

THE QUÉBEC
ECONOMIC PLAN

March 2018

Québec's Economic Record

BUDGET 2018-2019

**A Strong Economy
That Benefits
All Quebecers**

Québec 



Budget 2018-2019
Québec's Economic Record:
A Strong Economy That Benefits All Quebecers

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HIGHLIGHTS

Québec has reversed recent trends over the past four years by making significant economic progress. In terms of growth, its economy has stood out from that of its main trading partners and posted its best performance in nearly 20 years. The Québec economy is on track to reach its target of creating 250 000 jobs over five years—something that many analysts thought was impossible.

Québec's regions, Montréal and the Capitale-Nationale region now have more control over their development, as well as economic levers that are geared to their needs. The natural resource sectors have recovered their momentum and are creating wealth throughout Québec.

Entrepreneurial vitality is growing. Quebecers are increasingly interested in starting their own business. The substantial investments made by multinationals are a direct acknowledgment of Quebecers' creativity.

❑ **Benefits for all Quebecers**

The population of Québec as a whole is benefiting directly from these economic gains owing to responsible management. The government has reduced the tax burden on Québec families and taken steps to increase their disposable income.

In addition, substantial investments have been made in direct quality services to the public, particularly in health and education. Today, stable funding of these services can be envisaged, ensuring a better standard of living for all Quebecers.

❑ **Initiatives totalling \$46 billion**

Since 2014, the government has been laying the groundwork for results like those seen today. First of all, it had to get its fiscal house in order rapidly so as to put public finances back on a sure footing and give new impetus to the Québec economy.

Secondly, the government has taken steps under the Québec Economic Plan in order to:

- introduce conditions favourable to investment, as well as a stable business environment, in order to maintain a high level of confidence;
- help businesses and workers take advantage of growth opportunities, particularly those related to the transformation of the economy;
- provide levers of economic intervention tailored to the strengths of each sector and region.

Since 2014, initiatives totalling \$46 billion under the Québec Economic Plan have been devoted to developing Québec's economy and improving Quebecers' quality of life.

An economic plan to support the transformation of Québec's economy

Québec must address a range of challenges that will transform the economy. Priority must be given to dealing with three of these challenges in order to continue improving Quebecers' quality of life. Steps must be taken to:

- limit the effects of population aging to ensure the sustainability of quality public services, in particular in health and education,
- enable businesses and workers to take advantage of the opportunities offered by globalization,
- rapidly adapt to the digital transition so that Québec can be a leader in future economic niches.

Limiting the effects of population aging

Population aging affects economic growth. To limit the impacts, the measures put in place in the Québec Economic Plan aim, in particular, to:

- increase labour market participation and improve the training system,
- boost productivity growth by fostering innovation and investment.

Taking advantage of the opportunities provided by globalization

Globalization involves significant international mobility of factors of production, a situation that increases competition among economies. To enable businesses and workers to take advantage of the opportunities afforded by globalization, the measures in the Québec Economic Plan aim, in particular, to:

- support Québec businesses by ensuring a competitive business environment,
- encourage greater presence of Québec businesses on foreign markets.

Rapidly adapting to the digital transition

The economic shifts resulting from digitization of the economy pose a major challenge to the competitiveness of Québec businesses. To enable Québec to adapt to these changes and be a leader in future economic niches, the measures in the Québec Economic Plan aim, in particular, to:

- support businesses in the development and appropriation of technologies based on business intelligence, including artificial intelligence, information and communications technologies and big data processing,
- support workers who must adapt to the changes that the digital transition is bringing about on the labour market.

1. AN ENVIABLE ECONOMIC SITUATION DRIVEN BY EMPLOYMENT AND EXPORTS

The objective of the Québec Economic Plan is to make Québec more prosperous, for the benefit of all Quebecers by improving their quality of life.

Thanks to the vitality of its entrepreneurs and stronger consumer confidence, Québec saw its economy grow by 3% in 2017. This is the strongest growth rate observed in nearly 20 years, making Québec a key driver of the Canadian economy.

Québec's exports have started to climb again, reflecting the attractiveness of Québec's resources, products and creativity. This recovery in exports has been favourable for many of Québec's activity sectors present in the regions.

❑ Record results

According to key indicators, the Québec economy is undergoing strong, sustainable growth.

The labour market is brisk and its accelerated transformation is allowing demographic challenges to be addressed. In 2017, the unemployment rate fell to levels never achieved before in Québec. In addition, 222 600 mostly full-time jobs have been created since May 2014.

- Between 2013 and 2016, the proportion of high quality jobs grew by 9.7%, a rate more than four times that of job creation. In addition, the average hourly wage rose from 2.2% in 2015 to 2.9% in 2017, strengthening the purchasing power of workers.
- In addition, the labour force participation rate of Quebecers aged 15 to 64 also reached an unprecedented level in 2017, outstripping the rate observed in the rest of Canada.

❑ Promising initiatives for the economy

The Québec Economic Plan as a whole, whose initiatives will total \$46 billion by 2022-2023, has contributed to this prosperity by creating conditions favourable to employment and the implementation of projects backed by Quebecers in all regions.

The steps taken, particularly to improve the competitiveness of the business tax system, introduce financing tools, support investments in strategic sectors and implement strategies fostering exports, have also contributed to these favourable economic conditions.

Several initiatives, totalling nearly \$3 billion, have improved the performance of the labour market with regard to work incentive, particularly among experienced workers and lower income households, achieving a better match between training and jobs and putting in place measures to encourage immigrants to participate in the labour market.

1.1 An enviable economic situation

1.1.1 The strongest economic growth in nearly 20 years

The real GDP growth rate rose from 1.4% in 2016 to 3% in 2017.

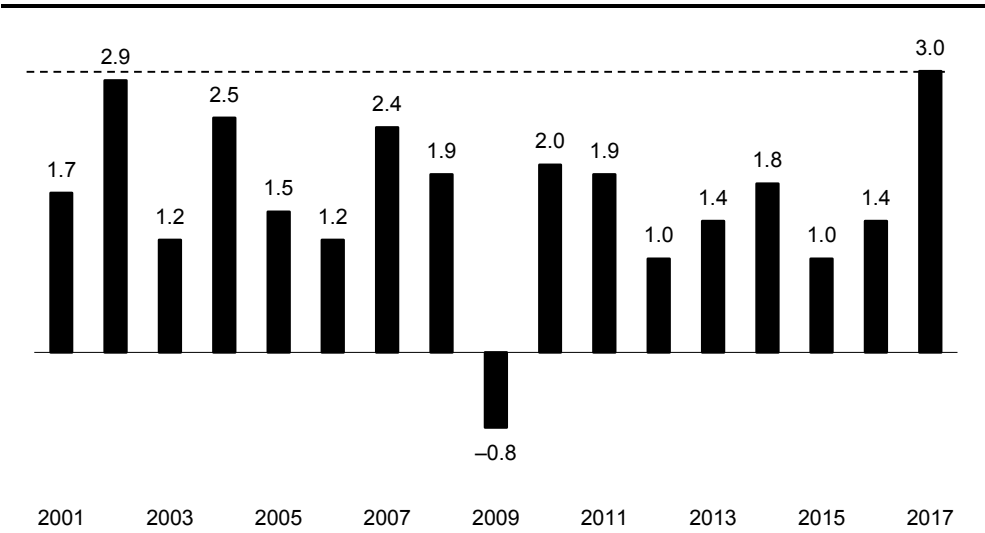
— Such strong economic growth has not been observed since 2000.

The robust growth rate in 2017 can be attributed to:

- stable economic conditions that have bolstered the confidence of consumers and entrepreneurs,
- the strong labour market, supported, in particular, by the initiatives in the Québec Economic Plan,
- robust growth in the purchasing power of Québec families, due to, among other things, the reduction of the tax burden by more than \$3 billion a year,
- the reduction in the tax burden on businesses, which has supported growth in investments and productivity,
- the ability of businesses to stand out to a greater extent on foreign markets, as well as the acceleration of their investments.

CHART 1

Economic growth in Québec (real GDP, percentage change)



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

1.1.2 A \$46-billion Québec Economic Plan in support of the economy

The Québec Economic Plan has enabled the government to achieve its main objectives in regard to economic and social development, in order to improve the quality of life of all Quebecers.

By 2022-2023, the investments made under the Québec Economic Plan will total \$46 billion and help to improve the quality of life of all Quebecers.

With the Québec Economic Plan, the government has put in place conditions favourable to economic development, particularly by:

- stimulating employment and exports through measures fostering increased labour market participation, and helping businesses that market their products outside Québec,
- encouraging businesses to invest and innovate, while ensuring their competitiveness,
- enabling Quebecers to benefit from wealth creation, by reducing taxes, investing in quality public services and offering support to people with low incomes.

TABLE 1

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

Stimulating employment and exports	
– Fostering labour market performance	-1 892
– Encouraging the internationalization of Québec businesses	-259
Subtotal	-2 151
Restoring a climate of confidence conducive to investment	
– Restoring a business environment favourable to investment	-1 663
– Fostering the start-up and growth of SMBs	-3 386
– Modernizing government action in the regions	-2 783
– Building on Quebecers creativity and spirit of innovation	-2 804
Subtotal	-10 606
Ensuring that Quebecers benefit from wealth creation	
– Contributing directly to raising Quebecers' standard of living	-14 686
– Investing in Quebecers' priorities	-14 339
– Enabling everyone to benefit from greater collective wealth	-4 079
Subtotal	-33 104
TOTAL	-45 860

Note: Totals may not add due to rounding.

❑ A recovery plan that has borne fruit

In 2014, the government began taking steps to get its fiscal house in order and create an environment favourable to economic recovery and job growth.

In that regard, the government:

- introduced a new refundable tax credit for home renovation, the LogiRénov tax credit,
- carried out structuring initiatives to, among other things, accelerate private investment,
- laid the groundwork for implementing the Québec Maritime Strategy,
- relaunched the Plan Nord.

These measures have rapidly made Québec a leader of economic growth in Canada.

■ Stepping up economic initiatives

The vitality of the Québec economy and sound management of public finances have enabled the government to step up initiatives to support economic growth.

These measures are helping to improve economic conditions in Québec, as shown by the exceptional performance of the Québec economy in 2017.

TABLE 2

Financial impact of the initiatives in the Québec Economic Plan (millions of dollars)

Plan for Québec's economic recovery ⁽¹⁾	-1 011
March 2015 Québec Economic Plan	-3 403
March 2016 Québec Economic Plan	-3 647
March 2017 Québec Economic Plan	-10 709
November 2017 update of the Québec Economic Plan	-10 991
March 2018 Québec Economic Plan	-16 100
TOTAL	-45 860

Note: Totals may not add due to rounding.

(1) The measures implemented under the Plan for Québec's Economic Recovery correspond to the initiatives in Budget 2014-2015 and the fall 2014 *Update on Québec's Economic and Financial Situation*.

❑ Measures providing \$119 billion in support for the economy

Overall, the measures in the Québec Economic Plan will provide more than \$119 billion in support for the economy in all of Québec's regions and for Quebecers' quality of life.

The measures in the Québec Economic Plan act directly on the determinants of economic growth and have enabled support of:

- \$6.3 billion by stimulating employment and exports,
- \$64.6 billion by creating a climate favourable to investment,
- \$48 billion by ensuring that Quebecers benefit from wealth creation.

On an annual basis, these measures will represent on average \$10.8 billion in support¹ for the Québec economy.

TABLE 3

Economic support provided by the initiatives in the Québec Economic Plan (billions of dollars)

Stimulating employment and exports	
– Fostering labour market performance	2.4
– Encouraging the internationalization of Québec businesses	4.0
Subtotal	6.3
Restoring a climate of confidence conducive to investment	
– Creating a business environment favourable to investment	39.0
– Promoting the start-up and growth of SMBs	7.3
– Modernizing government action in the regions	11.2
– Building on Quebecers' creativity and spirit of innovation	7.1
Subtotal	64.6
Ensuring that Quebecers benefit from wealth creation	
– Contributing directly to raising Quebecers' standard of living	20.6
– Investing in Quebecers' priorities	22.4
– Enabling everyone to benefit from greater collective wealth	4.9
Subtotal	48.0
TOTAL	119.0

Note: Totals may not add due to rounding.

¹ The support for the economy has been estimated taking into account the financial impact of the new initiatives announced in the March 2018 Québec Economic Plan and the leverage effect of government intervention on contributions from the private sector.

1.2 A record-breaking labour market

Changes in the labour market are an indicator of the performance of an economy and the optimism of its stakeholders. In that regard, it can be observed that:

- businesses are thinking about expanding their activities and are hiring workers to increase their production capacity,
- depending on opportunities that arise, more and more Quebecers are entering the labour market, as shown by the increase in the labour force participation rate.

As a result, workers' purchasing power has been strengthened and the average hourly wage has increased from 2.2% in 2015 to 2.9% in 2017.

1.2.1 On track to achieve an ambitious objective

The government pledged to revitalize Québec's economy and create 250 000 jobs over five years.

It is on track to achieve this ambitious objective.

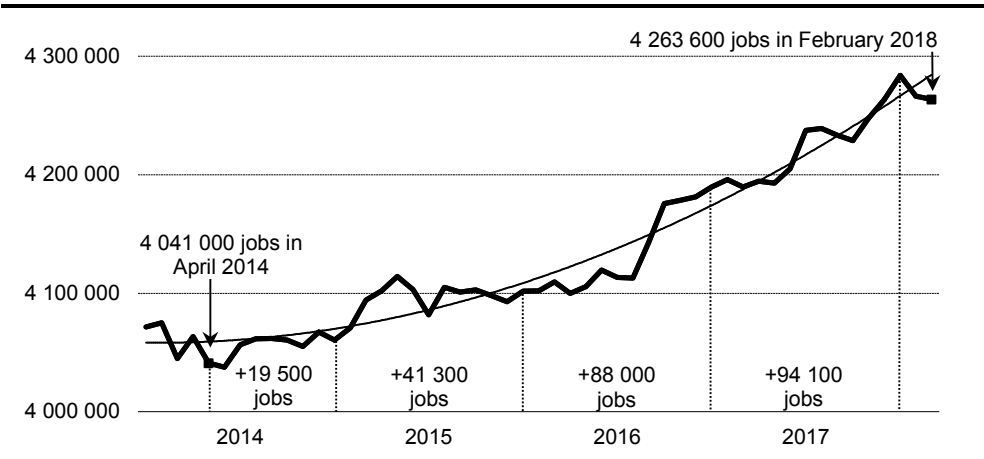
❑ 222 600 jobs created since May 2014

From May 2014 to February 2018, 222 600 jobs were created in Québec, including 151 200 positions in the private sector.

- In addition, part-time jobs were replaced by full-time ones. Over the same period, 240 600 full-time jobs were created.

CHART 2

Job creation in Québec since May 2014
(number of jobs)



Sources: Statistics Canada and Ministère des Finances du Québec.

❑ A record-low unemployment rate

Due to the strong performance of the labour market, the unemployment rate has fallen to a record low:

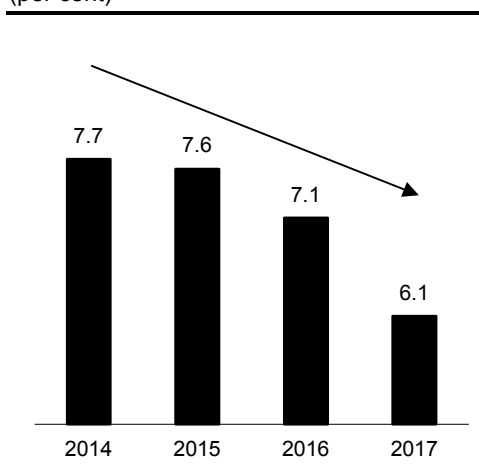
- the unemployment rate decreased from 7.7% in 2014 to 6.1% in 2017,
- the vitality of the labour market enabled Québec to post an unemployment rate below that of Canada, which was 6.3% in 2017.

The robust performance of Québec's economy also helped to significantly increase the employment rate of persons aged 15 to 64. In 2017, it reached 74.8%, a record high.

CHART 3

Unemployment rate in Québec

(per cent)

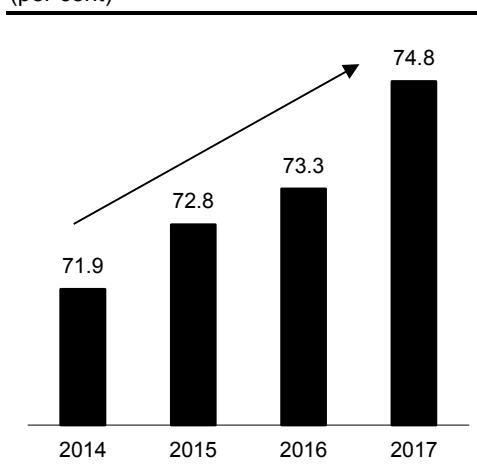


Source: Statistics Canada.

CHART 4

Employment rate of persons aged 15 to 64 in Québec

(per cent)



Source: Statistics Canada.

2017, an exceptional year on Québec's labour market

The strengthening of economic activity observed in Québec is reflected in changes in the labour market, whose results have been exceptional.

In 2017, Québec's economy gained 90 200 jobs on average relative to 2016. Of that number:

- 65 400 were full-time jobs,
- 48 500 were positions in the private sector.

In 2017, the unemployment rate was down to 6.1%, a yearly low not seen since Statistics Canada began its Labour Force Survey in 1976.

In December 2017, Québec's unemployment rate hit a monthly low of 5%.

❑ A labour market participation rate outstripping that of the rest of Canada

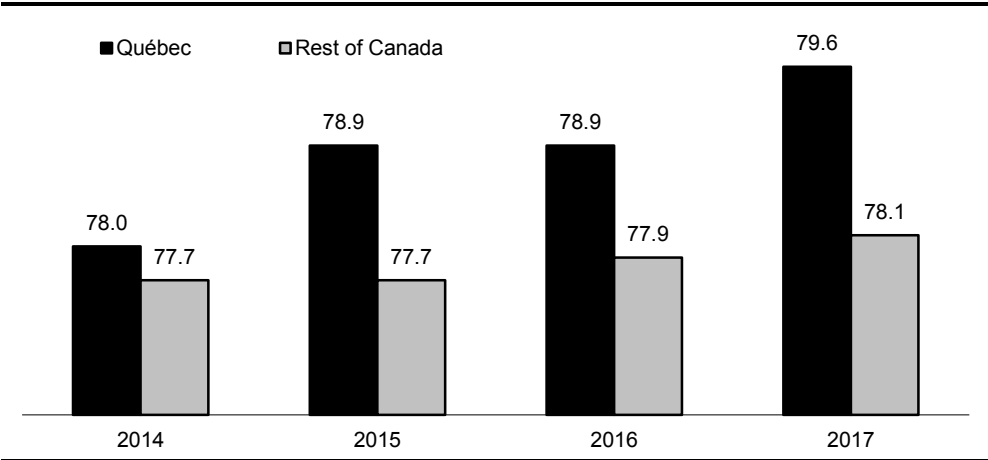
The labour force participation rate, which reflects not only the proportion of people who have a job but also the proportion of those who are looking for work, has risen substantially since 2014 among persons aged 15 to 64.

