health Transfer shortfall (billions of dollars)



Sources: Department of Finance Canada and  
Ministère des Finances du Québec.

# 1.4 Financial pressures will continue to build

The federal government’s disengagement from health funding comes at the very time financial pressures on the health care system are building due, in particular, to population aging.

In Canada, the share of the population aged 65 and over stood at 16.1% in 2015 and will rise to 22.8% in 2030, while, in Québec, this share is expected to be 25%, compared to 17.6% in 2015.

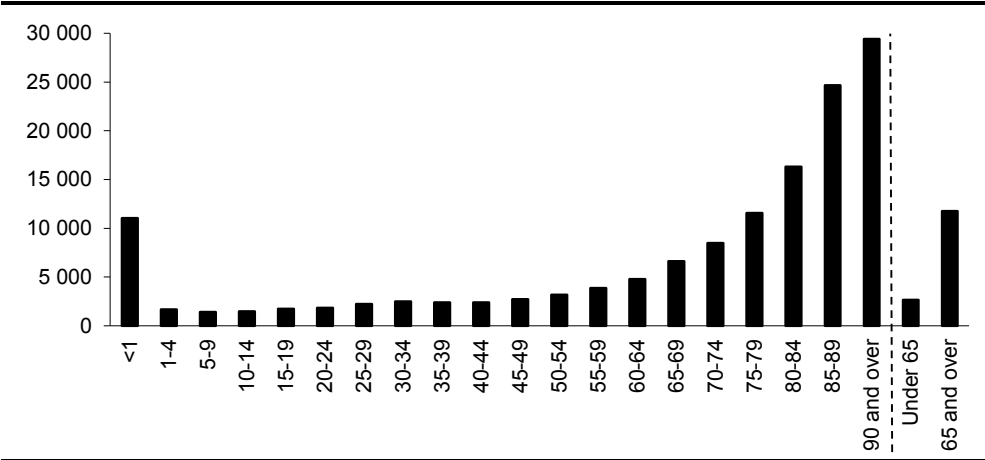
Since health spending climbs as patients get older, population aging will contribute to permanently increasing the pressures on provincial health spending. According to Canadian Institute for Health Information data published in November 2017, health spending is on average 4.4 times higher for a person aged 65 or over than for a person under the age of 65.

— In 2015, the cost of health care for a person aged 65 or over averaged \$11 753, compared to \$2 651 for a person under the age of 65.

Moreover, provinces where the population ages more rapidly will also be those that see slower economic growth, which will add to the financial pressures related to population aging.

CHART H.5

**Average provincial health spending, by age group – 2015**  
(dollars per capita)



Sources: Canadian Institute for Health Information, Ministère des Finances du Québec and Statistics Canada.



## ❑ **An inadequate federal share of health funding**

Despite the CHT growing at the same pace as Canada's nominal GDP, including a floor of 3%, and \$11 billion in targeted funds, the federal contribution to provincial health spending will decline progressively over the next decade, from 23.0% in 2017-2018 to 20.4% in 2026-2027.

- In the early 1980s, the federal funding share accounted for 25% of provincial health spending.

# 1.5 Toward a fair federal share of health funding

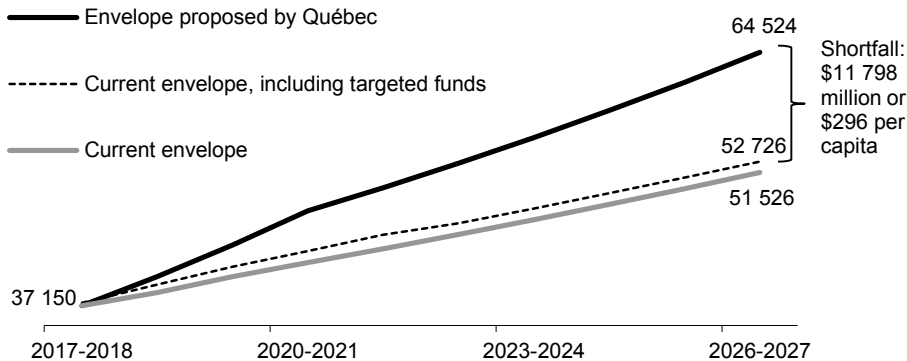
Québec is asking the federal government to restore its financial commitment to health care, in order to help ensure the sustainability of health care systems in Canada.

This re-engagement involves a gradual increase in the CHT envelope so that it reaches a fair share representing 25% of provincial health spending. This share must also be maintained over time.

- This federal contribution representing 25% of provincial health spending would be achieved by 2020-2021, through an additional pan-Canadian injection of \$5.4 billion under the CHT.
- Subsequently, this share would be maintained by indexing the CHT envelope at 5.2%, the annual growth rate of provincial health spending estimated by the CBoC.
- In 2026-2027, this proposal means that the CHT envelope would reach \$64.5 billion, rather than of \$52.7 billion, including the targeted funds, for additional funding of \$11.8 billion or \$296 per capita.

CHART H.6

**Gradual restoration of the Canada Health Transfer representing 25% of provincial health spending, 2017-2018 to 2026-2027**  
(millions of dollars)



Note: The current envelope, including targeted funds, is \$37 450 million in 2017-2018.

Sources: Conference Board of Canada, Department of Finance Canada and Ministère des Finances du Québec.

## 1.6 Restoring federal funding for social programs

Through the CST, the federal government funds part of provincial spending dedicated to post-secondary education, social assistance and social services. Since 2009-2010, the CST has been indexed at 3% annually. This growth is below that of the CHT, which increases at the same pace as nominal GDP, subject to a floor of 3%.

- Given that the CST envelope does not grow on pace with nominal GDP, the federal government's contribution to education and social programs is in decline.
- The CST lost a total of 15% of its value in 2017-2018 over 1994-1995,<sup>2</sup> after inflation.

It is imperative that spending for education and social services be shared more fairly between the federal government and the provinces to ensure adequate funding in these areas.

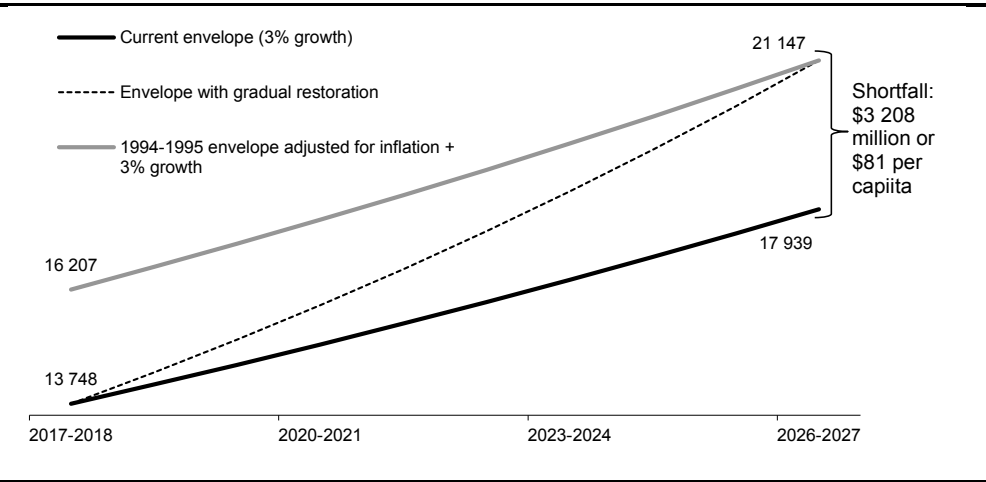
Québec is asking the federal government for an increase in the CST envelope, in order to raise federal funding to its 1994-1995 level, after inflation. In 2017-2018, this narrowing of the gap would represent an increase of more than \$2.5 billion in the envelope.

- Aware that this shortfall can hardly be paid by the federal government as of the first year, Québec is proposing to gradually raise the CST envelope over a ten-year period.
  - This gradual narrowing of the gap would involve an additional increase of \$261 million in the CST envelope in 2018-2019 and would reach \$3.2 billion in 2026-2027. Prorated on the basis of population, this increase would represent for Québec \$60 million (\$7 per capita) in 2018-2019 and \$718 million (\$81 per capita) in 2026-2027.

<sup>2</sup> In 2005, the Council of the Federation had asked the federal government to immediately restore the CST to its level of 1994-1995, the last year before the massive federal cuts of the 1990s.

CHART H.7

**Gradual restoration of the Canada Social Transfer to its 1994-1995 level, after inflation, 2017-2018 to 2026-2027**  
(millions of dollars)



Sources: Department of Finance Canada and Ministère des Finances du Québec.

## 2. TOWARD AN EQUALIZATION PROGRAM THAT WILL ACHIEVE ITS OBJECTIVE

### 2.1 Overview of Québec's principles

Of the three main federal programs of transfer payments to the provinces (equalization, Canada Health Transfer and Canada Social Transfer), the equalization program is the only one whose objective is written into the *Constitution Act, 1982*.