As a result of this increase, the rate of participation in the labour market as a whole in Québec is higher than in the rest of Canada.

— The labour force participation rate of persons aged 15 to 64 in Québec has risen in recent years, from 78% in 2014 to 79.6% in 2017.

CHART 5

Labour force participation rate of persons aged 15-64 in Québec and the rest of Canada
(per cent)



Note: The labour market participation rate corresponds to the labour force as a proportion of the total population.
Source: Statistics Canada.

1.2.2 Creation of quality jobs

Businesses have to change in order to step up and ensure their growth. This is reflected in the labour market and labour needs.

- The changes they have to make include adopting technological innovations, such as digital environments, artificial intelligence, robotics, 3D printing and nanotechnology.

In this context, the skill level of the labour force is of critical importance to Québec's economy.

Significant progress has been made in this regard in recent years:

- Quebecers' graduation rate is climbing rapidly,
- most of the jobs created in Québec are of high quality.

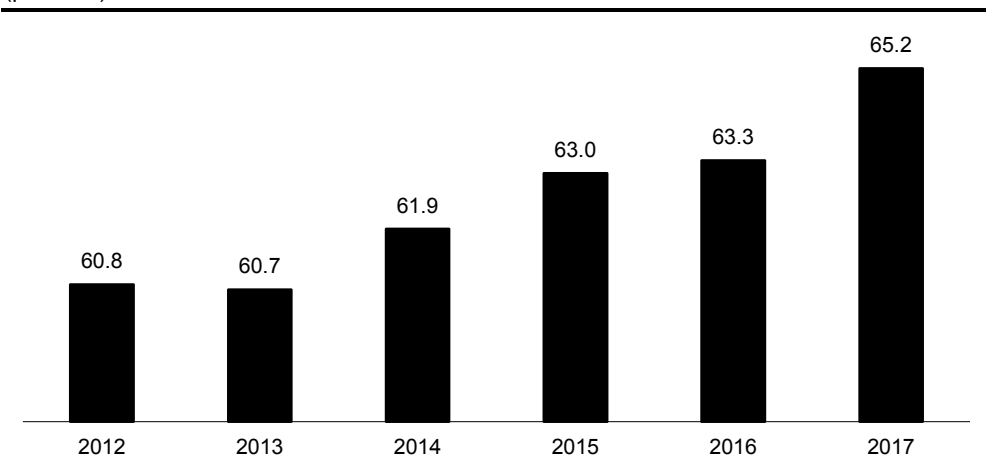
☐ An increasingly educated labour force

The increase in the graduation rate reflects the fact that nearly two Quebecers out of three aged 15 to 64 now have an advanced studies diploma.

- This is significant progress given that the proportion was less than 50% in the early 2000s.

CHART 6

Population aged 15-64 holding an advanced studies diploma⁽¹⁾
(per cent)



(1) Population aged 15-64 holding a post-secondary diploma or certificate or a university degree.
Source: Statistics Canada.

■ Increased growth in high-quality jobs

Changes in the labour market have also afforded Quebecers higher-quality jobs in recent years.

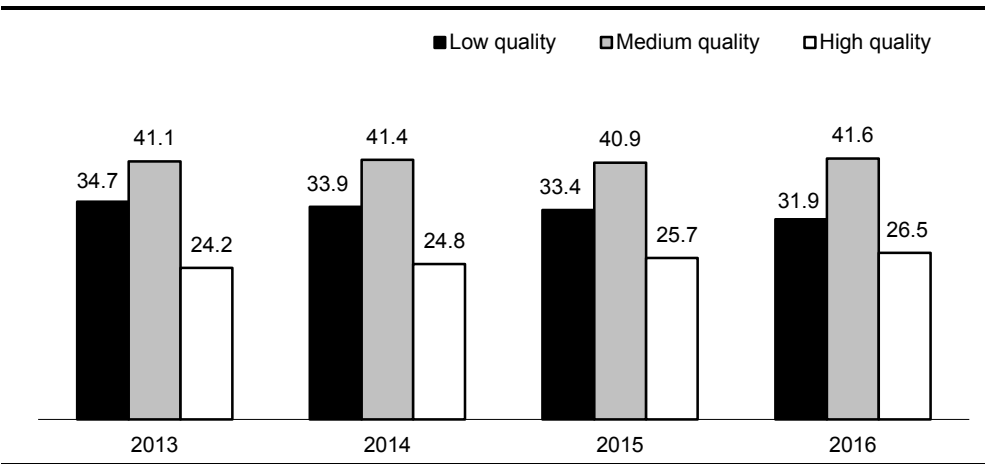
According to the Institut de la statistique du Québec, the proportion of high-quality jobs² rose from 24% in 2013 to 27% in 2016.

— The average hourly wage grew by 2.9% in Québec in 2017, compared to 1.1% in Ontario and 1.7% in Canada as a whole.

Due to these gains, the proportion of low-quality jobs fell from 35% to 32% over that period.

CHART 7

Breakdown of jobs in Québec according to quality (per cent)



Source: Institut de la statistique du Québec.

² The breakdown of jobs according to quality, prepared by the Institut de la statistique du Québec, includes nine dimensions of job quality: compensation, leave, pension plans, group insurance, hours of work, work schedules, stability, skill level and physical and psychological conditions. Job quality was determined for employees, that is, by excluding self-employed workers and working students.

1.2.3 Nearly \$3 billion to address labour market challenges

With the Québec Economic Plan, the government has made it a priority to improve the performance of the labour market in order to support Québec's prosperity and improve the quality of life of all Quebecers.

Québec businesses must have access to a qualified labour force if they are to support the rapid development of a knowledge-based economy.

— Maintaining a strong and efficient labour force is a challenge for Québec, which is faced with an aging population.

Therefore, the government has implemented several measures that have contributed to the current performance of the labour market and created conditions that will foster its good performance in the future. These measures aim to:

- foster participation in the labour market, which helps increase the employment rate and the labour force participation rate,
- encourage a better match between workers' qualifications and the needs of businesses, and thus improve, in particular, the productivity and competitiveness of businesses and help them innovate.

These measures, which have been implemented since 2014, total nearly \$3 billion.

TABLE 4

Financial impact of the measures to address labour market challenges in the Québec Economic Plan

(millions of dollars)

	Before 2017- 2018	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Fostering participation in the labour market ⁽¹⁾	-138.3	-180.8	-277.7	-311.8	-322.0	-335.2	-349.0	-1 914.8
Encouraging a better match between workers' qualifications and businesses' needs	-74.2	-133.2	-151.3	-185.9	-176.4	-180.7	-116.4	-1 018.1
TOTAL	-212.5	-314.0	-429.0	-497.7	-498.4	-515.9	-465.4	-2 932.9

(1) The financial impact of certain measures may differ from the financial impacts initially announced because they have since been adjusted to take into account actual data and updated forecasts.

❑ Fostering participation in the labour market

The Québec government has taken several steps to provide Québec households with more incentive to work. When fully implemented, these steps will represent nearly \$350 million a year.

First, the government has enhanced the tax credit for experienced workers. The age of eligibility has been gradually reduced to 61 in 2018, while the maximum tax credit to which a worker is entitled has been raised gradually to \$11 000.

— Ultimately, experienced workers will benefit from enhancements to this work incentive measure totaling \$147.9 million a year.

Second, workers without children will benefit from enhancements to the general and adapted work premiums. In addition, the November 2017 update of the Québec Economic Plan provided for the broadening of eligibility for the supplement to the work premium for long-term recipients leaving last resort financial assistance.

— Ultimately, these enhancements represent an increase of \$126.3 million a year in the work incentive.

Lastly, the tax shield was introduced in the 2016 taxation year and has been enhanced on two occasions in the Québec Economic Plan. The tax shield allows households who increase their work effort to keep a larger portion of their work income by offsetting the reduction of certain socio-fiscal transfers.

— Ultimately, the tax shield represents a work incentive of \$74.8 million a year.

TABLE 5

Financial impact of the measures to foster participation in the labour market (millions of dollars)

	Before 2017- 2018	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Enhancements to the tax credit for experienced workers	-59.7	-71.8	-144.1	-144.9	-145.9	-146.9	-147.9	-861.2
Enhancements to the work premiums	-47.7	-48.3	-61.5	-93.6	-102.4	-114.1	-126.3	-593.9
Introduction of and enhancements to the tax shield	-30.9	-60.7	-72.1	-73.3	-73.7	-74.2	-74.8	-459.7
TOTAL	-138.3	-180.8	-277.7	-311.8	-322.0	-335.2	-349.0	-1 914.8

Note: The financial impact of certain measures may differ from the financial impacts initially announced because they have since been adjusted to take into account actual data and updated forecasts.

❑ Encouraging a better match between workers' qualifications and businesses' needs

Several measures have been provided for to ensure a better match between workers' qualifications and businesses' needs. These measures, which are being taken in concert with labour stakeholders and total \$1 billion, aim, in particular, to:

- ensure effective integration of workers into the labour market,
- foster ongoing training and skills development for employed workers,
- anticipate labour needs more effectively and ensure a better match between training and jobs in high-demand sectors.

TABLE 6

Financial impact of the measures to encourage a better match between workers' qualifications and businesses' needs since June 2014 (millions of dollars)

	Before 2017- 2018	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Ensuring effective integration of all Quebecers into the labour market	-30.1	-97.3	-85.2	-99.9	-97.5	-98.9	-53.9	-562.8
Fostering ongoing training and workers' skills	-2.0	-14.5	-25.4	-39.6	-48.1	-50.1	-32.4	-212.1
Anticipating labour needs and encouraging a better match between training and jobs	-42.1	-21.4	-40.7	-46.4	-30.8	-31.7	-30.1	-243.2
TOTAL	-74.2	-133.2	-151.3	-185.9	-176.4	-180.7	-116.4	-1 018.1

Measures taken in concert with the various stakeholders

In February 2017, the government held the Rendez-vous national sur la main-d'œuvre, which brought together representatives from various labour market constituencies in order to propose policy directions for the purpose of preparing the current and future workforce to meet the needs of the labour market.

The measures put in place under the Québec Economic Plan in order to respond to the challenges of the labour market flow, in particular, from the courses of action proposed during the Rendez-vous national sur la main-d'œuvre.

The Rendez-vous will serve to implement the 2018-2023 National Workforce Strategy. Additional investments of \$810 million are provided for that purpose in the March 2018 Québec Economic Plan.

■ Ensuring effective integration of all Quebecers into the labour market

More than \$560 million is being provided to encourage the hiring and retention of all job seekers, while enabling them to develop their full potential, in particular with appropriate assistance.

Among other things, initiatives to foster ongoing and effective labour market integration of immigrants have been implemented.

In addition, steps have been taken to make it easier to attract and retain international students, who form a quality, skilled and well-trained workforce.

Initiatives that are bearing fruit

The gap between the labour market situation of immigrants and that of people born in Canada has narrowed in recent years.

Here are a few examples of initiatives that are bearing fruit:

- The Employment Integration Program for Immigrants and Visible Minorities (PRIIME) offers financial support to businesses that hire immigrants or people from visible minorities. More than 1 300 people in over 1 100 businesses participated in PRIIME in 2016-2017, and nearly 90% of them subsequently obtained a full-time job.
- To date, over 5 000 immigrants and more than 1 000 businesses have taken part in the Interconnection program of the Chamber of Commerce of Metropolitan Montreal (CCMM). Thanks to the enhancement of the program, the number of new immigrants who will be able to contact employers in various activity sectors annually will increase from 1 000 to 3 000.
- In addition, due to the success of this latter initiative, an Interconnection program will be set up in Laval.

■ Supporting ongoing training and skills development for employed workers

Facilitating access to various training activities and supporting a culture of learning is beneficial for workers throughout their working life.

In all, the measures to support ongoing training and skills development for employed workers represent investments of over \$210 million. These investments are making it possible, in particular, to fund part-time vocational and technical training and offer small cohort training in the regions.

■ **Foreseeing labour needs more effectively and improving the match between training and jobs in sectors that are in demand**

More than \$240 million has been provided for in the Québec Economic Plan, particularly through bursaries, to promote workplace training.

In addition, investments are planned to gain a better understanding of labour needs so that government initiatives will be better tailored to those needs.

Fostering learning through internships

Drawing inspiration from the German dual model, the government has set the objective of increasing the supply of vocational and technical internships.

- This work-study model enables students, called “apprentices”, to receive company-based training in order to learn a trade, while taking theoretical courses in an educational institution.

Workplace learning provides leverage for revitalizing programs that are not attracting enough students, but that meet the critical needs of the future workforce.

Since the 2015-2016 school year, 14 technical programs of study have been or are being adapted to promote workplace learning as part of specific projects.

- Among the projects receiving support, ten are connected for the most part to the manufacturing sector and four to the services sector. In addition, nearly 130 businesses are associated with or have expressed their support for 14 projects with a view to taking on interns.

Twenty-six vocational training projects are under way.

Several other businesses, in particular those represented by the Manufacturiers innovants alliance, have displayed an interest in the development of this learning approach in Québec.

1.3 Renewed growth of exports

In 2016, the value of exports represented nearly 46% of Québec's GDP, making them a key lever of Québec's economic development.

In addition to supporting many quality jobs throughout the regions, exports showcase Québec's distinctive know-how and talent.

1.3.1 Stronger presence of Québec businesses on foreign markets

After stagnating in the years following the 2008-2009 recession, Québec exports have started to grow again.

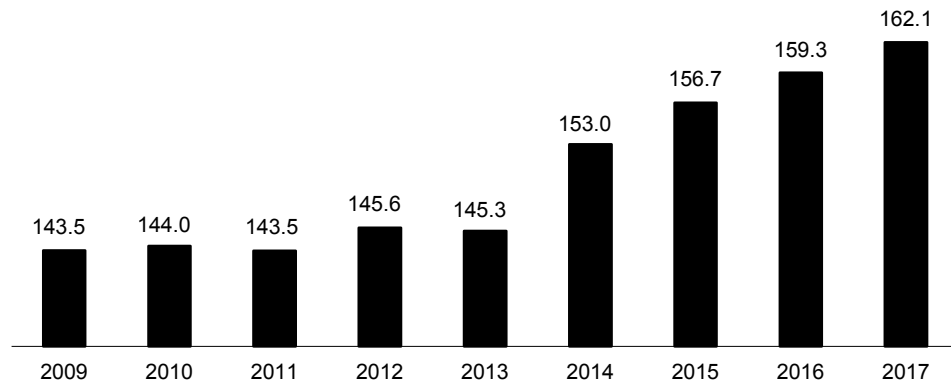
— Since 2014, exports in real terms have increased by 11.6%, or 2.8% on average per year.

This recovery in exports reflects faster growth in many activity sectors in Québec, including the primary and manufacturing sectors, which account for a large share of products intended for foreign markets.

CHART 8

Québec's total exports

(billions of 2007 dollars, in real terms)



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

1.3.2 Substantial support for the innovative manufacturing sector

To offer greater support to Québec manufacturers as they modernize and innovate, the government announced, in 2016, the implementation of the Manufacturing Initiative.

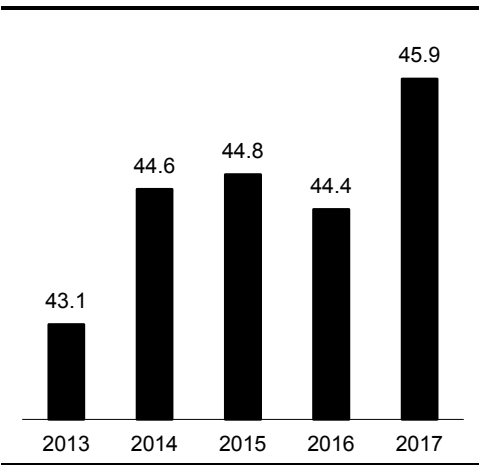
— The aim of the Manufacturing Initiative is to help manufacturing businesses to address the three main challenges facing the manufacturing sector: manpower resourcing, product and process innovation and exports.

As part of this initiative, a total envelope of \$825 million has been provided to promote the development of the innovative manufacturing sector in all regions of Québec.

The manufacturing sector is of vital importance for Québec's economic development, particularly because innovative manufacturing businesses are present throughout the regions and exports have enormous wealth creation potential. Moreover, the acceleration in manufacturing output over the past four years has occurred in conjunction with that of exports.

CHART 9

Manufacturing output in Québec
(billions of 2007 dollars, in real terms)

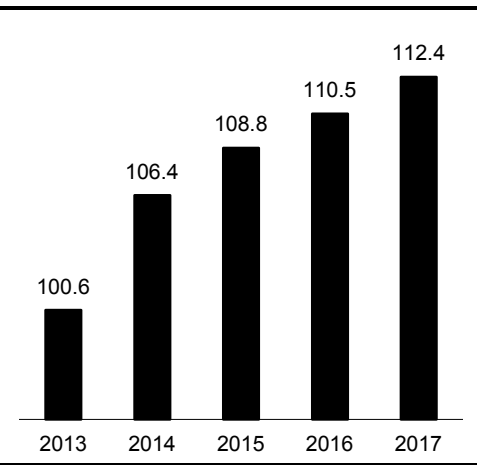


Note: The year 2017 corresponds to the average of available months, i.e. January to November. Data on a GDP basis, by industry at basic prices.

Sources: Institut de la statistique du Québec and Statistics Canada.

CHART 10

Goods exports in Québec
(billions of 2007 dollars, in real terms)



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

The Manufacturing Initiative

With a view to the transformation of the economy and in order to offer greater support to Québec manufacturers as they modernize and innovate, the government announced, in September 2016, the implementation of the Manufacturing Initiative.