- The objective is to enable provinces that receive equalization to raise their fiscal capacity to the average of the ten provinces so that they can “provide reasonably comparable levels of public services at reasonably comparable levels of taxation.”<sup>3</sup>

For the equalization program to truly achieve its constitutional objective, Québec is of the view that the program must be based on four clear principles:

1. The standard of comparison must correspond to the average of the ten provinces, as is currently the case before the application of the caps.
2. Equalization must reflect the reality of the provinces' taxation practices, that is, the current practice of using the representative tax system to calculate the provinces' fiscal capacity.
3. All provincial revenues must be included, which is currently not the case since only 50% of natural resource revenue is taken into account in the provinces' fiscal capacity.
4. All the provinces must be treated fairly, as was the case with the formula in effect prior in 2007-2008 and 2008-2009.

The changes made to the equalization formula in November 2008, which were applicable as of 2009-2010 through the imposition of caps, diverted the equalization program from its objective.

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<sup>3</sup> Subsection 36(2) of the *Constitution Act, 1982*.

## 2.2 The foundations of an adequate equalization program

The provinces do not all have the same fiscal capacity,<sup>4</sup> that is, they do not all have the same capacity to generate revenue.

Under an adequate equalization program, provinces whose fiscal capacity, in dollars per capita, is below the average of the ten provinces receive equalization payments. They therefore have, after equalization, a fiscal capacity equivalent to the average of the ten provinces.

In contrast, a province whose fiscal capacity is above the average of the ten provinces does not receive equalization payments.

— It should be noted, however, that non-recipient provinces do not pay anything to recipient provinces because the equalization program is funded through revenue collected by the federal government from taxpayers in all of the provinces.

Due to the change in the individual cap and the imposition of a GDP cap in November 2008, the fiscal capacity of the recipient provinces, after equalization, no longer corresponds to the average of the ten provinces, which is counter to the objective of the equalization program.

To enable the program to achieve its objective and be adequate again, Québec is asking for:

- an end to the closed envelope through the elimination of the GDP cap;
- the return to a stable and fair individual cap;
- fair treatment of Hydro-Québec dividends.

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<sup>4</sup> Fiscal capacity is defined as the revenue a province would obtain if it applied to its five tax bases (personal income tax, corporate income tax, consumption taxes, natural resources and property taxes) the average tax rate in effect in the ten provinces.

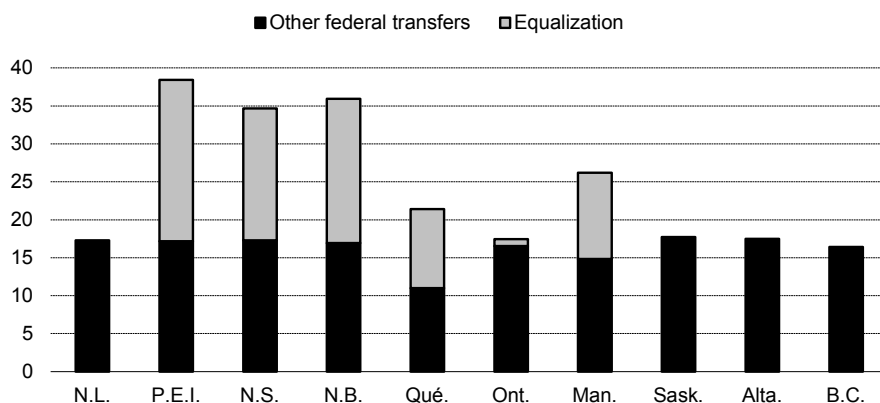
## Federal transfers: setting the record straight

In 2017-2018, the share of the main federal transfers received by Québec, including equalization payments, the Canada Health Transfer, the Canada Social Transfer and other programs, accounts for 21% of Québec's budgetary revenue<sup>1</sup>. This share is comparable to the provincial average (19%).

- In addition, Québec's share is only slightly higher than that of non-recipient provinces such as Saskatchewan (18%) and Alberta (17%), while it is substantially lower than that of recipient provinces such as Prince Edward Island (38%) and New Brunswick (36%).

### Federal transfers as a proportion of provincial budgets – 2017-2018

(per cent)



Note: In the case of Québec, federal transfers excluding equalization are reduced by the value of the special Québec abatement.

Sources: Data drawn from the provinces' budgets and budget updates.

<sup>1</sup> For Québec, it is consolidated revenue.

## Equalization: setting the record straight

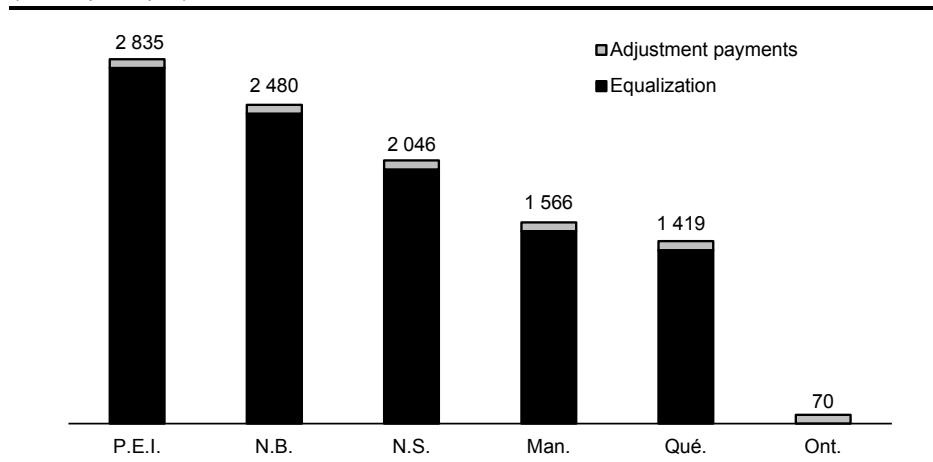
Although Québec obtains a large share of the equalization envelope, including an adjustment payment of \$576 million in 2018-2019 for a total payment of \$11.7 billion, the per capita amount that Québec receives (\$1 419) is the second lowest after that received by Ontario<sup>1</sup> (\$70).

- New Brunswick receives \$2 480 per capita, i.e. more than \$1 000 per capita than Québec.

Québec is not the largest recipient of equalization.

### Equalization payments including adjustment payments – 2018-2019

(dollars per capita)



<sup>1</sup> In 2018-2019, Ontario will receive an adjustment payment of \$963 million and no equalization payment. However, the federal government will process the adjustment payment out of the equalization envelope.



## 2.3 Toward an open equalization envelope

Since the federal decision of November 2008, growth in the equalization envelope has been limited to growth in Canada's nominal GDP regardless of the disparities in the fiscal capacity of the recipient provinces compared to the average of the ten provinces. Therefore, equalization payments to the provinces are no longer determined on the basis of disparities in fiscal capacity as compared to the average of the ten provinces.

Between 2009-2010 and 2017-2018, an increase in the equalization payments of one province always occurred at the expense of the other recipient provinces instead of bringing the fiscal capacity of the recipient provinces up to the average of the ten provinces. Over that period, the GDP cap deprived Québec of \$5.8 billion.

Furthermore, for the first time in 2018-2019, the sum of equalization payments to the recipient provinces calculated on the basis of disparities in fiscal capacity as compared to the average of the ten provinces is insufficient for the size of the equalization envelope determined by the growth in Canada's nominal GDP.

— To fill this gap, the provinces are receiving adjustment payments of \$1.8 billion, including \$576 million for Québec.

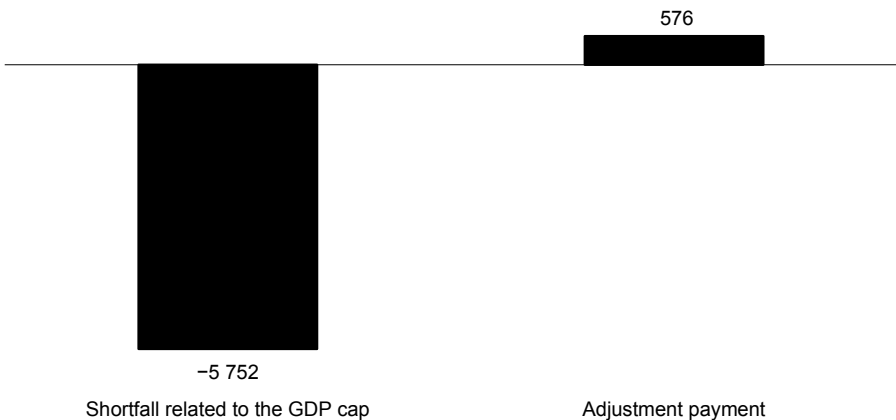
To enable each province to have, after equalization, a fiscal capacity that corresponds to the average of the ten provinces, Québec is asking that equalization payments be determined on the basis of disparities in fiscal capacity compared to the average of the ten provinces and, consequently, that the federal government put an end to the closed envelope arising from the GDP cap.

## Adjustment payments for 2018-2019

For the first time in 2018-2019, the sum of equalization payments to the recipient provinces, which are calculated on the basis of disparities in fiscal capacity as compared to the average of the ten provinces, is insufficient for the size of the equalization envelope determined by the growth in Canada's nominal GDP.<sup>1</sup>

- Under the *Federal-Provincial Fiscal Arrangements Act*,<sup>2</sup> the federal government decided to make adjustment payments of \$1.8 billion to fill this cap, including \$576 million to Québec.
- The adjustment payment of \$576 million to Québec in 2018-2019 offsets only a fraction—10%—of the shortfall sustained since the imposition of the GDP cap, totalling \$5.8 billion.