This catalyst initiative launched by Investissement Québec and supported by numerous partners aims to encourage manufacturing businesses in all regions of Québec to embark upon the Industry 4.0 shift.

An initiative that targets ten priority solutions

The various partners of the Manufacturing Initiative have identified ten priority solutions to support and promote Québec's manufacturing sector. These solutions, listed below, have been designed by and for businesses:

- promote technical trades,
- adapt the dual model to the situation in Québec,
- offer diagnosis, certification and coaching 4.0 services,
- provide funding for manufacturing businesses,
- create a one-stop portal for businesses grouping all services for them in a single location,
- create an exporter network to discuss and share experiences,
- support local production,
- implement a targeted immigration strategy to offset labour shortages, particularly in the regions,
- train marketing specialists,
- implement collaborative technology showcases 4.0.

The Manufacturing Initiative aims to ensure the prosperity of Québec businesses by encouraging them to invest so that they can address the three main challenges they face:

- filling the skills gap and offsetting labour shortages,
- developing innovative processes and products,
- selling outside Québec.

Since the introduction of this initiative in 2016, 423 innovative projects totalling over \$3.2 billion have received funding. The implementation of these projects should create or maintain more than 7 300 jobs throughout Québec.

1.3.3 Initiatives that have enabled exporters to stand out on foreign markets

The government has introduced the 2016-2020 Québec Export Strategy to support Québec businesses in their efforts to capture foreign markets.

- The objectives of this strategy are to help SMBs fulfil their ambitions on foreign markets and enable them to grow.

Specific sectoral markets have been targeted in order to implement the strategy more effectively. As a result of its measures, it is possible to, in particular:

- better align Québec's offering with global business opportunities,
- tailor measures under government programs to the needs of businesses and to market realities,
- acquire deeper knowledge of high-potential international buyers to the benefit of Québec businesses as a whole.

In addition, various sectoral strategies provided for in the Québec Economic Plan, in particular, for the aerospace and aluminium sectors, have helped to support the development of Québec businesses that enjoy a strong presence on foreign markets.

☐ **A Québec export strategy with a budget of more than \$500 million**

With an envelope of over \$500 million, the 2016-2020 Québec Export Strategy is enabling Québec businesses to, in particular:

- develop a business strategy for outside,
- develop skills and obtain the financial means to market their products on foreign markets,
- obtain strategic information, acquire the necessary foreign certifications and use e-commerce as a strategy for penetrating foreign markets,
- gain easier access to government export-support services,
- showcase their innovative products targeting foreign markets,
- find good business partners, integrate supply chains and benefit from the visibility of Québec's strategic sectors.

The 2016-2020 Québec Export Strategy

Unveiled on October 24, 2016, the 2016-2020 Québec Export Strategy is helping Québec businesses to overcome the most demanding challenges on export markets, in particular, fierce international competition and the rapidly changing business environment.

The strategy aims to address the needs expressed by SMBs by offering them various means to develop their foreign markets, strengthening their ability to export and making it easier for them to implement their marketing projects outside Québec.

This strategy applies to all spheres of activity. However, it gives priority to 17 sectors that are considered promising on account of their business opportunities, ability to compete on foreign markets, number of jobs and role in positioning Québec internationally.

21 measures to support the ambitions of Québec SMBs

The strategy, comprising a total of 21 measures, is designed to help SMBs fulfil their ambitions on foreign markets and grow their businesses.

Specific foreign sectoral markets have been targeted in order to implement the strategy more effectively.

The Accelerated Growth Center, a new tool for Québec businesses

The Accelerated Growth Center (AGC), an innovative measure of the strategy, offers specialized services to Québec businesses that show their willingness to expand in the U.S. It offers them a platform that connects them to consultants in a range of activity sectors so that they can obtain strategic assistance geared to their specific needs.

❑ The 2016-2026 Québec Aerospace Strategy

In 2017, Québec's aerospace sector generated sales of \$14.4 billion and had 40 700 highly skilled jobs.

The 2016-2026 Québec Aerospace Strategy is helping to foster the long-term growth of the aerospace sector. This strategy has a funding envelope of \$250 million announced in the Québec Economic Plan to support the industry's growth, diversify the aerospace sector, encourage SMB growth and consolidation, and fund innovation.

— The strategy is expected to generate private and public investments totalling \$2.8 billion.

Its measures are already having positive results. They have enabled major investments, in particular:

- \$238 million by GE Aviation to modernize its plant in Bromont,
- \$159 million by MacDonald, Dettwiler and Associates Corporation for the creation of a centre of excellence in satellite manufacturing,
- \$30.8 million by AP&C for the construction of a second advanced powders plant in the Montréal region.

Other initiatives are part of the strategy, in particular:

- the creation of the Croissance Sécurité Défense Québec portal, which provides training to about 30 SMBs,
- the launching of Aéro Montréal's MACH-FAB 4.0 initiative, which is currently supporting 14 SMBs embarking on the Industry 4.0 shift,
- Phase 2 of the green aircraft catalyst project SA²GE, which when fully implemented will represent investments of \$80 million funded equally by the Québec government and industrial partners.

Opportunities to be seized thanks to the arrival of Airbus

The arrival of Airbus as a strategic partner in Bombardier's C Series program is a good way to ensure the future of the 2 000 jobs related to the C Series.

The agreement reached between Airbus and Bombardier consolidates not only the activities of Bombardier Aéronautique but also those of Québec's aerospace cluster as a whole, which comprises more than 40 000 workers.

The partnership announced makes Québec the largest Airbus development hub outside Europe. It also provides for a five-year extension, until 2041, of the continuity agreement that ensures the future of jobs at the Mirabel plant and keeps the head office of the limited partnership in Montréal.

The combination of the world's most innovative and high-performing aircraft, developed by Bombardier, and the market access provided by Airbus is an excellent growth opportunity for the C Series and Québec's aerospace sector.

❑ Québec Aluminium Development Strategy

Launched in June 2015, the Québec Aluminium Development Strategy aims, in particular, to support private investment projects in order to enhance the aluminium processing value chain.

The strategy received \$32.5 million to increase aluminium processing in Québec and support structuring projects that contribute to improving the aluminium value chain.

To ensure the continuity of measures under the Québec Aluminium Development Strategy, the March 2018 Québec Economic Plan is providing an additional \$33 million over the next three years to maintain its support for innovative projects in this sector, in particular AluQuébec's state-of-the-art aluminium smelter project.

Since the launching of the Québec Aluminium Development Strategy in 2015, commitments have been made for nearly 200 initiatives totalling nearly \$200 million in investments in projects related to business growth, research and innovation, exports and labour.

In addition, six large investment projects have been confirmed:

- an investment project of \$49 million by Raufoss Canada for the production of aluminium automobile suspension parts,
- an investment project of \$15.1 million by Verbom, announced on February 10, 2017, that aims to implement a new production chain for aluminium automobile body parts for Tesla's Model X.

A state-of-the-art aluminium smelter

The state-of-the-art aluminium smelter project, supported, in particular, by Québec's AluQuébec aluminium business cluster, is focused on integrating innovation into Québec's aluminium smelters. The aim of the new technologies developed is, in particular, to:

- significantly reduce GHG emissions related to aluminium production,
- reduce aluminium smelters' operating costs,
- increase aluminium smelter output.

Québec has key advantages when it comes to developing this new aluminium smelter model for the benefit of all the industry's stakeholders, in particular because of its expertise in artificial intelligence, automation and robotization.

Furthermore, one of the technologies that could generate substantial environmental and economic spinoffs for Québec is the use of inert anodes as a replacement for consumable carbon anodes. This technology, which is still in the development stage, would represent a major change in aluminium industry practices.

Accordingly, as part of the Québec Aluminium Development Strategy, the government will support research and development projects that help to modernize Québec's aluminium industry and to consolidate its position as one of the world's largest primary aluminium producers.

2. RESTORING A CLIMATE OF CONFIDENCE AND CONDUCTIVE TO INVESTMENT

The competitiveness and stability of the overall business environment are key determinants of sustainable economic and employment growth. Through its action, the government has restored investor confidence and implemented the necessary initiatives to:

- restore a business environment favourable to investment and growth of SMBs,
- modernize government action in the regions,
- support Quebecers’ creativity and spirit of innovation.

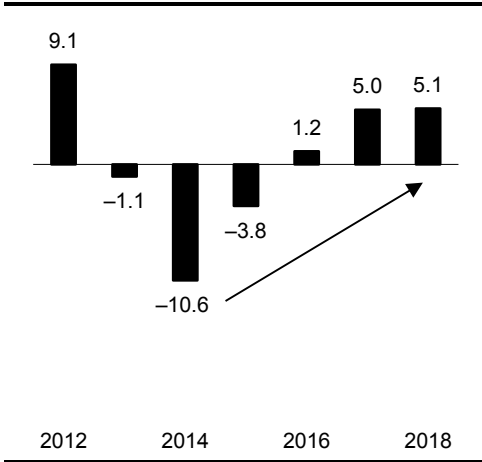
2.1 A business environment favourable to investment

In 2017, the measures put forward in the Québec Economic Plan helped business investment to post its strongest growth rate since 2012—5% in real terms.

- This growth was driven for the most part by a 9.1% increase in investments in machinery and equipment in 2017.

CHART 11

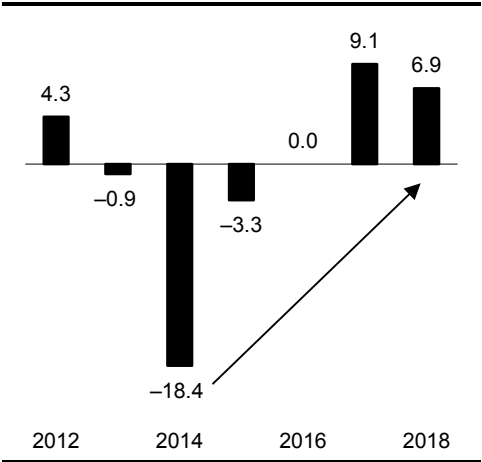
Total non-residential business investment in Québec
(percentage change, in real terms)



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

CHART 12

Investment in machinery and equipment in Québec
(percentage change, in real terms)



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

❑ Competitive location and operating costs

Québec is one of the jurisdictions with the most competitive business location and operating costs.

— According to the most recent available data, Québec ranks second among 12 jurisdictions compared in the world.

In 2017, the average cost observed in Québec was:

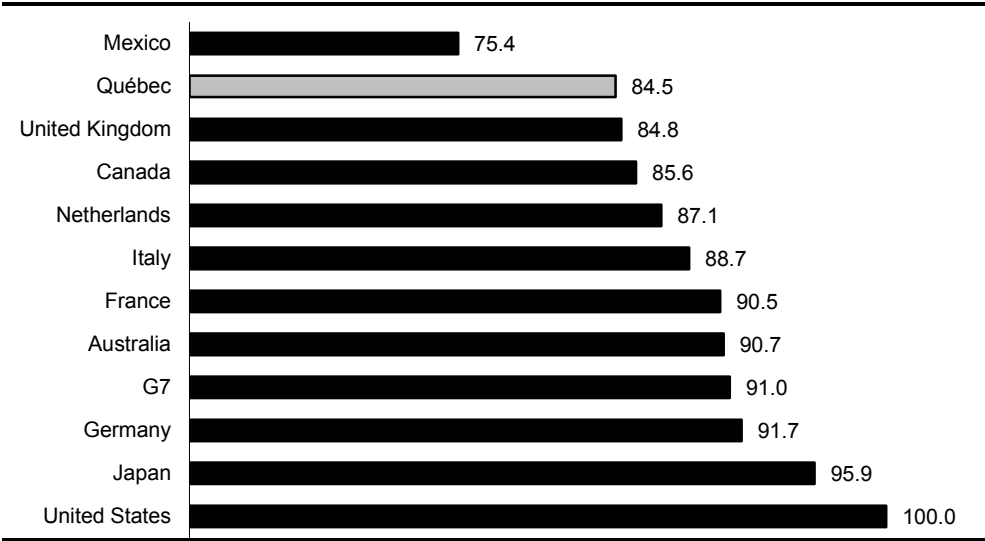
- 1.1 points lower than that observed in Canada,
- 6.5 points lower than that observed among the G7 countries,
- 15.5 points lower than that observed in the United States.

Since 2013, the business climate has improved significantly in Québec, while the average location and operating cost index has fallen by 10.3 points, from 94.8 to 84.5.

CHART 13

Average business location and operating costs

(average for 19 service and manufacturing sectors, index: United States = 100)



Sources: KPMG Competitive Alternatives model and Ministère des Finances du Québec.

2.1.1 Significant reduction in the tax burden on businesses

A competitive business tax system is crucial to creating a business climate that helps to stimulate investment.

The Québec Economic Plan has introduced measures of general application to ease the tax burden on businesses and thereby enable as many of them as possible to benefit.

Overall, the measures to reduce the tax burden on businesses announced in the Québec Economic Plan will represent more than \$6 billion by 2022-2023, including over \$4.1 billion for SMBs.

— Ultimately, this decrease represents an annual reduction of over \$1.2 billion in the tax burden on businesses.

TABLE 7

Reduction of the tax burden on businesses stemming from the measures of general application announced in the Québec Economic Plan (millions of dollars)

	Annual amount on full implementation	Total ⁽¹⁾
Reduction of the tax burden on SMBs		
– Reduction of the Health Services Fund contribution for all Québec SMBs ⁽²⁾	-537	-2 517
– Reduction of the tax rate for SMBs as a whole from 8% to 4%	-347	-1 455
– Additional deduction for the transportation costs of remote manufacturing SMBs	-22	-155
Subtotal – SMBs	-906	-4 127
Measures targeting all businesses		
– Gradual reduction of the general corporate income tax rate	-164	-725
– Additional capital cost allowance to support the acquisition of cutting-edge technologies	-8	-406
– Deduction for innovative companies	-66	-258
– Other measures	-105	-571
Subtotal – All businesses	-343	-1 960
TOTAL	-1 249	-6 086

Note: Totals may not add due to rounding.

(1) Financial impact for the period from 2014-2015 to 2022-2023.

(2) Financial impact net of the refocusing of the small business deduction.

❑ **Reduction of the tax burden on SMBs**

The government has made reduction of the tax burden on SMBs one of its priorities by announcing initiatives to reduce their tax load significantly, in particular through:

- a reduction of the tax rate for SMBs as a whole 8% to 4%;
- a gradual reduction of the Health Services Fund (HSF) contribution for all SMBs, which, by 2022, will lower the rate to:
 - 1.25% for SMBs in the primary and manufacturing sectors, representing a decrease of nearly 55% in the contribution rate,
 - 1.65% for SMBs in the service and construction sectors, representing a decrease of nearly 40% in the contribution rate,
- an increase of \$7 million in the total payroll threshold giving entitlement to the reduced HSF contribution rate for SMBs,
- introduction of an HSF contribution holiday for SMBs that hire specialized worker.

❑ **A reduction of the tax burden for all businesses**

In addition to the measures to reduce the tax burden on SMBs, the government has announced initiatives targeting all businesses in order to encourage job creation, innovation and investment, in particular:

- a gradual reduction of the general tax rate from 11.9% to 11.5% by 2020,
- a deduction for innovative companies to encourage the marketing and manufacturing in Québec of innovations designed by businesses,
- an additional capital cost allowance to support the acquisition of cutting-edge technologies,
- introduction of a new and improved tax holiday for large investment projects and broadening it to include the development of digital platforms.

☐ **A tax rate that is competitive compared to the Canadian average**

Québec businesses enjoy one of the lowest general tax rates in Canada.

- In 2018, Québec businesses are subject to a general tax rate of 11.7%, which is lower than the Canadian average of 13.4%.
- In 2020, once the general tax rate has been reduced to 11.5%, Québec businesses will enjoy a tax rate equivalent to that applicable in Ontario, which is the lowest rate in effect in Canada.

TABLE 8

General corporate income tax rate (per cent)

	2018	2020
Ontario	11.5	11.5
Québec	11.7	11.5
British Columbia	12.0	12.0
Alberta	12.0	12.0
Manitoba	12.0	12.0
Saskatchewan	12.0	12.0
New Brunswick	14.0	14.0
Newfoundland and Labrador	15.0	15.0
Nova Scotia	16.0	16.0
Prince Edward Island	16.0	16.0
Federal	15.0	15.0
Canadian average⁽¹⁾	13.4	13.4

(1) Canadian average excluding Québec and the federal government.

Sources: Canada Revenue Agency, finance departments of the other provinces and compilation by the Ministère des Finances du Québec.

❑ A tax system favourable to investment

Québec businesses operate under a tax system that is favourable to investment.

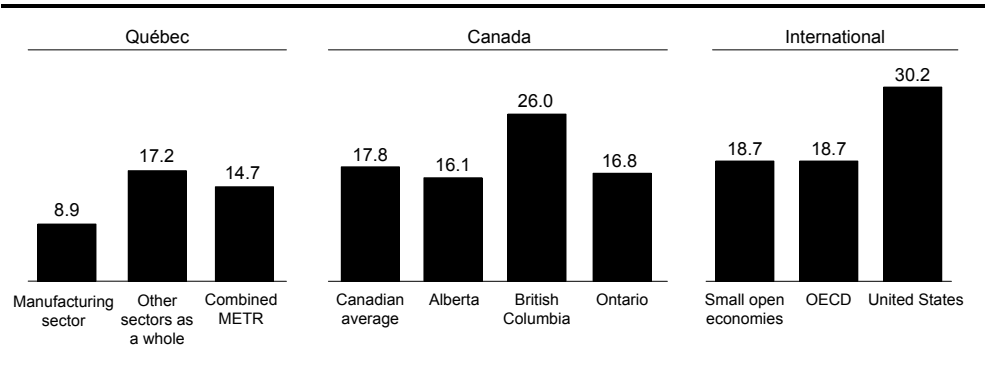
In 2017, Québec's marginal effective tax rate (METR) on investment was lower than the Canadian average and compared favourably internationally.

In 2017, the average METR for all sectors in Québec was 14.7%, compared to:

- 16.1% in Alberta,
- 26% in British Columbia,
- 16.8% in Ontario,
- 17.8% on average in Canada.

CHART 14

Marginal effective tax rates on investment⁽¹⁾ – 2017
(per cent)



(1) METRs provide a measure of the impact of the tax system on new investments. They represent the effect of all tax expenses and rules affecting the return on capital invested. In particular, they take into account the tax on capital, sales tax, corporate income tax, depreciation rules and rates as well as accounting methods for inventory.

2.1.2 Renewed infrastructure for the benefit of Quebecers and the economy

The government's investments in Québec's public infrastructure tie into the priority initiatives implemented to meet Québec's infrastructure needs and support its economic growth in order to ensure the continuation of quality services to the public.

The renewal and development of public infrastructure will support the needs of private businesses, create quality jobs, meet future educational, healthcare and public transit needs, as well as provide access to a quality road network.

- Public infrastructure investment is the cornerstone of productivity growth in that it ensures, in particular, the flow of freight and passenger transportation and promotes the training of a skilled labour force.

❑ A high level of capital investments

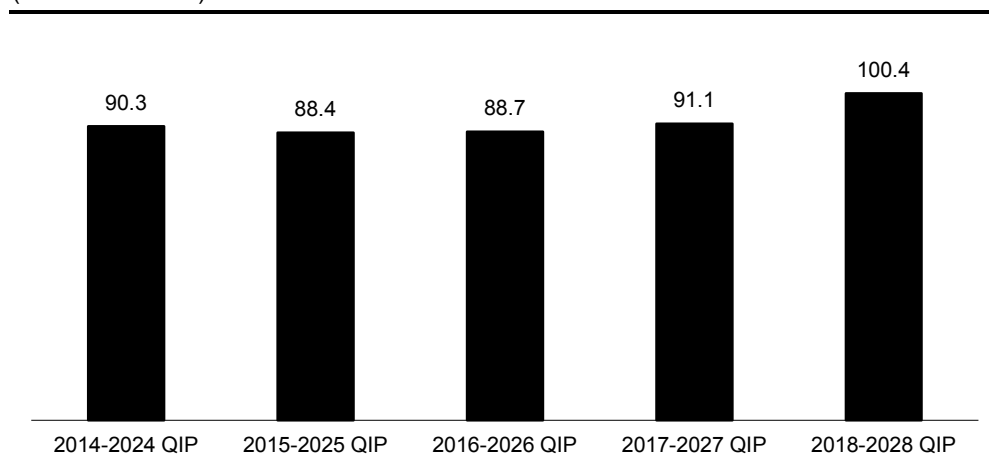
Since 2014, the government has carefully planned infrastructure investments under Québec infrastructure plans (QIPs).

- This sound planning of infrastructure investments has made it possible to set high and stable levels of investment.

Sound management of public finances has improved the financial situation and thus enabled massive investment in Québec's infrastructure. It has also enabled investments under the 2018-2028 QIP totalling \$100.4 billion, a record high.

CHART 15

Investments under Québec infrastructure plans (billions of dollars)



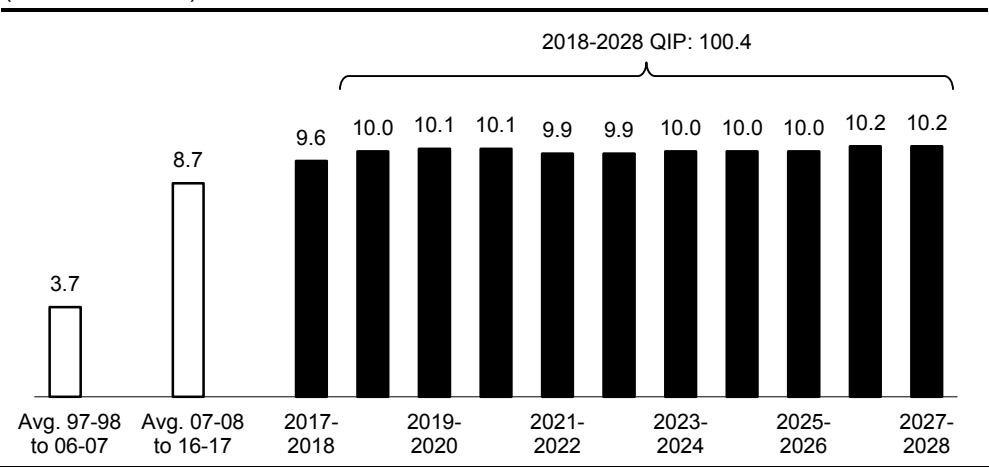
❑ **The 2018-2028 Québec Infrastructure Plan**

The 2018-2028 Québec Infrastructure Plan is providing for investments of \$100.4 billion over the next ten years.

- This means that, by 2028, more than \$10 billion will be invested per year on average by the government in Québec’s infrastructure to meet a range of needs, particularly in the education, health and social services, road network, and public transit sectors.

CHART 16

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



■ Breakdown of investments under the 2018-2028 Québec Infrastructure Plan by sector

A total of \$20 billion will be allocated to the road network, \$18.7 billion to the health and social services sector, \$16.2 billion to the education and higher education sectors and \$9.2 billion to municipal, sports, community and recreational infrastructure.

TABLE 9

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

	2018-2019		2018-2028	
	\$million	Share in %	\$million	Share in %
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 types of 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 ⁽¹⁾	10.0	0.1	9 900.9	9.9
TOTAL	10 029.2	100.0	100 400.0	100.0

Note: Totals may not add due to rounding.

(1) Amounts required to eventually fund and implement, among initiatives under study, ones that will be recognized and prioritized by the government.

2.1.3 Support for economic projects in all regions

In addition to providing an overall environment that is favourable to investment growth, the government has tools to support the implementation of major investment projects in all regions of Québec.

The government can take steps to satisfy the financing needs of businesses in the different regions through Investissement Québec and its network of regional offices.

Tax-advantaged funds—Fonds de solidarité FTQ, Fondation and Capital régional et coopératif Desjardins—are an important component of initiatives to support regional economic development, thanks, in particular, to the tax credit attributed by the government to shareholders of these funds.

To complement this support, the government has introduced new measures to support businesses that invest, namely:

- two electricity discount programs providing for an enhancement in the case of large investment projects,
- an improved tax holiday for which eligibility has been broadened to include digital platform projects.

These new initiatives are now major economic policy tools that enable Québec to stand out from other jurisdictions when it comes to incentives for new investments.

❑ Substantial support for the implementation of investment projects

Since 2014, investment projects in all regions of Québec have enjoyed direct and indirect government support:

- nearly \$29.1 billion through transactions by Investissement Québec,
- over \$4 billion through investments by Québec's tax-advantaged funds,
- more than \$1.7 billion through electricity discount programs,
- close to \$15 billion through the improved tax holiday for large investment projects.

❑ Investissement Québec, the government's financial arm

To support business development, the government acts, in particular, through its financial arm Investissement Québec.

- Investissement Québec's mission is to contribute to the economic development of Québec and support employment in all of its regions.

Investissement Québec's financial transactions with businesses can take the form of non-refundable financial contributions, loans, loan guarantees and equity stakes funded:

- from its own equity,
- or through its activities as a mandatary of the government.

Funds managed by Investissement Québec

Economic Development Fund

As a mandatary of the government, Investissement Québec makes investments through the Economic Development Fund.

The fund is dedicated to administering and paying any financial assistance provided under a program developed or designated by the government and any financial assistance granted by Investissement Québec in carrying out a mandate it is given by the government.

Mining and Hydrocarbon Capital Fund

Investissement Québec, through its subsidiary Ressources Québec, is in charge of managing the Mining and Hydrocarbon Capital Fund, whose name will be changed to Capital Mines Énergie.

With an envelope of \$1 billion, this fund is intended to acquire equity stakes primarily in businesses that mine mineral substances forming part of the domain of the State.

■ More than \$7.2 billion in transactions throughout Québec

Between April 1, 2014 and December 31, 2017, financial transactions by Investissement Québec totalled over \$7.2 billion:

- nearly \$1.2 billion in 2014-2015,
- close to \$2.9 billion in 2015-2016,
- more than \$1.7 billion in 2016-2017,
- nearly \$1.5 billion for the period from April 1, 2017 to December 31, 2017.

Since April 1, 2014, financial transactions by Investissement Québec have provided support to 5 576 projects valued at nearly \$29.1 billion.

These financial transactions have supported projects that will contribute to the creation or support of more than 51 000 jobs in all regions of Québec.

TABLE 10

Financial transactions by Investissement Québec – April 1, 2014 to December 31, 2017

(millions of dollars, unless otherwise indicated)

	Transactions by Investissement Québec ⁽¹⁾		Projects ⁽¹⁾	Jobs ⁽¹⁾
	Number	Value	Value	Number
April 1, 2014 to March 31, 2015 ⁽²⁾	1 363	1 162	7 849	11 394
April 1, 2015 to March 31, 2016	1 309	2 879	7 796	12 970
April 1, 2016 to March 31, 2017	1 522	1 703	6 629	13 611
April 1, 2017 to December 31, 2017	1 384	1 457	6 787	13 328
TOTAL	5 576	7 201	29 061	51 303

Note: The government's equity stakes in the capitalization of investment funds through the Economic Development Fund are excluded.

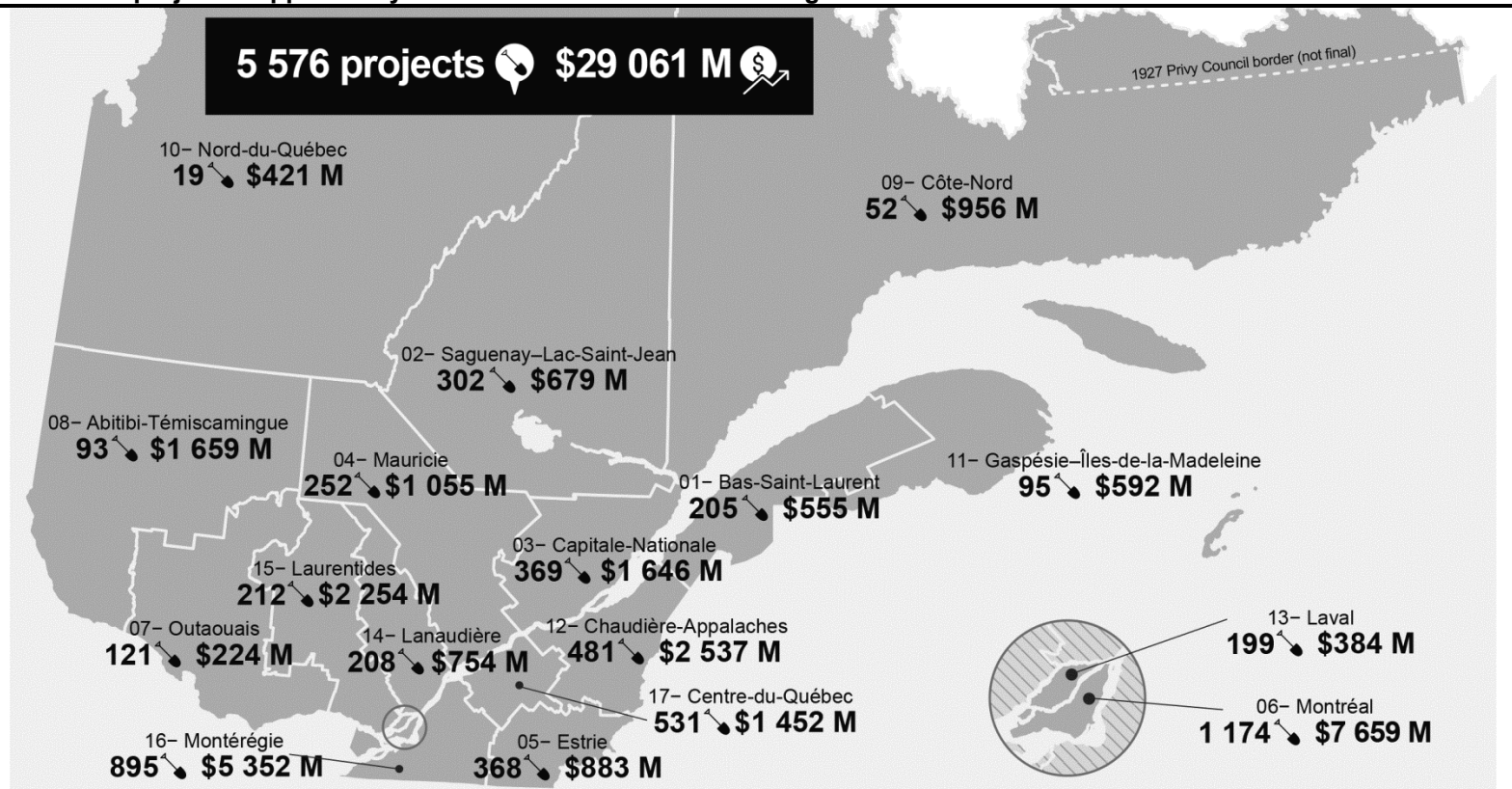
(1) The value of projects and number of jobs do not equal the sum of their components. They have been adjusted to avoid double-counting projects funded through both Investissement Québec's own equity and through its activities (Economic Development Fund and the Mining and Hydrocarbon Capital Fund, whose name will be changed to Capital Mines Énergie).

(2) The Economic Development Fund data for fiscal 2014-2015 includes equity stakes in the mining and hydrocarbon sector before the creation of the Mining and Hydrocarbon Capital Fund.

Source: Investissement Québec.

ILLUSTRATION 1

Investment projects supported by Investissement Québec in the regions



Source: Investissement Québec.

❑ Working with strategic partners

Support for tax-advantaged funds is an important component of the policies deployed by the government to support Québec companies. These funds are:

- the Fonds de solidarité FTQ,
- Fondation,
- Capital régional et coopératif Desjardins.

In exchange for tax benefits, the tax-advantaged funds must comply with an investment standard according to which a certain percentage of their portfolio must be invested in eligible entities, particularly SMBs.

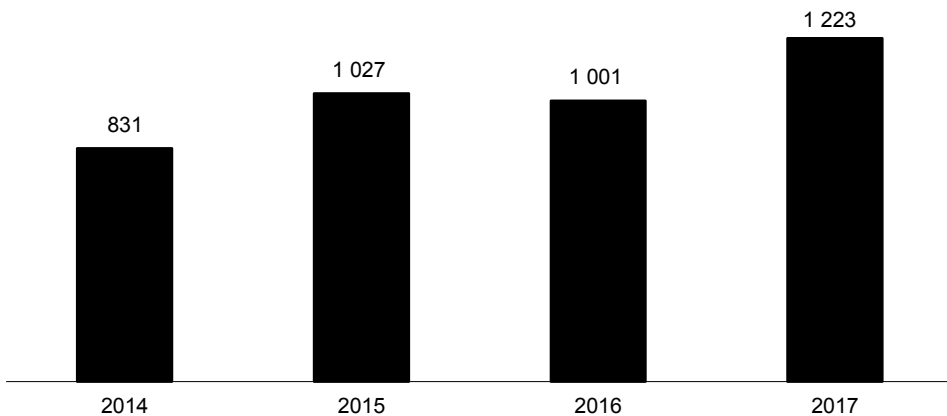
- This standard is intended to ensure that the funds raised with government assistance are used as a financing tool that contributes to the growth of Québec businesses.

Under the Québec Economic Plan, the government has provided that the investment standard of the three funds would gradually increase from 60% à 65% in order to increase their contribution to Québec's economic development.

- In 2017, over \$1.2 billion were invested by the tax-advantaged funds in businesses that have an impact on the Québec economy.

CHART 17

Investments of the three tax-advantaged funds with an impact on the Québec economy, 2014 to 2017 (millions of dollars)



Sources: Annual reports of the tax-advantaged funds, for fiscal years ending in the calendar year.

❑ **Electricity discount programs to stimulate investment**

The government has set up two electricity discount programs under the Québec Economic Plan:

- Electricity Discount Program Applicable to Consumers Billed at Rate L,
- Electricity Discount Program to Promote Greenhouse Development.

Through these programs, businesses that carry out one or more eligible investment projects can receive government assistance in the form of reduced electricity costs in their establishments.

Major industrial companies and greenhouse operators can file an application under these electricity discount programs, for which the eligibility period will end on December 31, 2018.

■ **Acceleration of investments by major industrial companies**

When the Electricity Discount Program Applicable to Consumers Billed at Rate L was launched in the March 2016 Québec Economic Plan, it was expected to generate investments of up to \$2.6 billion by December 31, 2020.

As at March 15, 2018, some forty businesses had filed applications relating to projects representing total investments of nearly \$1.7 billion, in 13 activity sectors.

Therefore, the applications filed in one and a half years represent 65% of this measure's investment target.

The investment projects for which an application has been filed under the electricity discount program are expected to create and support nearly 5 000 jobs, particularly in the construction and acquisition of machinery and equipment.

TABLE 11

Summary of eligibility applications by major industrial companies under the electricity discount programs

Activity sectors	Number of businesses	Investments (\$million)
Wholesale trade	1	60.2
Mining extraction and quarry operations – Primary metal processing	11	538.1
Food manufacturing	3	45.5
Beverage and tobacco product manufacturing	2	55.4
Transportation equipment manufacturing	2	108.2
Chemical manufacturing	5	70.6
Computer and electronic product manufacturing	2	30.3
Metal product manufacturing	2	7.0
Non-metallic mineral product manufacturing	1	7.4
Paper manufacturing	7	589.4
Forestry and logging	3	31.2
Wood product manufacturing	5	146.5
TOTAL	44	1 689.8

■ Promoting greenhouse development

Greenhouses are one way to develop agriculture in Québec, since they offer conditions adapted to growing food in regions less suitable for traditional field-based farming. In addition, greenhouse production enables Quebecers to buy and consume high-quality local products throughout the year.

The March 2017 Québec Economic Plan introduced a new electricity discount to foster investment in the greenhouse sector.

When it was announced, the Electricity Discount Program to Promote Greenhouse Development was expected to generate investments of up to \$13.5 million by December 31, 2020.

As at March 15, 2018, applications had been filed for projects totalling \$27.7 million in investments, representing more than twice the measure's investment target.

❑ A tax holiday to attract major investment projects

On February 10, 2015 the government introduced an improved tax holiday for large investment projects.

The aim of the tax holiday is to stimulate and accelerate major investments in Québec in order to create jobs and foster economic development.

This measure includes a sliding eligibility scale to take into account the economic reality of the regions.

■ Projects totalling \$15.4 billion

The Ministère des Finances has issued 28 qualification certificates relating to the enhanced tax holiday for large investment projects since this measure was introduced. These 28 projects represent investments totalling \$15.4 billion. Of that number:

- 22 projects will lead to activities in the manufacturing sector,
- 3 projects are in the data processing and hosting sector,
- 3 projects are focused on wholesale trade and storage activities.