**Cumulative impact of the GDP cap imposed by the federal government and Québec's equalization adjustment payment, 2009-2010 to 2018-2019**  
(millions of dollars)



Sources: Department of Finance Canada and Ministère des Finances du Québec.

1 The equalization envelope for 2018-2019 (\$19 billion) was determined using the average annual growth rate of Canada's nominal GDP for 2016, 2017 and 2018, which is up 3.9% compared to that for 2017-2018 (\$18.3 billion).

2 *Federal-Provincial Fiscal Arrangements Act* (R.S.C.1985, c. F-8).

## 2.4 Toward a fair and stable individual cap

In 2007, the federal government introduced an individual cap under the equalization program to ensure that a recipient province would not become wealthier, after equalization, than the least wealthy province not receiving equalization, which was fair.

— This cap had been proposed by the Expert Panel on Equalization and Territorial Formula Financing (the O'Brien Report<sup>5</sup>).

Two years after its application, the cap was modified by the implementation of a threshold based on the demographic weight of provinces receiving equalization. With this threshold, when the population of the recipient provinces accounts for:

- less than 50% of the population of the provinces as a whole, as will be the case in 2018-2019,<sup>6</sup> the individual cap of 2007 applies;
- 50% or more of the population of the provinces as a whole, as was the case from 2009-2010 to 2017-2018, the individual cap corresponds to the average fiscal capacity of the recipient provinces, which is unfair.
- The individual cap reduced Québec's equalization payments by \$7.5 billion from 2009-2010 to 2017-2018.

In addition to making it possible for an unfair individual cap to be applied, the implementation of a threshold in November 2008 entailed an additional risk in regard to the predictability of equalization revenue for recipient provinces. Indeed, the definition of the individual cap changes according to the demographic weight of recipient provinces in the provinces as a whole.

Québec is therefore asking the federal government to modify the equalization formula so that the fair individual cap introduced in 2007 will apply at all times regardless of the demographic weight of the recipient provinces in the provinces as a whole.

<sup>5</sup> EXPERT PANEL ON EQUALIZATION AND TERRITORIAL FORMULA FINANCING, *Achieving a National Purpose: Putting Equalization Back on Track*, [Report], May 2006.

<sup>6</sup> Ontario is no longer a province that receives equalization in 2018-2019, except for an adjustment payment of \$963 million that resulted in a change in the individual cap.

**Illustration of the operation of the individual cap in the equalization program**

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The population of recipient provinces accounts for 50% and more of the population of the provinces as a whole: the individual cap is equal to the average fiscal capacity of the recipient provinces.

After equalization, a recipient province cannot be wealthier relative to the average fiscal capacity of the recipient provinces.

- Applied from 2009-2010 to 2017-2018.
- Unfair because each province is considered differently and recipient provinces with significant natural resources are penalized.
- Loss of \$7.5 billion for Québec.

**Population threshold**

The population of recipient provinces accounts for less than 50% of the population of the provinces as a whole: the individual cap is equal to the average fiscal capacity of the least wealthy recipient provinces.

After equalization, a recipient province cannot be wealthier than the least wealthy of the recipient provinces

- Applied in 2007-2008, in 2008-2009 and in 2018-2019.
- Fair.
- Recommended by the O'Brien report.



## Why did Alberta not receive an equalization payment when it posted a deficit?

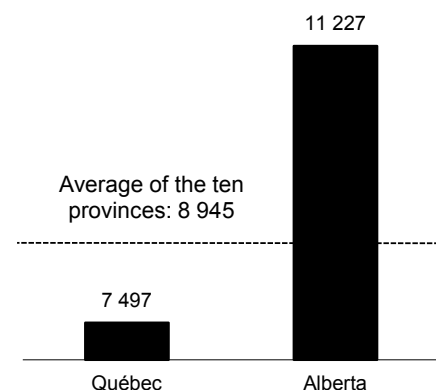
In 2016-2017, why did Alberta not receive equalization when it posted a deficit of nearly \$11 billion, while Québec, which posted a budgetary surplus of over \$2 billion, received equalization?

Even though Alberta's per capita fiscal capacity (\$11 227) is 50% higher than that of Québec (\$7 497), the revenue actually collected by Québec (\$9 685) is 17% higher than that collected by Alberta (\$8 272).

Québec's per capita fiscal capacity is lower than the average of the ten provinces (\$8 945), which is why Québec receives equalization. Alberta, whose fiscal capacity is higher than the average of the ten provinces, is not eligible.

The opposite budgetary situation of the two provinces is illustrated by the difference between the revenue they actually collect. The tax effort of Québec is greater than that of Alberta, enabling it to offer more public services than Alberta. Alberta has chosen instead to maintain a lower tax effort, which is in keeping with the framework of Canadian federalism.

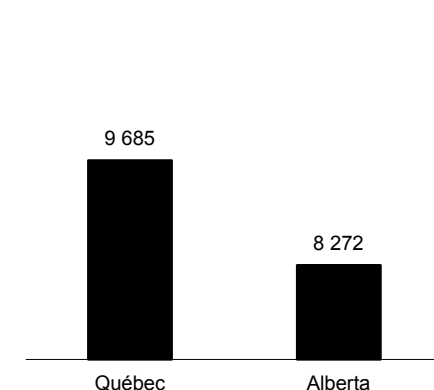
**Per capita fiscal capacity of Québec and Alberta in 2016-2017**  
(dollars per capita)



Note: Fiscal capacity excludes 50% of revenue from natural resources.

Source: Federal calculations 2018-2019.

**Revenue actually collected per capita in Québec and Alberta in 2016-2017**  
(dollars per capita)



Note: Revenue actually collected excludes 50% of revenue from natural resources.

Source: Federal calculations 2018-2019.

## 2.5 Toward fair treatment of Hydro-Québec dividends under the equalization program

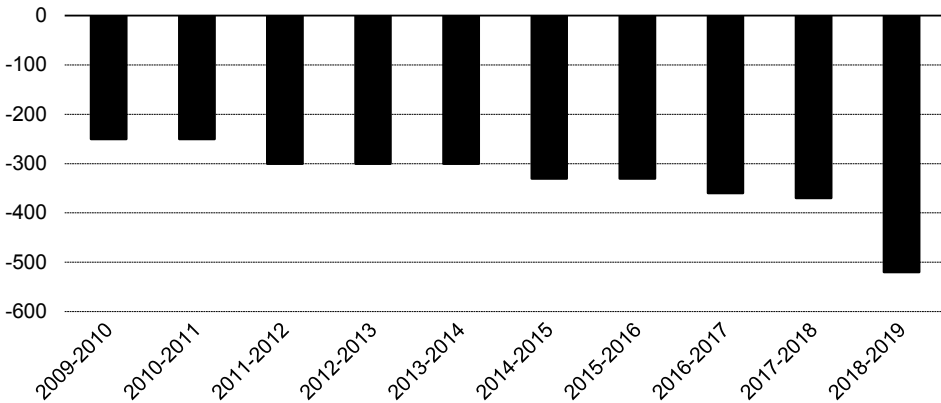
In November 2008, the federal government changed the equalization program by transferring dividends paid to the Ontario government by Hydro One, a corporation that transports and distributes electricity, from the natural resource base to the corporate income tax base.

However, this decision by the federal government was unfair, because the dividends from activities in transporting and distributing electricity paid to the Québec government by Hydro-Québec (32.6% of dividends in 2016) are still included in the natural resource base. This entails substantial and recurring losses for Québec.

— Québec's cumulative shortfall resulting from this decision has amounted to more than \$3.3 billion since 2009-2010, including \$520 million for 2018-2019.

CHART H.9

**Québec's shortfall in regard to the unfair treatment of Hydro-Québec dividends, 2009-2010 to 2018-2019**  
(millions of dollars)



Sources: Québec budgets since 2009-2010.

Québec has already provided all the information needed for the federal government to make the requested change, but no correction has yet been made to the treatment of Hydro-Québec dividends. Since 2009-2010, Québec has reiterated its request that the federal government grant fair treatment to Hydro-Québec dividends in the short term.

### Renewal of the equalization program in 2019

In its 2018 budget, the federal government confirmed that technical changes will be made to the equalization program for the period from April 1, 2019 to March 31, 2024. The main changes are as follows:

- Refundable tax credits will be included in corporate income in the corporate income tax base.
- Steps will be taken to ensure that the treatment of revenue from the sale of cannabis in the consumption tax base will be similar to that of revenue from the sale of alcohol.
- Minor changes will be made to the calculation of the consumption tax base.

Overall, Québec agrees with the technical adjustments proposed by the federal government because they allow the fiscal capacity of the provinces to be calculated more precisely.

However, Québec is disappointed that the federal government did not make the substantial changes to the program that have been requested for the past several years, namely, the elimination of the GDP cap, the permanent application of the 2007 individual cap, and the treatment of Hydro-Québec dividends from activities in transporting and distributing electricity in the corporate income tax base.