Most of the projects will be carried out in the regions and target, in particular, the natural resource processing sector. These large-scale projects, which will total \$13.2 billion will create quality jobs and constitute major clients for Québec suppliers.

TABLE 12

Number of large investment projects holding an initial qualification certificate for the tax holiday

	Major urban centres	Regions ⁽¹⁾	Total
Manufacturing	5	17	22
Data processing and hosting	2	1	3
Wholesale trade	—	2	2
Storage	—	1	1
TOTAL	7	21	28
Total investments (billions of dollars)	2.2	13.2	15.4

(1) All regions of Québec except for the Capitale-Nationale and Montréal regions.

■ Major economic spinoffs

All of these projects are expected to support nearly 9 400 jobs per year during the construction and equipment purchasing phases.

Once the projects have been fully implemented, the operating activities stemming from them will lead to:

- the creation of more than 9 000 direct jobs,
- the maintenance of over 10 000 indirect jobs in Québec,
- an annual contribution of roughly \$3.2 billion to GDP.

The economic impacts of these projects will generate net tax benefits of about \$3.9 billion.

2.2 Encouraging the startup and growth of SMBs

Entrepreneurship contributes to the creation of jobs and wealth, the dissemination of innovation, and the stimulation and diversification of Québec's regional economies.

SMBs are key drivers of Québec's economic growth.

- 99% of Québec's businesses are SMBs and they account for two thirds of the province's jobs.

☐ **SMBs: confident and growing**

Since 2014, Québec-based SMBs have taken advantage of the improved business climate to expand.

Furthermore, most recent reports show very encouraging signs for entrepreneurship:

- entrepreneurs are confident: they are investing and hiring workers,
- interest in entrepreneurship is growing strongly in Québec, particularly among young people.

☐ **\$7.3 billion to support SMBs**

In recognition of their importance for Québec's economy, the government is creating a business climate under the Québec Economic Plan that will encourage SMB startup and growth across the province.

Since 2014, measures implemented within the framework of the Québec Economic Plan translated into direct financial support for SMBs in Québec totalling \$7.3 billion by 2022-2023. This assistance is primarily to:

- reduce the tax burden on SMBs,
- provide adequate funding at all development stages,
- support potential entrepreneurs, especially young ones, by making it easier to start new businesses or encouraging a new generation of Quebecers to take over existing SMBs,
- favour the emergence of tomorrow's corporate giants.

Assistance to SMBs under the Québec Economic Plan

One of the priorities of the Québec Economic Plan is to encourage the growth of Québec SMBs, which are key drivers of our economy.

The government has created initiatives to help make them more competitive and allocate more resources to growth.

The government will have provided \$7.3 billion in financial support for Québec SMBs from June 2014 to 2022-2023, including:

- \$4.1 billion to reduce the tax burden on SMBs, in particular by reducing the contribution to the Health Services Fund (HSF), reducing the tax rate from 8% to 4%,
- \$0.5 billion to improve SMBs' tax system, primarily through tax relief for the transfer of family businesses,
- \$1 billion in budgetary assistance measures for SMBs, particularly the creation of a new entrepreneurship action plan and the new Cooperative Buyout Support Program,
- \$1.7 billion in initiatives to give SMBs greater access to investment capital, especially for development funds.

Assistance to SMBs under the Québec Economic Plan

(billions of dollars)

	Total
Reduction in the tax burden on SMBs	4.1
Improvement of SMBs' tax system	0.5
Budgetary assistance measures for SMBs	1.0
Initiatives to give SMBs greater access to investment capital ⁽¹⁾	1.7
TOTAL	7.3

(1) Estimate of the overall capitalization resulting from initiatives since 2014.

❑ Québec SMBs are the most confident in the country

The monthly Business Barometer published by the Canadian Federation of Independent Business (CFIB) measures how confident Canadian SMBs are in their future.

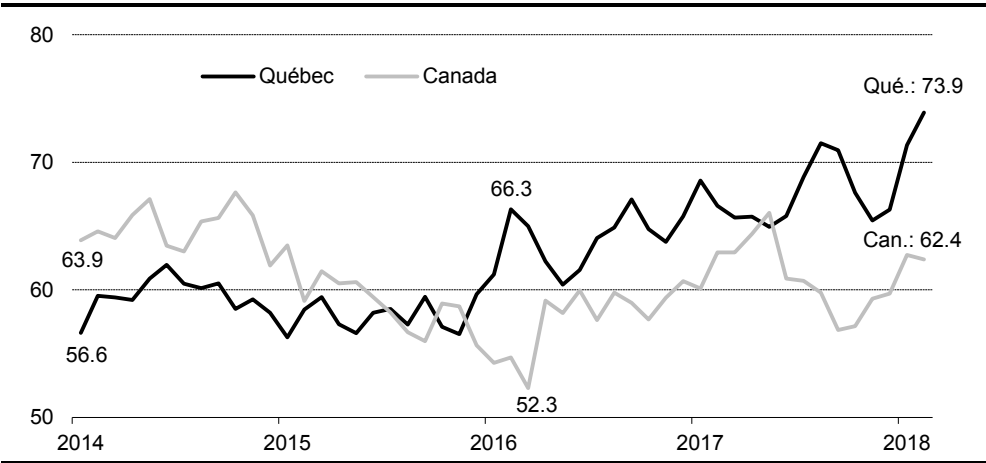
Its most recent survey in February 2018 puts Québec SMB owners in first place with a score of 73.9, close to the record high in December 2002 (75.0) and ahead of the rest of Canada by almost 12 points.

Hiring intentions are very strong, with 31% of Québec SMB owners planning to hire new staff in February.

— Overall, two-thirds of them say business is good, which is a record at the national level.

CHART 18

The CFIB Business Barometer index over the years
(index changing from 0 to 100)



Source: Canadian Federation of Independent Business.

❑ Quebecers—especially young ones—are strongly inclined toward entrepreneurship

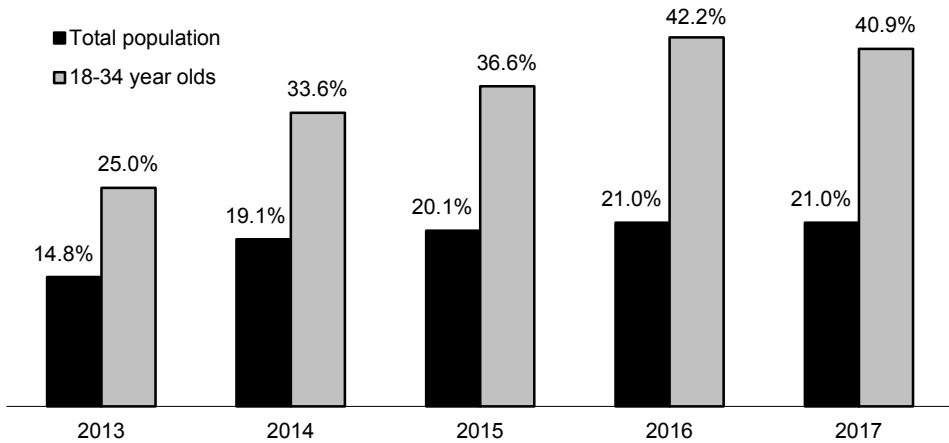
The most recent edition of the Quebec Entrepreneurship Index shows that Quebecers have a growing interest in starting businesses.

- In 2017, 21% of the Québec population intended to go into business, compared to 14.8% in 2013 (+ 42%).
- Among Quebecers aged 18 to 34, the rate went from 25% in 2013 to 40.9% in 2017 (+ 64%), which shows the growing interest in entrepreneurship among young people.

With the return of a climate of confidence, Québec's business dynamism is on the upswing, propelled by a growing number of individuals who intend to create or take over businesses in the coming years.

CHART 19

The Quebec Entrepreneurship Index over the years



Source: Fondation de l'entrepreneuriat.

2.2.1 **SMBs: full steam ahead**

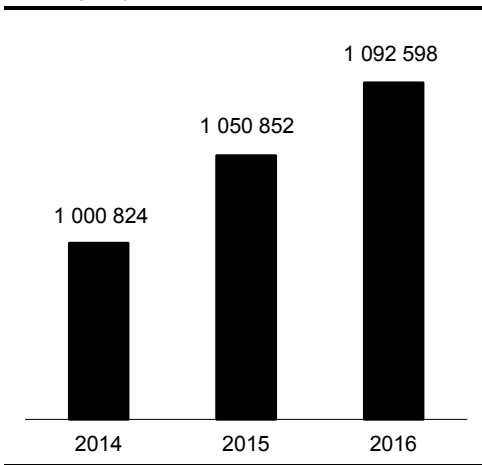
Québec SMBs have taken advantage of the improved business climate and significant development assistance measures under the Québec Economic Plan to expand.

From 2014 to 2016:

- average sales of Québec SMBs went from \$1 million to \$1.1 million, an increase of 9.2%,
- the Québec SMB payroll went from \$359 374 to \$388 266, an increase of 8%.

CHART 20

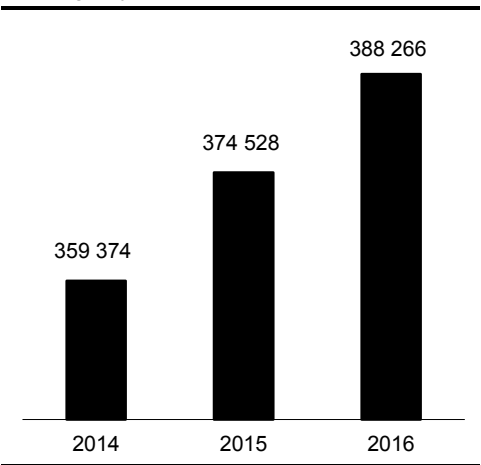
Québec SMB sales
(average by business, in dollars)



Note: A company is considered to be an SMB if its assets and sales are lower than \$50 million.
Sources: Revenu Québec and the Ministère des Finances du Québec.

CHART 21

Québec SMB payroll
(average by business, in dollars)



Note: A company is considered to be an SMB if its assets and sales are lower than \$50 million.
Sources: Revenu Québec and the Ministère des Finances du Québec.

Entrepreneurial vitality to renew Québec's large businesses

The ability of Québec entrepreneurship to refresh its pool of large businesses is a key factor in the vitality of Québec's economy.

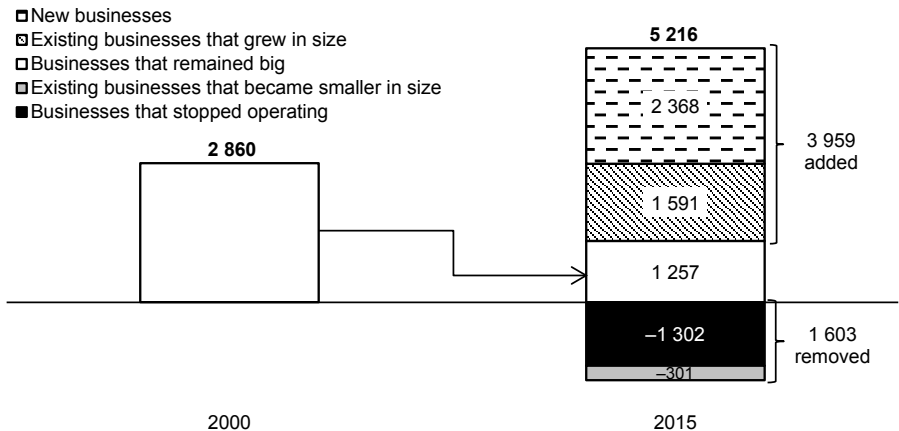
The data shows that Québec's economy is dynamic, it can create new businesses with high growth potential and grow them into large businesses.

- From 2000 to 2015, the number of large businesses in Québec increased from 2 860 to 5 216.

3 959 companies became large businesses during that time, while 1 603 companies left those ranks.

- For every company that left the ranks of large businesses, more than two others joined.

Increase in the number of large businesses due to the dynamic Québec economy (number of companies)



Note: A company is considered large when it has \$50 million or more in assets or sales.
Sources: Revenu Québec and the Ministère des Finances du Québec.

2.2.2 Actions to meet entrepreneurs' priorities

The government wants entrepreneurs to be able to take advantage of a business climate that promotes the creation and growth of Québec businesses by instituting a competitive environment.

Entrepreneurs' priorities are clear:

- tax relief for SMBs,
- less government regulation and bureaucracy.

In the current demographic context, it is also very important to properly plan business successions.

- As entrepreneurs get older, the number of Québec businesses put up for sale or transferred is expected to surge in coming years.

The government is acting to meet entrepreneurs' needs by creating initiatives under the Québec Economic Plan that address SMBs' major issues.

Québec SMBs' priorities	
In June 2014, the government started addressing the two major priorities of close to 80% of Québec SMBs:	
<ul style="list-style-type: none">– reducing the tax burden on SMBs, including payroll taxes (79%) and corporate income taxes (59%),– less government regulation and bureaucracy.	
Québec SMBs' priorities – 2014	
Main SMB issues	
Overall tax burden	79%
Government regulation and bureaucracy	79%
The most detrimental taxes for SMBs	
Payroll taxes	79%
Corporate income tax	59%
Note: Respondents were asked to choose all pertinent answers.	
Source: Canadian Federation of Independent Business survey on taxation in Québec, 2014.	

❑ Significant tax relief for SMBs

In response to Québec SMBs' concerns, which consider payroll taxes to be the most detrimental for growth, the government has significantly reduced the Health Services Fund (HSF) contribution by:

- reducing HSF contribution rates for SMBs in all sectors:
 - by close to 55% for the primary and manufacturing sectors,
 - by close to 40% for the services and construction sectors,
- increasing to \$7 million the payroll threshold under which the HSF contribution is reduced for SMBs,
- introducing a HSF contribution holiday for the hiring of specialized workers in SMBs, this will be in effect until the end of 2020.

The government has also made significant efforts to reduce SMB corporate income tax by:

- halving the tax rate for all Québec SMBs from 8% to 4%,
- introducing further reductions for transportation costs incurred by manufacturing SMBs.

TABLE 13

Evolution of the tax system parameters for SMBs

	Before June 2014	On full implementation	Difference
HSF contribution			
– Rates for the primary and manufacturing sectors	2.70%	1.25%	–54%
– Rates for the services and construction sectors	2.70%	1.65%	–39%
– Payroll threshold for lower tax rates ⁽¹⁾	\$5.0 million	\$7.0 million	+40%
Income tax			
– Rates for all sectors	8.0%	4.0%	–50%

(1) Starting in 2023, the threshold will be adjusted annually to match the indexation rate set out in the tax system, which takes into account wage growth.

■ **A reduction of more than \$900 million per year in the tax burden on SMBs**

The government has made it a priority to lower the tax burden on SMBs.

The government initiatives under the Québec Economic Plan will bring \$4.1 billion of relief to SMBs by 2022-2023.

Overall, the tax burden of SMBs will be reduced by more than \$900 million a year.

TABLE 14

Tax relief measures for SMBs under the Québec Economic Plan
(millions of dollars)

	Annual on full implementation	Total ⁽¹⁾
HFS contribution reduction ⁽²⁾	537	2 517
Income tax reduction	369	1 610
TOTAL	906	4 127

(1) Financial impact is for the period from 2014-2015 to 2022-2023.

(2) Net of the small business deduction concentration.

❑ Less regulation and bureaucracy for SMBs

We have made significant efforts in recent years to smooth the business climate and reduce the amount of regulation and bureaucracy imposed on businesses, especially SMBs.

Overall, bureaucratic costs were reduced 21.8% from 2004 to 2015, exceeding the 20% goal the government had set itself.

Measures have been taken under the Québec Economic Plan to further reduce the regulatory and bureaucratic burdens on businesses, including:

- setting up the Comité-conseil sur l'allègement réglementaire et administratif (Advisory council on the easing of regulation and bureaucracy) to advise the government on how to reduce the regulatory and bureaucratic burdens on businesses,
- creating Entreprises Québec, a one-stop service to meet the needs of Québec businesses, and making it easier to access all government services.

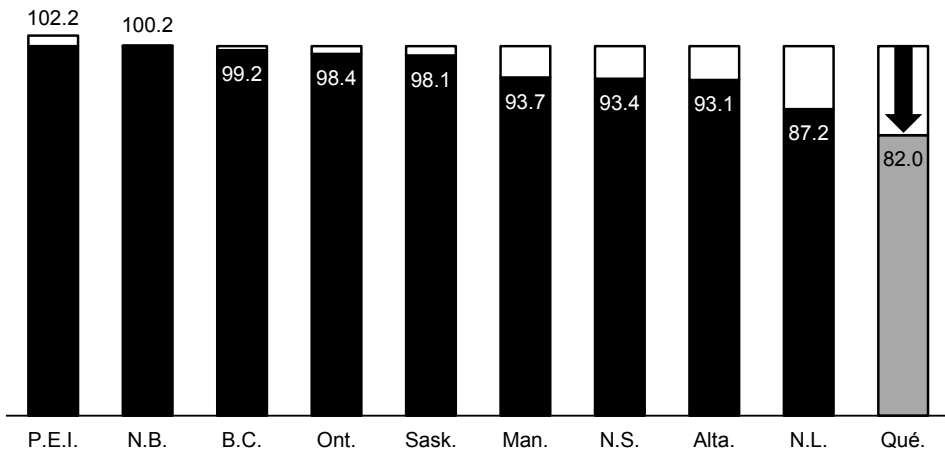
Those initiatives put Québec in the lead throughout Canada in terms of reducing the costs of regulations on businesses.

- According to a CFIB survey, the total cost of regulation declined 18% in Québec from 2014 to 2017, compared to only 2.8% in the rest of Canada.

CHART 22

Bureaucratic costs for businesses – 2017

(2014 index = 100)



Sources: Canadian Federation of Independent Business and Ministère des Finances du Québec.

Measures to ease regulation and bureaucracy for SMBs

As part of the Québec Economic Plan, the government has implemented measures aimed at reducing the regulatory and bureaucratic burden of SMBs, such as:

- an amendment to the *Act to promote workforce skills development and recognition* to raise the payroll liability threshold from \$1 million to \$2 million,
- a \$10 000 to \$65 000 increase to the logging tax exemption threshold, which will reduce red tape and tax-related costs for SMBs involved in the forestry sector,
- simplification of assistance measures for mineral exploration, particularly by reducing administration timelines,
- legislative changes to reduce red tape for bar and restaurant owners,
- adjustments to the selection criteria and the application of financial assistance to simplify the administrative process and maximize the benefits of the export program.