### 3. TOWARD MUTUALLY PROFITABLE FEDERAL INFRASTRUCTURE PROGRAMS

The decision by the federal government to extend certain programs under Phase 1 of its infrastructure plan will enable Québec to make efficient use of the amounts granted to it.

In regard to the start of Phase 2 of the federal infrastructure plan, Québec welcomes the proposal of a single integrated bilateral agreement (IBA) to provide a framework for federal amounts invested in infrastructure, instead of project-by-project agreements.

- This type of agreement is in response to a request by Québec to simplify the negotiation of Canada-Québec agreements in order to accelerate the start-up of funded projects.

Moreover, Québec is finalizing the negotiation of the IBA, which will make it possible to achieve the shared objective of stimulating the country's economic growth and improving Quebecers' quality of life.

#### 3.1 A welcome extension of Phase 1 of the federal infrastructure plan

In its 2016 budget, the federal government announced \$11.9 billion in funding over five years for Phase 1 of its infrastructure plan, supplemented by investments of \$2.5 billion for post-secondary infrastructures and broad-band projects.

The short lead times for completing projects under Phase 1 posed a challenge from the outset, particularly for municipalities, transit authorities and post-secondary institutions. In that regard, Québec requested the extension of two agreements, namely, the agreement on the Public Transit Infrastructure Fund (PTIF) and the Clean Water and Wastewater Fund (CWWF) and the agreement on the Post-Secondary Institutions Strategic Investment Fund (SIF).

- In regard to the PTIF and CWWF agreement, Québec welcomes the federal proposal to extend the cost eligibility deadline for two years, from March 31, 2018 to March 31, 2020.
- In regard to the SIF agreement, the federal government has granted an extension of seven months, from April to November 2018, solely for carrying out the work. However, four strategic projects require additional time in order to benefit from the projected federal amounts. Therefore, Québec is asking for a four-month extension for these four projects, from November 30, 2018 to March 31, 2019.

### 3.2 Federal funds complementary to Québec's investments

In fall 2016, the federal government announced Phase 2 of its \$81.2-billion infrastructure plan for the period from 2017-2018 to 2027-2028, including an estimated amount of \$16.9 billion for Québec. This funding will be used for public transit, green infrastructure, social infrastructure, and transportation that supports trade and rural and northern communities.

Out of an amount of \$16.9 billion, Québec will receive \$7.5 billion through an IBA that is currently being negotiated. This agreement is intended to set funding conditions for projects that will be submitted by Québec in the following four areas:

- public transit (\$5.2 billion);
- green infrastructure (\$1.8 billion);
- community, cultural and recreational infrastructure from the social infrastructure envelope (\$257 million);
- infrastructure for rural and northern communities (\$289 million).

Federal funding under the IBA will thus account for 7.5% of Québec's planned investments of \$100.4-billion under the Québec Infrastructure Plan (QIP) 2018-2028.

Québec expects the federal government to respect its priorities and ways of doing things under this agreement.

TABLE H.1

**Amounts estimated for Québec under Phase 2 of the federal infrastructure plan, 2017-2018 to 2027-2028**  
(millions of dollars)

	Canada	Québec
<b>Public transit</b>	<b>20 200</b>	<b>5 199</b>
Integrated bilateral agreement (IBA)	20 125	5 182
Other	75	17 <sup>(1)</sup>
<b>Green infrastructure</b>	<b>16 400</b>	<b>3 137</b>
IBA	9 222	1 808
Other	7 178	1 329 <sup>(1)</sup>
<b>Social infrastructure</b>	<b>21 800</b>	<b>4 385</b>
IBA	1 347	257
Early learning and child care	7 000	1 222 <sup>(2)</sup>
Other	13 453	2 906 <sup>(1)</sup>
<b>Trade and transportation</b>	<b>5 100</b>	<b>368 <sup>(1)</sup></b>
<b>Rural and northern communities</b>	<b>2 400 <sup>(3)</sup></b>	<b>289</b>
IBA	2 400	289
<b>Canada Infrastructure Bank</b>	<b>15 000 <sup>(4)</sup></b>	<b>3 450 <sup>(1)</sup></b>
<b>Smart Cities Challenge</b>	<b>300 <sup>(5)</sup></b>	<b>69 <sup>(1)</sup></b>
<b>Subtotal IBA</b>	<b>33 094</b>	<b>7 536</b>
<b>Subtotal Other</b>	<b>48 106</b>	<b>9 361</b>
<b>TOTAL</b>	<b>81 200</b>	<b>16 897</b>

(1) Québec's share was estimated on the basis of its demographic share in Canada—nearly 23%— and of other programs for Aboriginal communities. A share of 10.1% was granted to Québec for these latter programs in accordance with the 2011 National Household Survey by Statistics Canada.