❑ **Entrepreneurial succession**

In the current demographic context, identifying and preparing for succession are important issues for business owners in Québec.

The Québec Economic Plan provides unique measures to promote entrepreneurial succession.

■ **Tax relief for the transfer of family businesses in all sectors of the economy**

The Québec Economic Plan provides tax relief for the transfer of family businesses in all sectors of the economy.

- It allows entrepreneurs who are selling their business to related persons to take advantage of the same capital gains tax treatment as they would have for transactions between unrelated parties.

The measure represents more than \$65 million a year in relief for owners of the SMBs concerned.

■ **Deferral of the payment of income tax upon a deemed disposition of shares in a listed company**

The capital gains tax payable upon a deemed disposition of assets such as corporate shares could trigger a liquidity shortfall and force the sale of blocks of shares, jeopardizing some companies' positions in Québec. This can happen when the company owner dies.

To solve this problem the government has introduced a deferral for the payment of capital gains tax on a deemed disposition of shares in a listed company, which will make it possible to defer the tax payment for 20 years under certain conditions.

■ **Supporting cooperative buyouts**

Cooperative buyouts are a transfer method that will keep corporate ownership and jobs in Québec. The Québec Economic Plan has set up a program to support cooperative buyouts.

With a budget of \$50 million, the program is designed to support one hundred cooperative buyout projects, helping to keep 3 000 jobs throughout Québec.

■ Encouraging the next generation of farmers

The transfer of agricultural assets to the next generation is a major issue in rural Québec. However, it can be difficult for future buyers—often the children of current farmers—to raise the capital required to finance a transaction of this size.

Two measures have therefore been introduced to encourage the transfer of agricultural enterprises:

- an increase in the lifetime capital gains exemption from \$800 000 to \$1 million on the sale of a farming or fishing business,
- a new tax credit for the interest paid under the seller-lender formula of La Financière agricole du Québec.

■ Additional support for succession and mentoring

The Québec Economic Plan announced investments to:

- extend to all regions the services of the Centre de transfert d'entreprise du Québec, whose mission is to support transferors and transferees and make sure businesses survive,
- strengthen mentoring services to successors by funding the Réseau M 2.0 project of the Fondation de l'entrepreneuriat, offering a support service by experienced business people to all entrepreneurs who want it.

A positive view of entrepreneurial succession

Current data from the L'INDEX research platform of the Centre de transfert d'entreprise du Québec, that lists potential business transferors and transferees, shows that there are nine transferees for each transferor (4 145 transferees and 452 transferors as at March 20, 2018), demonstrating the strong spirit of entrepreneurship among Quebecers.

The efforts deployed in recent years to interest young Quebecers in entrepreneurship and succession projects are paying off, and overall picture of entrepreneurial succession is now more positive.

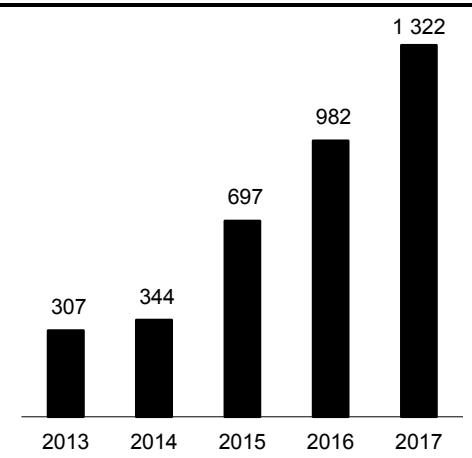
2.2.3 Important ways for starting innovative SMBs

According to data from the Canadian Venture Capital and Private Equity Association and Réseau Capital, significant growth in venture capital investments in Québec has been observed in recent years. Results for 2017 show:

- that \$1 322 million was invested in venture capital in Québec, ranking Québec slightly behind Ontario (\$1 416 million),
- that 30% of all venture capital transactions in Canada (592) took place in Québec (180),
- that Montréal ranks first among Canadian cities that received the most venture capital investments, with \$983 million invested,
- that venture capital investments in Québec were primarily in the information and communications technology sector (\$860 million) and the life sciences sector (\$326 million),
- that six transactions costing more than \$50 million have been completed in Québec with Lightspeed POS, Element AI, Leddartech, Repare Therapeutics, Milestone Pharmaceuticals and Breather Products.

CHART 23

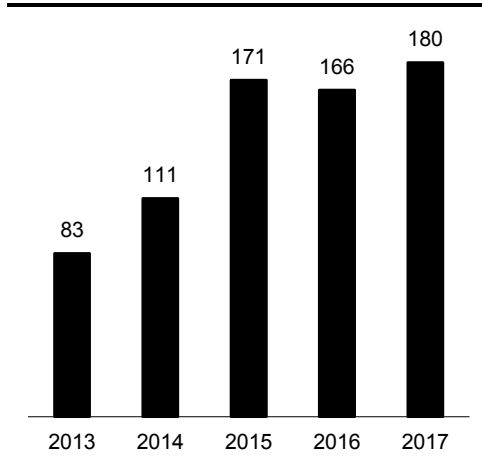
Change in venture capital investments in Québec
(millions of dollars)



Sources: Canadian Venture Capital and Private Equity Association and Réseau Capital.

CHART 24

Change in the number of venture capital transactions in Québec
(numbers)



Sources: Canadian Venture Capital and Private Equity Association and Réseau Capital.

Initiatives to promote access to investment capital

Access to financing is essential for the startup and development of businesses. Working with other investors, the government is involved in several major initiatives designed to provide businesses with greater access to private equity.

Under the Québec Economic Plan the government has undertaken to invest \$371.5 million in private equity funds, bringing their capitalization to nearly \$1 billion, including:

- \$62.5 million to create Teralys Capital Innovation Fund, making \$375 million available to invest in growing technology companies,
- \$45 million to capitalize the Fonds Angles Québec Capital allowing the injection of \$150 million into Québec businesses,
- \$15 million for a new endowment to develop Québec's intellectual property in the video game field,
- \$15 million to capitalize the \$30-million RV Orbite Montréal fund, specializing in information technology, advanced technologies and artificial intelligence technologies,
- \$22.5 million to fund the Fonds InnovExport, for a total of \$45 million, to support the initiation and startup of innovative Québec businesses targeting export markets,
- \$20 million to capitalize the Ecofuel Fund I, a \$30-million fund that finances startup companies in the cleantech sector,
- \$20 million to fund Amorchem II, a \$44.2-million fund that supports promising life sciences projects.

As part of the March 2018 Québec Economic Plan, the Government announces its intention to make available an additional \$188.5 million to support new private equity initiatives, with an overall target capitalization of more than \$750 million allocated as follows:

- up to \$61.5 million to support Teralys Capital's bid for the federal government Venture Capital Initiative,
- \$2 million to capitalize ACET Capital II,
- \$10 million to recapitalize the Chantier de l'économie sociale trust,
- up to \$50 million to support a Québec-Ontario life science partnership,
- up to \$50 million to capitalize the new Cycle Capital Management Fund,
- \$15 million to capitalize an innovative energy transition fund.

❑ Increased support for social economy businesses

The social economy, which includes cooperatives, mutuals and non-profit organizations with market activities, is an integral part of the Québec Economic Plan. The 7 000 social economy businesses, with 150 000 employees, contribute to the vitality of the regions and convey the values of cooperation and mutual assistance that are so important to Quebecers.

The Plan d'action gouvernemental en économie sociale (PAGES) 2015-2020, developed in close cooperation with the community, was designed to give social economy businesses a new impetus to contribute more to Québec's economic growth.

With a budget of over \$100 million available, the PAGES has six objectives:

- equip social economy businesses at all stages of their development,
- improve access to markets and innovate in social economy,
- enhance the response of social economy businesses to the challenges of the ageing population,
- encourage socio-professional integration in social economy businesses,
- support collective entrepreneurship as a solution to traditional business succession,
- contribute to the development of social economy businesses throughout Québec.

Summary of the Plan d'action gouvernemental en économie sociale 2015-2020

Launched in May 2015, the Plan d'action gouvernemental en économie sociale (PAGES) 2015-2020 has already produced results:

- 176 new cooperatives have been created in Québec since 2015,
- \$10.3 million has been allocated since 2016 to 64 real estate renovation, construction or acquisition projects under the Programme d'immobilisation en entrepreneuriat collectif,
- 286 startup or expanding co-ops received 13 200 hours of technical assistance in 2016-2017 under the Entente de partenariat pour le développement des coopératives.

Overall, the PAGES initiatives have so far provided close to \$22 million in financial assistance to collective businesses, created or maintained close to 5 000 jobs and supported projects worth more than \$130 million.

Source: Ministère de l'Économie, de la Science et de l'Innovation.

2.2.4 The emergence of the corporate giants of tomorrow

The surest way to stimulate the emergence of Québec's large companies of the future is to make Québec's economy even stronger and more dynamic and encourage the expansion of businesses.

The presence in Québec of large companies under Québec's control and their headquarters is directly related to the ability to grow SMBs.

❑ The Plan to Strengthen the Québec Economy as an Executive-Driven Economy: targeted initiatives to complement action already taken by the government

To round out its existing initiatives, the government has set up the Plan to Strengthen the Québec Economy as an Executive-Driven Economy.

This plan includes initiatives to make Québec an economy in which major businesses and their strategic decision-making centres have a role to play, with all the economic benefits that their presence may involve.

Achieving this objective primarily involves improving the economic environment, together with targeted actions to address specific problems. These actions include:

- creation of the Financial Initiative Group,
- adoption of tax measures favouring the transfer of businesses to a Québec succession.

❑ Québec Inc. buys more companies than it sells

For roughly 15 years now, Québec's economy has completed more acquisitions of foreign companies than sales of local companies to foreign interests.

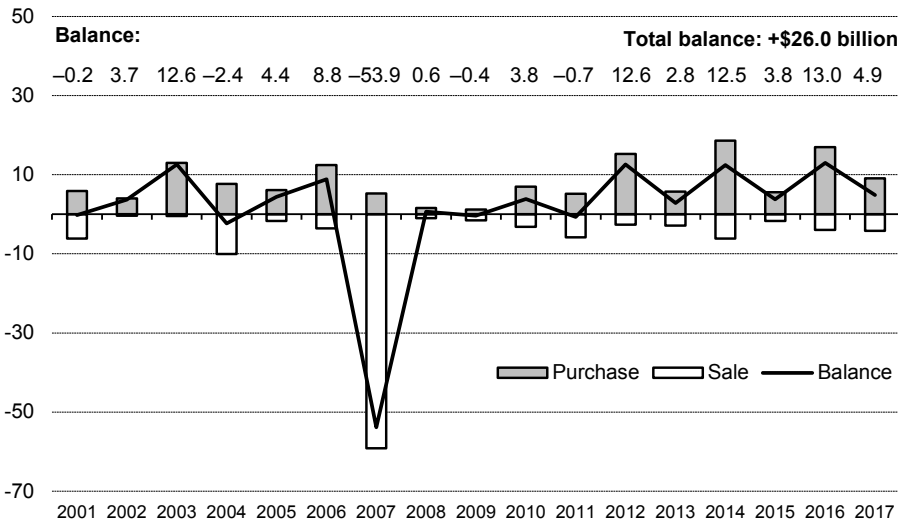
Indeed, considering transactions over \$5 million completed between 2001 and 2017 whose value was publicly disclosed, we note that:

- companies with a head office in Québec bought two times more foreign companies than Québec companies sold to foreign interests, with 532 acquisitions versus 267 sales,
- the balance between the value of acquisitions and sales of Québec companies was positive by \$26 billion, acquisitions amounting to \$140.4 billion and sales amounting to \$114.4 billion.

This positive trend continued in 2017, companies with a head office in Québec continued to be predators rather than prey in terms of transactions involving foreign companies. The positive balance in Québec's favour is nearly \$5 billion.

CHART 25

Evolution of transactions involving a Québec and a non-Québec company (billions of dollars)



Note: Finalized transactions with an announced value greater than \$5 million. Totals may not add due to rounding.
Sources: Bloomberg and Ministère des Finances du Québec.

Plan to Strengthen the Québec Economy as an Executive-Driven Economy

On February 21, 2017, the government presented the Plan to Strengthen the Québec Economy as an Executive-Driven Economy.

The plan's initiatives complement the measures already taken by the government to improve the economic environment. These new measures aim to encourage the presence of head offices in Québec and control of companies by Québec interests by:

- reducing the risk of hostile takeover attempts of publicly traded companies being successful,
- fostering entrepreneurial succession and the voluntary transfer of private and publicly traded companies,
- acting to ensure that the financing needs of developing and growing companies are met within Québec,
- improving the tax treatment of executives.

Measures of the Plan to Strengthen the Québec Economy as an Executive-Driven Economy

Measures	Objectives
Creation of the Financial Initiative Group	Better equip the government to act strategically to support our large corporations and foster the emergence of new Québec companies
Strengthen the strategic watch on the presence of head offices	Follow up on implementation of measures in the Plan to Strengthen the Québec Economy as an Executive-Driven Economy
Promote Québec abroad in order to attract head offices	Increase the promotion of Québec's assets to reinforce the presence of head offices and decision centres
Tax relief for the transfer of family businesses in all sectors of the economy	Facilitate transfers of businesses to the next generation for all sectors of the economy
Deferral of the payment of income tax upon a deemed disposition of shares in a listed company	Prevent the loss of control or sale of Québec companies to foreign interests as a result of taxes due in certain situations
Harmonize taxation of share purchase options with the rest of Canada	Encourage business leaders to stay or to come to Québec
New regulations governing hostile takeover bids	Give more leeway to boards of publicly traded companies in the event of hostile public takeover bids
Means of protection against hostile takeover bids	Heighten businesses' awareness of multiple-vote shares, which are an effective tool to protect companies against hostile takeover bids Advise businesses on the best legal initiatives to protect against hostile takeover bids during their initial public offering

2.3 Modernization of the government action in outlying areas

The Québec Economic Plan has established the basis for a strategy to develop and promote the potential of regional economies, in order to improve the quality of life for every Quebecer.

This support, better adapted to the realities of local governments, makes it possible to offer outlying areas the levers for economic development that help stimulate and diversify their economy.

2.3.1 Significant leverage to support local priorities

Most notably, the government has given regional stakeholders, who have in depth knowledge of their area, the tools to become the masters of their economic development. The measures make it possible to:

- make municipalities more autonomous in their operation and their relations with citizens,
- promote local and regional development,
- encourage transparency and keeping citizens better informed,
- maintain citizens' faith in elected municipal officials and municipal institutions.

□ Redefinition of Québec-municipality relations

To modernize relations between municipalities and the Québec government, the Québec Economic Plan provides:

- formal recognition of the status of local governments and a review of the organization of the Table Québec-municipalités in order to make it a privileged forum for collaboration,
- greater autonomy in land development, both in terms of densification and management of agricultural lands,
- implementation of new economic development tools as well as modulated powers to strengthen the capability of municipalities to achieve their full potential,
- greater transparency in municipal management with an increased focus on citizens,
- expansion of fiscal tools to diversify municipalities' sources of revenue, combined with simplification of rules regarding property tax,
- more latitude in governance, particularly regarding certain approval processes.

Recognition of special status for Québec City and Montréal

By recognizing the special nature of Québec's two largest cities, the government has acted to support the unique responsibilities of Québec City and Montréal, as Québec's capital and its metropolis, respectively.

- As the national capital of Québec, Québec City assumes significant and special responsibilities. It plays a decisive role in the economic development of Québec, and its influence extends well beyond its borders.
- Montréal contributes hugely to the development of Québec. It is recognized worldwide in several economic sectors, such as culture, video games, artificial intelligence, visual effects, aerospace, and life sciences as well as information technology and communications.

To achieve this commitment, the Québec Economic Plan granted greater autonomy and powers to these two municipalities, in particular, through:

- the *Act to grant the Ville de Québec national capital status and increase its autonomy and powers*,
- the *Act to increase the autonomy and powers of Ville de Montréal, the metropolis of Québec*,
- the Réflexe Montréal agreement between the government and Ville de Montréal, which defines the limits of the government's commitments to reinforcing its recognition of the role of the city's local government.

❑ **Contribute to the economic growth of regions**

In April 2017, the government created the Fonds d'appui au rayonnement des régions (FARR), a new financial aid program to provide outlying areas with the tools needed to foster their economic development as local governments.

— FARR was allocated \$310 million for the period 2017-2018 to 2021-2022.

The sums allocated to FARR will be entirely used to fund regional development projects, selected according to the priorities of each region.

— Armed with their own selection committee, the regions are able to choose the most promising projects according to the priorities identified through regional collaboration and involvement.

As a result, amounts allocated to FARR serve to finance strategic projects that make it possible for regions to develop. Projects financed can vary in nature and sums required. For example, to date, FARR has financed:

— implementation of the Pôle d'innovation en Commerce Intelligent et Technologies Expérientielles (smart business and experiential technology innovation hub) in the Lanaudière region,

— development of the Aéroport de Saint-Hubert in Montérégie,

— the renovation of 26 libraries in Abitibi-Témiscamingue,

— development of the Véloroute bicycle path in the Beauce region.

In addition to FARR, the regions of Québec can also take advantage of the Territorial Development Fund and new regional governance to support their role in regional and local development.

Through these economic development tools, regional stakeholders become active participants in decision-making who are tasked with prioritizing the efforts required.

❑ Municipality partnership agreement for the period 2016-2019

On September 29, 2015, the government and municipal representatives signed the municipality partnership agreement for the period 2016 to 2019. This agreement testifies to the government's desire to encourage municipal autonomy.

Under this agreement, the government commits to transfer \$3.2 billion to municipal organizations for the period 2016 to 2019 to implement measures that benefit all Québec municipalities. These include:

- maintenance of the municipal equalization program at \$60 million and progressive modification of the calculation formula to target small municipalities with a low property value,
- maintenance of the budgetary envelope of the Territorial Development Fund at \$100 million in 2016 and 2017, and an increase to \$105 million in 2018 and \$115 million in 2019,
- the increase from \$10.2 million to \$25 million of the annual amount granted as a share of the benefits of natural resources exploitation.

TABLE 15

Financial commitments of the government under the municipality partnership agreement

(millions of dollars)

	2016	2017	2018	2019	Total
Reimbursement of 50% of QST paid	410.8	425.2	440.1	455.5	1 731.6
Enhancement of compensation in lieu of taxes for parapublic immovables	94.0	94.0	110.0	120.0	418.0
Compensation in lieu of taxes for public lands	20.8	20.8	20.8	20.8	83.2
Sharing of royalty revenues from natural resources	25.0	25.0	25.0	25.0	100.0
Equalization grant	60.0	60.0	60.0	60.0	240.0
National capital grant	7.8	7.8	7.8	7.8	31.2
Territorial Development Fund	100.0	100.0	105.0	115.0	420.0
Local road assistance (repair component)	50.0	50.0	50.0	50.0	200.0
TOTAL	768.4	782.8	818.7	854.1	3 224.0

Source: Municipality partnership agreement for the period 2016-2019.

The partnership agreement also proved to be a step forward in the recognition of municipalities as local governments, especially with regard to labour relations.

Lastly, the government reiterated its desire to redefine, on a new basis, its relationship with municipalities and to continue work to review the legislative framework so as to increase the autonomy of municipal powers.

- This recognition was reflected in the assent of the *Act mainly to recognize that municipalities are local governments and to increase their autonomy and powers* on June 16, 2017, as well as legislative recognition of the status of metropolis for Montréal and national capital for Québec City.

Montréal: an exceptional performance

Representing more than half of Québec's jobs and GDP, the Montréal metropolitan area is critical to the Québec economy.

An important decision-making centre

The Montréal metropolitan area includes the majority of head offices located in Québec, making it an important decision-making centre for the activities of companies located in Québec.

- In 2016, 381 of the 558 head offices located in Québec were in the Montréal metropolitan area.

A highly skilled workforce

Montréal is known as a hothouse of talent, due in particular to its world-class educational network.

Canada's university capital boasts six universities and the Montréal area has 200 000 students, 32 000 of whom are international students.

- In addition, the numerous programs offered by these educational institutions provide businesses with workers whose training is focused on their needs.

Highly competitive operating costs

The Montréal metropolitan area relies on several assets that make it a recognized destination to establish a competitive business. These include:

- competitive salaries,
- affordable rents,
- low, stable electricity rates,
- advantageous taxation,
- an exceptional quality of life.

In addition, Montréal is characterized by a climate of collaboration between university researchers and industries, particularly those in high-tech industries.

Assets that made exceptional performance possible in 2017

The many assets of the Montréal metropolitan area as well as the various initiatives of the Québec Economic Plan made it possible in 2017 for the region to show:

- significant job growth, with the creation of nearly 75 000 jobs (an increase of 3.6%),
- a significant increase in investment plans (9.2%).

Québec City, one of the most dynamic cities in Canada

National capital and seat of the Québec government, the Québec City metropolitan area has experienced exceptional economic growth over the last several years, resulting specifically from:

- expansion of high-potential leading-edge sectors,
- integration of research and innovation in business,
- positioning of manufacturing industry by a shift to manufacturing high value-added goods.

Strong and diversified economy

The Québec City area has a high-performance, diversified and innovative economy. It benefits from a well-educated workforce and is home to several leading-edge businesses and dynamic research centres, essential factors for the development of all sectors of activity and development of niches of excellence.

The area is an important decision-making centre, specifically with the presence of Parliament and about one hundred government head offices. Moreover, it stands out because of its diversity and the vitality of its key industries, specifically insurance and financial services, information technology, life sciences and the manufacturing sector.

This enviable situation contributes to Québec City's economic reach and attractiveness on a national and international level.

Exceptional economic performance

On an economic level, Québec is one of the most dynamic areas in Canada.

In fact, in 2017, Québec City experienced a 26th consecutive year of growth, the longest expansion period observed among major metropolitan areas in Canada.

This sustained growth is also reflected on the labour market, when the unemployment rate in metropolitan Québec City reached 4.2% in 2017, a historic record. The Québec City area has had the lowest average unemployment rate in Canada for the last ten years.

In addition, the construction of non-residential buildings generated investments of more than \$900 million in 2017, an 11.3% increase compared to 2016. Québec City was in second place among all major Canadian metropolitan regions for the increase in non-residential investments in 2017.

2.3.2 Opportunities in all regions of Québec

As part of the Québec Economic Plan, the government is acting to stimulate the outlying regions' economic vitality.

The various initiatives advanced fostered an improvement in the labour market and an increase in regional investments, thus creating opportunities outside the major urban centres.

❑ A significant reduction in unemployment in all regions

Québec's unemployment rate has fallen dramatically since 2014, reaching 6.1% in 2017. This positive result for all of Québec was reflected in all regions.

TABLE 16

Unemployment rates among 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 and 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
Montréal	6.5	4.6	-1.9
Centre-du-Québec	6.9	5.7	-1.2
Québec	7.7	6.1	-1.6

Source: Statistics Canada.

❑ Progression of investments in outlying regions

Initiatives to develop and promote the potential of Québec's outlying regions have also fostered an increase in investments since 2014.

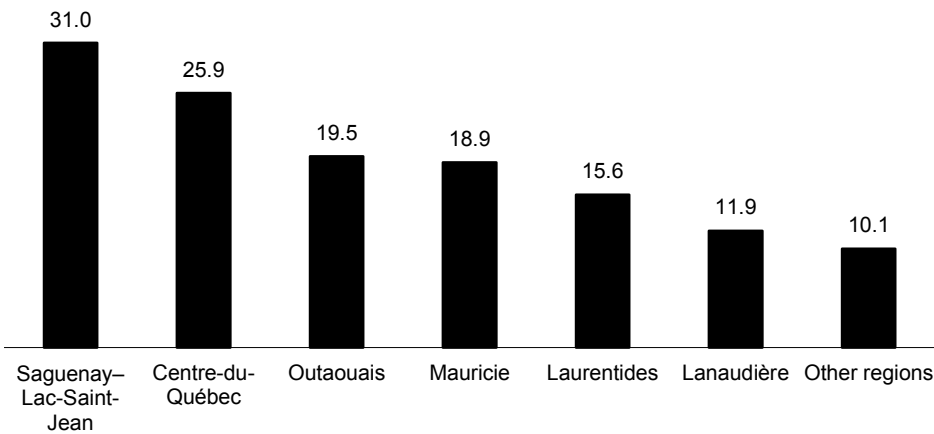
In this regard, certain administrative regions in Québec have distinguished themselves. Between 2014 and 2017, investment growth was:

- 31% in Saguenay–Lac-Saint-Jean,
- 25.9% in Centre-du-Québec,
- 19.5% in Outaouais,
- 18.9% in Mauricie,
- 15.6% in the Laurentides,
- 11.9% in Lanaudière.

Investments in the other regions have grown by 10.1% over this same period.

CHART 26

Growth in investment in outlying regions between 2014 and 2017 (per cent)



Source: Institut de la statistique du Québec.

Establishment of major technology companies in outlying regions

As part of the Québec Economic Plan, the government encouraged the establishment of major technology companies in outlying regions. Two examples clearly illustrate the possibilities offered by new digital technologies for outlying regions.

Ubisoft in Saguenay

In September 2017, Ubisoft announced its establishment in Saguenay, where it plans to hire 125 employees over the next five years. This announcement was part of a vast expansion plan by Ubisoft, with forecast investments of \$780 million and the creation of 1 000 jobs in Québec by 2027. These investments confirm once again Québec's place as a leader in the video gaming industry.

CGI in Shawinigan

In October 2014, CGI announced the establishment of a world-class information technology centre of excellence in Mauricie to strengthen the company's commitments to its clients around the globe. Ultimately, the company plans to create 300 jobs in the information technology field, which contributes to the economic development of the Mauricie region, specifically by supporting the creation of quality jobs in promising sectors with strong growth.

2.3.3 Showcasing the strengths of each region

The regions of Québec are a great asset, and their prosperity is a key priority of the Québec government.

Under the Québec Economic Plan, the government took many measures to foster the development of the regions, in particular through:

- deployment of the Plan Nord,
- launch of the Québec Maritime Strategy,
- support of the forestry sector,
- support of the tourism sector,
- support of the biofood sector.

In addition, to respond to specific issues in the regions, most notably their remoteness from major urban centres, and to support their development, the Québec Economic Plan put in place pro-business tax measures that aim to:

- increase investments in the regions,
- encourage employment and training in the regions.

These tax measures represent support for regional development totalling more than \$373 million by 2022-2023.

Regional air transportation

The Regional Air Transport Summit was held on February 2, 2018. It brought together over 300 people in the air transportation sector to discuss issues relating to airfares, regional air service and financing of airport infrastructure.

At the end of the summit, the Québec government announced measures to improve regional air transportation in Québec in order to:

- invest in regional airports' infrastructure,
- implement an assistance program for regional air services,
- increase travel in Québec.

Substantial amounts provided for regional air transportation in the Québec Economic Plan

To follow through on commitments made at the summit, the Québec Economic Plan allocates \$173.2 million over five years, specifically:

- \$100 million to invest in regional airports' infrastructure,
- \$22.5 million to put in place an assistance program for regional air services,
- \$40 million to enhance the Airfare Reduction Program,
- \$10 million for the implementation of a new "Découvrons notre Québec" measure, the terms of which will be defined by a work group,
- \$0.7 million to conduct a study of air transport to the Plan Nord territory.

❑ Financial impact of tax measures to support businesses in the regions

Businesses located far from major urban centres face special challenges. They must deal with higher production and financing costs for investment projects, due to their geographic location.

— Furthermore, in some cases, they may have more difficulty recruiting and attracting a qualified workforce.

To respond to the specific issues of the regions and foster their development and in the transformation of Québec's economy, the Québec Economic Plan provides tax measures to support the businesses in these regions in their efforts to heighten productivity and create jobs.

— These tax measures represent support for regional development of more than \$373 million.

TABLE 17

Financial impact of tax measures to support businesses in the regions (millions of dollars)

	Total ⁽¹⁾
Increase investments in the regions	
– Maintain and extend the regional investment tax credit	–91.8
– Additional deduction for remote manufacturing SMBs for transportation costs	–154.7
Encourage employment and training in the regions	
– Improve tax credits for on-the-job internships	–36.6
– Tax credit for the Gaspésie and certain maritime regions of Québec	–90.2
TOTAL	–373.3

(1) Financial impact is for the period from 2014-2015 to 2022-2023.

■ Increase investments in the regions

The Québec Economic Plan provides for the implementation of initiatives that have a positive impact on the competitiveness of the regions and the possibilities of attracting new investments to these areas.

■ Maintain and extend the regional investment tax credit

To support regional economic development and foster the growth of regional businesses, the Québec Economic plan has extended the investment tax credit until December 31, 2022 for manufacturing and processing equipment for the regions.

— This extension supports the manufacturing sector outside the major urban centres, which is beneficial to the diversification of the economic structure of the regions.

■ Additional deduction for remote manufacturing SMBs for transportation costs

The government implemented an additional deduction for transportation costs for remote manufacturing SMBs to mitigate competitiveness issues due to the high transportation costs they face.

— This measure lightens the tax burden of SMBs in remote areas. It corresponds to a percentage of an SMB's gross income, ranging from 1% to 10%, depending on its distance from Québec's major urban centres.

■ Encourage employment and training in the regions

The Québec Economic Plan implemented tax measures to stimulate job creation and maintain a qualified workforce in remote resource regions.

■ Improve tax credits for on-the-job internships

The March 2018 Québec Economic Plan provides for enhancement of the tax credit for on-the-job internships, in particular by increasing the rate of the tax credit for internships completed in remote resource regions.

— This enhancement will encourage businesses to welcome more interns and foster the retention of young people in remote resource regions.

■ **Tax credit for the Gaspésie and certain maritime regions of Québec**

The Québec Economic Plan extends the refundable tax credit for the Gaspésie and certain maritime regions of Québec, which supports job creation and continuation, until December 31, 2020.

- This tax incentive encourages certain sectors of activity that are strategic for economic development in regions that are far from major urban centres.

Over \$39 million in support for the Îles-de-la-Madeleine

Since the implementation of the Québec Economic Plan, the government has adapted its intervention to the specific insularity of the Îles-de-la-Madeleine to offer greater support to their economic development, to the tune of more than \$39 million, namely:

- \$12.5 million in increased tax assistance for Îles-de-la-Madeleine inhabitants,
- \$6 million to introduce and increase the deduction for transportation costs to Îles-de-la-Madeleine incurred by remote manufacturing SMBs, including extending eligibility to SMBs from all sectors,
- \$9.5 million to create the Centre d'expertise en gestion des risques d'incidents maritimes (CEGRIM) in Îles-de-la-Madeleine,
- \$8.4 million to extend the tax credit to Gaspésie and certain Québec maritime regions and enhance it for Îles-de-la-Madeleine,
- \$0.7 million to extend the investment tax credit,
- \$1.8 million to support the activities of the Centre de recherche sur les milieux insulaires et maritimes (CERMIM).

Furthermore, under the March 2018 Québec Economic Plan, the financing of the Fonds d'aide aux initiatives régionales for the Gaspésie–Îles-de-la-Madeleine region was renewed for the next five years, which represents support of \$30 million over five years for this region.

❑ **Sustainably develop the North**

The Québec Economic Plan made it possible to relaunch development in northern Québec through the Plan Nord.

- The goal of the Plan Nord is to unleash the mining, energy, social, cultural and tourism potential of Québec territory located above the 49th parallel.

The Plan Nord has resulted in the creation of wealth and numerous jobs, both for the North and for all of Québec, while respecting northern communities and the environment.

By developing the economic, social and environmental aspects that underlie the Plan Nord, the government made it a reference for responsible and sustainable northern development, and a unifying project for Quebecers.

■ **A new state-owned enterprise to coordinate deployment of the Plan Nord**

To coordinate deployment of the Plan Nord, the government founded the Société du Plan Nord, which launched operations on April 1, 2015.

- Following its creation, the Société opened regional satellites in Sept-Îles, Roberval, Baie-Comeau and Chibougamau, thereby ensuring a continuous link between communities and local partners.
- It also implemented the Bureau de commercialisation du Plan Nord to facilitate the matching of Québec businesses and prime contractors working in the area.

■ **A budgetary envelope of over \$450 million
for deployment of the Plan Nord**

Several investments were made under the Plan Nord, thereby maximizing the economic benefits for all regions of Québec.

Since the Société du Plan Nord commenced operations on April 1, 2015, the government has made available a budgetary envelope of over \$450 million to it, making it possible to implement initiatives to:

- unleash the economic potential of northern Québec,
- develop the well-being of northern communities,
- protect the environment and preserve biodiversity.

This envelope is in addition to the amounts available in the department's and bodies' current programs to support interventions on the Plan Nord territory.

TABLE 18

**Interventions of the Société du Plan Nord as a result of the sums made
available since April 1, 2015**
(millions of dollars)

	Total – 2015-2016 to 2018-2019
Unleash the economic potential of northern Québec	247.2
Develop the well-being of northern communities	134.1
Protect the environment and preserve biodiversity	41.0
Coordinate deployment of the Plan Nord	28.4
TOTAL	450.6

Note: Totals may not add due to rounding.

■ Major initiatives undertaken by the Société du Plan Nord

Among the key actions taken by the Société du Plan Nord, we cite:

- an investment of over \$120 million in the Société ferroviaire et portuaire de Pointe-Noire to acquire and restore the operation of the railway and port infrastructure of Pointe-Noire in Sept-Îles,
- starting of a major repair project, at a cost of \$265 million, covering all 620 kilometres of the James Bay road, between Matagami and Radisson, and the 90 kilometres of the Chisasibi road, in collaboration with the federal government,
- completion of a study of the optimum railway option to improve access to the Labrador Trough, in cooperation with Champion Iron Mines Limited and Lac Otelnuk Mining Ltd.,
- a contribution of \$30 million for the construction of the Institut nordique du Québec science complex,
- a contribution of \$11.5 million to the Tamaani telecommunications project to provide satellite Internet service to communities and businesses in Nunavik,
- interventions of the Fonds d'initiatives du Plan Nord of almost \$9.4 million to support nearly 160 projects with a total value exceeding \$46 million.

Encourage development of the mining potential of the Labrador Trough

Acquisition of the assets of the Port of Sept-Îles

In March 2016, the government acquired the railway and port infrastructure belonging to the mining company Cliffs Natural Resources in the Pointe-Noire sector of Sept-Îles. This infrastructure is under the responsibility of a limited partnership of which the Société du Plan Nord is the sole supporting partner, the Société ferroviaire et portuaire de Pointe-Noire (SFPPN).

The government's objective is to make these assets accessible to all potential users and to allow access to the new multi-user dock of the Sept-Îles Port Authority.

Given its strategic location, this infrastructure is an important component in the success of the Plan Nord. By making it accessible, the government is providing access to international markets at a price that is competitive for all Côte-Nord companies and those present in the Labrador Trough.

Since the assets were acquired, major work has been done to return these facilities to operation, in particular through the upgrading of certain infrastructure and the construction—at a cost of \$15 million—of a new conveyor, making the new multi-user dock accessible.

As a result of these investments, transshipment activity by private companies restarted in the summer of 2016.

By 2018-2019, the SFPPN could have more than 150 employees, which will offer important benefits for the region. This number will continue to rise as new business opportunities materialize.

Relaunch of the Bloom Lake mine

The strategic infrastructure under the responsibility of the SFPPN has been called on to play a key role in the start-up of mining projects on the Côte-Nord and in the Labrador Trough.

The investment of \$51.4 million by the Québec government through the Mining and Hydrocarbon Capital Fund, combined with a guarantee of access at a competitive price to the port infrastructure of the SFPPN, made it possible for Québec Iron Ore to relaunch the Bloom Lake mine.

- The first train load of concentrated iron from the Bloom Lake mine was delivered to the Port of Sept-Îles in February 2018.

Restarting of this mine should directly create 450 quality jobs. This site has a strategic importance for the Québec economy and especially for the community of Fermont.