(2) This is the amount that was awarded to Québec for the early learning a child care component, as a part of the asymmetrical health agreement concluded between Canada and Québec on March 10, 2017.

(3) Rural and northern communities are now in charge of an amount of \$400 million for the Arctic Energy Fund, which was initially supposed to be allocated to green infrastructure.

(4) The amount allocated to the Canada Infrastructure Bank is drawn equally from the public transit, green infrastructure and trade and transportation envelopes, at \$5 billion per envelope.

(5) The amounts allocated to the Smart Cities Challenge are drawn from the public transit, green infrastructure and social infrastructure envelopes, at \$100 million per envelope.

Sources: Ministère des Finances du Québec, Department of Finance Canada and Infrastructure Canada.

## Infrastructure investments of Québec and Canada

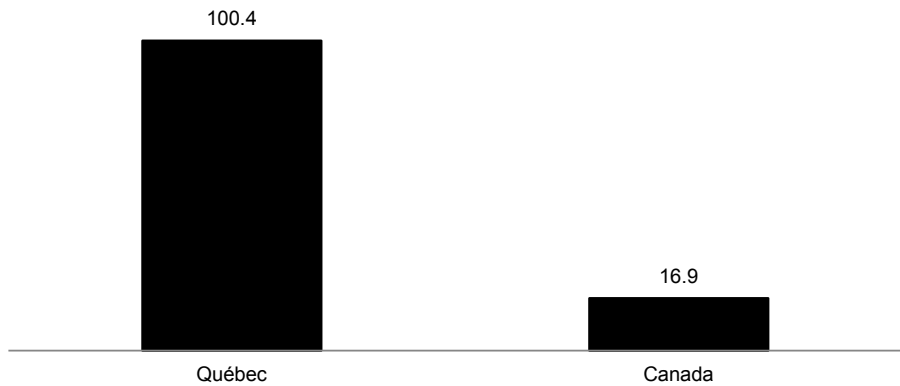
Federal infrastructure funding is a top-up that comes in addition to Québec's already planned investments of \$100.4 billion under the 2018-2028 Québec Infrastructure Plan (QIP).

Québec plans to invest \$100.4 billion in infrastructure over ten years, whereas federal funding for Québec is estimated at \$16.9 billion for the same period under Phase 2 of the federal infrastructure plan.

This federal investment thus accounts for the equivalent of 16.8% of Québec's investments over 10 years.

Consequently, Québec will invest nearly six times more for its infrastructure than what the federal government plans to invest in infrastructure in Québec under Phase 2 of its plan.

### Infrastructure investments over ten years by Québec and Canada (billions of dollars)



Sources: Ministère des Finances du Québec, Secrétariat du Conseil du trésor and Department of Finance Canada.

### 3.3 Toward the maintenance of legacy funding under existing agreements

The federal government remains committed to transferring unspent amounts from legacy infrastructure funding (e.g. Building Canada Plan) to municipalities by means of modifications to agreements relating to the Gas Tax Fund.

- Québec is of the view that the provinces should be able to submit projects under existing agreements until all the funds allocated to those agreements are exhausted.

### 3.4 A necessary commitment by the Canada Infrastructure Bank

Out of the \$81.2-billion envelope for Phase 2 of the federal infrastructure plan, an amount of \$15 billion is being allocated to the Canada Infrastructure Bank (CIB) for public infrastructure projects, particularly in public transit, green infrastructure and trade and transportation.

- The CIB will carry out investments in income-generating projects aimed at attracting investments from the private sector.

Therefore, Québec expects that the Réseau express métropolitain (REM), for which \$1.3 billion in federal funding has already been announced, will be financed and announced rapidly by the CIB.



## CONCLUSION

It is important that federal transfers contribute to funding the principal missions of the state that are under the purview of the provinces, such as health, education and infrastructure, in the context where the federal government occupies a large share of the fiscal room.

In addition, against a backdrop of health spending growth that is strongly influenced by general trends, like population aging, the federal government must adequately participate in funding quality health services that meet the expectations of the population. That is why Québec is reiterating its requests to the federal government concerning:

- a gradual increase in the Canada Health Transfer envelope to 25% by 2020-2021 and the maintenance of that share over time;
- a gradual increase in the Canada Social Transfer envelope to its 1994-1995 level, taking into account the rise in the cost of living;
- the elimination of the GDP cap and settlement, permanent application of the 2007 individual cap, in the short term, of the issue of the treatment accorded to Hydro-Québec dividends under the equalization program.

Lastly, the federal infrastructure plan must continue its mission of enabling the provinces to prosper and innovate under complementary and mutually profitable federal infrastructure programs.