■ **Renewed investment in mining**

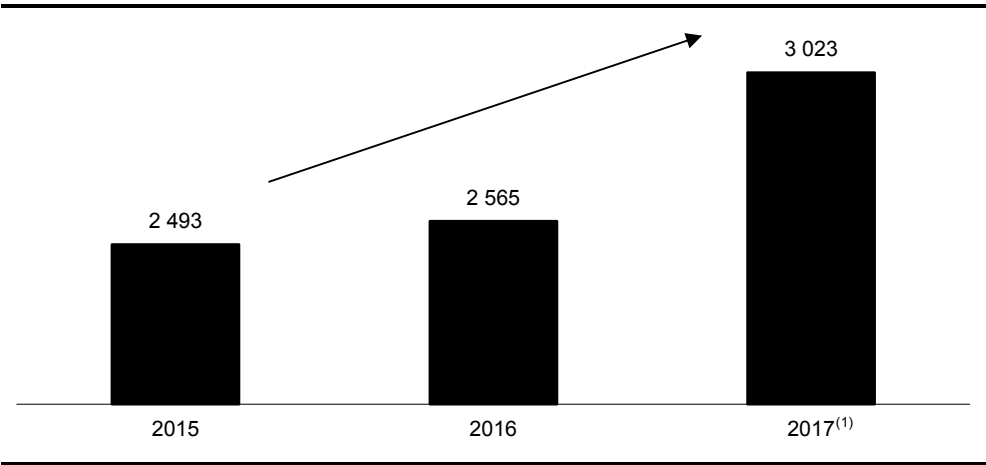
In recent years, Northern Québec has seen a steady increase in investment by mining companies.

Between 2015 and 2016, mining investments grew from \$2 493 million to \$2 565 million.

— Investment intentions for 2017 are estimated at \$3 023 million.

CHART 27

Change in mining investment in Québec
(millions of dollars)



(1) The figure for 2017 represents investment intentions.
Source: Institut de la statistique du Québec.

Acquisition of equity interests through the Mining and Hydrocarbon Capital Fund

Encouraging responsible mineral mining and processing

The Mining and Hydrocarbon Capital Fund (MHCF) is a special fund that allows the Québec government to acquire equity interests in mining and hydrocarbon companies.

With an envelope of \$1 billion, this fund is intended to:

- increase the development of the mining and hydrocarbon sectors,
- support deployment of the Plan Nord.

By attracting investment and new expertise to Québec and opening new markets to companies, the fund strengthens the government's strategic partnerships with many countries.

Major investments

Since its creation, the MHCF has enabled investment in a variety of large projects, in particular:

- \$125 million in Tata Steel Minerals Canada for the development of a direct shipping ore project (DSO project) in Schefferville,
- \$51.4 million for the acquisition and relaunch of the Bloom Lake mine by Quebec Iron Ore, a subsidiary of Champion Iron Ltd.,
- \$10 million for the launch of the first phase of the Horne 5 mining project by Falco Resources in Rouyn-Noranda,
- \$15 million for the preparation of the detailed engineering and preliminary phases of the BlackRock Metals project in Chibougamau,
- \$2.1 million for a feasibility and environmental impact study as part of a project by Canadian Metals Inc. to build a silica processing plant in Baie-Comeau.

**❑ Promoting the St. Lawrence Seaway
and Québec’s coastal regions**

The implementation of the Québec Maritime Strategy by the year 2030 is a large-scale economic project for Québec. This strategy seeks to stimulate sustainable growth in Québec’s maritime economy and encourage the creation of quality jobs by fostering the economic growth and revitalization of the regions while respecting the environment and local communities.

Close to three years after its launch, the 2015-2020 Action Plan is well advanced, with many actions implemented already starting to pay off.

In this regard, close to \$2 billion of initiatives in connection with Québec’s first Maritime Strategy action plan were announced as part of the Québec Economic Plan.

Ultimately, the Strategy seeks to create upwards of 30 000 direct jobs and encourage an estimated \$9 billion of public and private investment by 2030.

Shipyards: an important component of Québec’s maritime economy
<p>The shipbuilding and repair industry is an important component of Québec’s maritime economy. Québec has seven shipyards in operation.</p> <p>These shipyards employ as many as 2 000 workers per year, depending on their needs, and use the services of many specialized SMBs.</p> <p>They offer their clients diverse expertise that encompasses the construction, renovation or transformation of all types of vessels, from tour boats to ferries.</p> <p>They also have special expertise in the construction of vessels requiring sophisticated technology or suited for navigation in northern climates. The shipyards employ a highly specialized workforce.</p>

■ **Traffic is growing on the St. Lawrence Seaway**

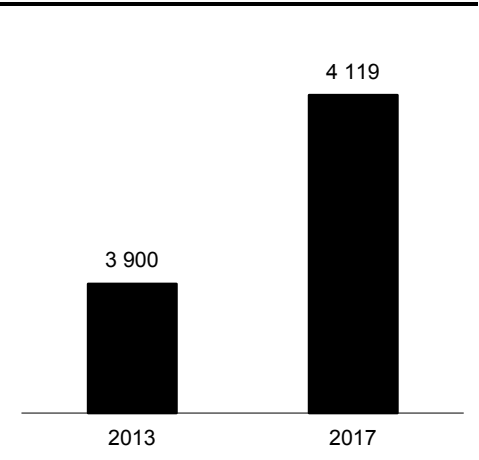
In connection with the Maritime Strategy, trade activity is growing on the St. Lawrence Seaway:

- vessel transit has increased by 5.6%, from 3 900 vessels in 2013 to 4 119 in 2017,
- between 2013 and 2017, cargo volume grew 111.1% for general cargo, 20.2% for grains and 16.9% for dry bulk.

CHART 28

Traffic on the St. Lawrence Seaway

(vessel transit, in number)

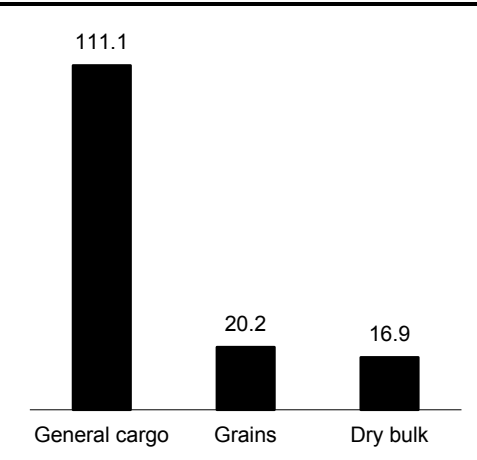


Source: St. Lawrence Seaway Management Corporation.

CHART 29

Increase in cargo volume on the St. Lawrence Seaway – 2013 to 2017

(percentage change)



Source: St. Lawrence Seaway Management Corporation.

■ Concrete action to support the maritime economy

Many initiatives in connection with Québec's Maritime Strategy have already been confirmed in all regions of Québec and touch various sectors related to the maritime industry such as tourism, transportation, logistics, shipbuilding, fisheries and aquaculture, research and innovation, and the environment.

Concrete actions in support of its implementation include:

- the creation of Capital Logistique Québec, with an envelope of \$300 million, to invest in partnership with private or institutional investors in logistics projects involving logistics hubs or the maritime economy,
- implementation of the \$200-million program to support investment in maritime transport infrastructure, which is designed to encourage investment in Québec's maritime transport infrastructures for goods and people,
- \$300 million granted to support industrial investment projects in 16 industrial port zones,
- the creation of a \$250-million envelope for equity investments in Québec shipyard projects.

Many initiatives to foster the maritime economy

Diversified, structured actions have been launched to foster and accelerate the deployment of the Maritime Strategy, including:

- in research, with support for the activities of the *Coriolis* and for the Marine Biotechnology Research Centre,
- in transportation, with the addition of warehouse space to the Port of Trois-Rivières,
- in tourism, with the expansion of the cruise terminal in Québec City, the construction of a boardwalk at Percé and investments in the Parc national du Bic,
- in civil security, with the creation of the Centre d'expertise en gestion des risques d'incidents maritimes (centre of expertise for maritime accident risk management),
- in the protection of animal habitats, with the fight against invasive aquatic species, such as Asian carp,
- in economic development, with support for the fisheries and aquaculture sectors,
- in the environment, with support for watershed organizations and the improvement of marine transportation efficiency,
- in the occupation and vitality of the regions, with recognition by the Québec government of the special status in relation to the insular nature of the Îles-de-la-Madeleine agglomeration.

❑ Sustainable use of Québec's forest resources

Québec's forests cover approximately 761 100 km², or almost half of Québec's surface area.

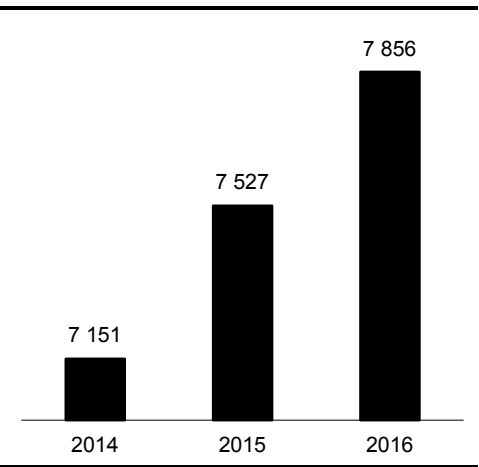
The abundance of forest resources is a notable advantage, which has benefited from the initiatives implemented under the Québec Economic Plan. For this sector:

- jobs (57 778 in 2016) and total worker compensation (estimated at \$2.5 billion in 2015) account for, respectively, 9.3% and 11.7% of the manufacturing sector,
- the value of exports reached \$10.4 billion in 2016.

Shipments in the wood products and paper manufacturing sector are on the rise. As well, the forest industry's trade balance increased by almost 10% between 2014 and 2016.

CHART 30

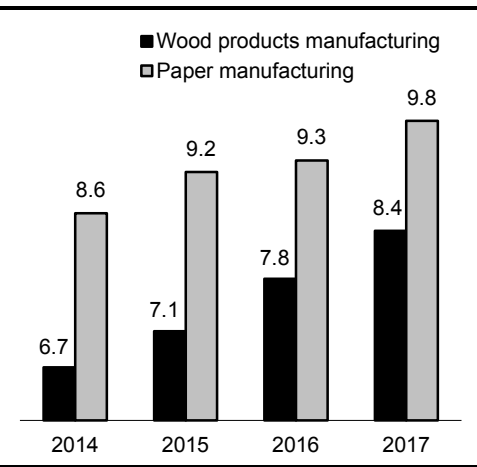
Change in the Québec forest industry's international trade balance
(millions of dollars)



Source: Institut de la statistique du Québec.

CHART 31

Québec forest product shipments
(billions of dollars)



Source: Statistics Canada.

■ **Competitiveness of the forest industry**

In June 2015, the government set up the Cellule d'intervention forestière to foster the development of the industry and evaluate the cost of wood fibre and supply in each region of Québec.

As part of its work, the Cellule asked the Ministère des Finances to mandate a task force to analyze the forest industry's supply costs and competitiveness issues in the regions of Québec.

As a result of this mandate, a competitiveness analysis of Québec's sawmill industry was presented when the March 2016 Québec Economic Plan was tabled.

Strategies to attract new investments to enhance the sector's competitiveness were determined:

- improve plant productivity,
- improve capacity utilization, particularly through consolidation,
- adopt more efficient forestry practices.

To raise their productivity in the long term, sawmills can also focus on investment, innovation and human capital.

■ **Initiatives to support the sector's competitiveness**

In response to the findings and potential solutions to the sawmill industry's competitiveness issues, the government announced in the Québec Economic Plan:

- implementation of initiatives to modernize and diversify the forest industry,
- the holding of the forum on transformation, modernization and innovation in the forest products industry.

Forum Innovation Bois

On October 31, 2016, the government held the Forum Innovation Bois (Wood Innovation Forum), bringing together Québec's forest products leaders.

The purpose of this forum was to develop a shared vision for the future and to identify solutions to ensure the sustainability of the Québec forest industry, for the benefit of its regions.

As a result of the work done at the forum, the government and the industry:

- adopted a shared vision to ensure the sector's sustainability in the regions,
- confirmed new investments to support the sector.

The forum participants also concluded that to ensure its sustainability, the forest products industry must:

- invest to modernize and innovate,
- diversify its production in order to adapt to fluctuations and structural changes in the markets.

Based on the priorities identified by the industry, the government committed, at the end of the forum, to support businesses with their innovative projects in order to diversify, consolidate and modernize the forest products industry.

The government used the outcome of this forum as the basis for its 2018-2023 strategy to develop the Québec forest products industry.

■ **\$429 million to transform the forestry sector**

The Québec Economic Plan has backed several initiatives to support the forestry sector, in particular through the Innovation Bois work plan, which contains approximately 40 measures.

In addition to the amounts available in the current programs of various departments and bodies, since 2014 the government has announced additional measures totalling nearly \$429 million to support the transformation of the forestry sector, through three areas of intervention:

- make sustainable and efficient use of forests,
- foster the development of the forest industry,
- support innovation in the forestry sector.

TABLE 19

Financial impact of additional support since 2014 to help transform the forestry sector, by area of intervention
(millions of dollars)

	Total by 2022-2023
Make sustainable and efficient use of forests	-131.6
Promote the development of the forest industry	-197.8
Support innovation in the forestry sector	-99.5
TOTAL	-428.9

Innovation Bois program

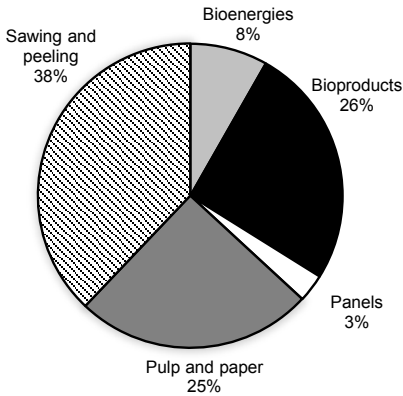
The Innovation Bois program is intended to stimulate investment in innovative projects in any industry using forest products in order to encourage research and development of innovative new products, processes, technologies and systems.

The Innovation Bois program has \$70 million in funding until 2022-2023.

To date, 55 projects have been supported by way of almost \$28 million in financial assistance, including \$3.7 million to support research projects and \$24.2 million for investment projects. These projects include:

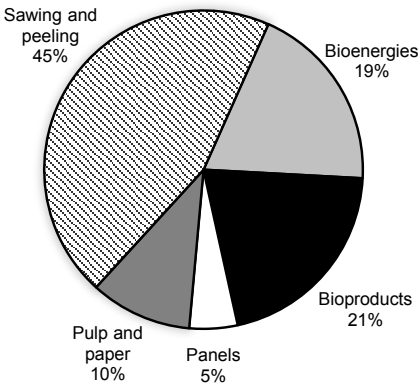
- the study on the Mégantic manufacturing industry aimed at creating and manufacturing fire door panels at the Lac-Mégantic plant. It is the first one of its kind to make this type of product in Québec,
- the Xylo-Carbone investment project, which involves setting up a biocarbon production plant that uses a technology designed to increase biochar yield,
- the Boa-Franc investment and innovation project to mechanize and automate the various stages of the engineered floorboards manufacturing process.

Breakdown of amounts granted for studies and research (per cent)



Source: Ministère des Forêts, de la Faune et des Parcs.

Breakdown of amounts granted for investment projects (per cent)



Source: Ministère des Forêts, de la Faune et des Parcs.

❑ Betting on our tourist attractions

The tourism industry represents an important economic, cultural and social development lever for Québec, promoting job creation and diversifying regional economies.

— In 2016 the sectors associated with tourism represented close to 2.5% of Québec's GDP and accounted for more than 32 000 businesses and 375 000 jobs in all regions.

In recent years, favourable conditions have allowed Québec to increase its tourism revenues. A greater number of foreign and Canadian visitors took advantage of Québec's tourist attractions, benefiting local communities.

2017, a record year for tourism in Québec
<p>2017 was an exceptional year for the Québec tourism industry in many ways.</p> <ul style="list-style-type: none">– Tourism revenues increased 5.9%, reaching an all-time high of almost \$15 billion. This is the fourth consecutive year of growth.– International tourist arrivals through Québec increased, with a 4.7% rise in tourists from the United States and 10.7% from other countries.– Accommodation indicators were also up in almost all regions. The number of rented units has risen 4.1% across Québec, a second consecutive year of growth. <p>According to a recent survey by the Ministère du Tourisme du Québec, professionals in the tourism industry confirm the excellent performance of 2017 and expect that 2018 will also show good performance.</p>

Source: 2017 tourism assessment for Québec by the Ministère du Tourisme du Québec.

■ **Tourism is booming in Québec**

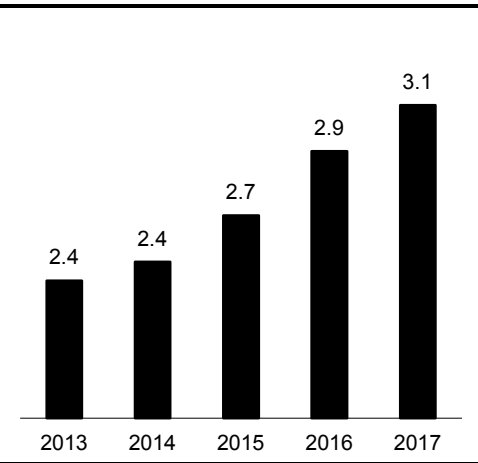
Combined with the government’s initiatives to support the development of tourist attractions throughout Québec, the favourable conditions have boosted the tourism sector. From 2013 to 2017:

- the number of international tourists visiting Québec rose from 2.4 million to 3.1 million, an increase of almost one third,
- Québec tourism revenues rose from \$12.4 billion to \$14.8 billion, a 19.3% increase.

By focusing on its strengths, Québec has distinguished itself in recent years in an international market where the tourism supply is growing.

CHART 32

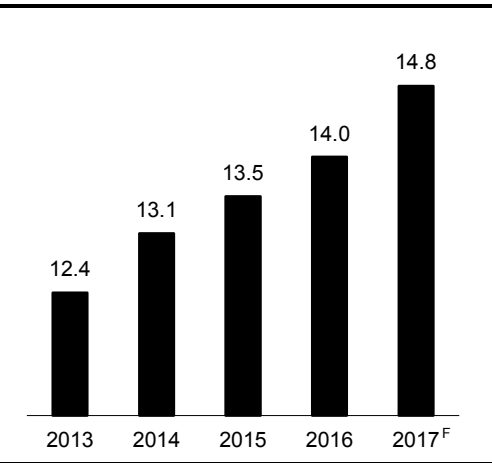
Number of international tourists in Québec
(millions)



Sources: Statistics Canada and Ministère du Tourisme du Québec.

CHART 33

Québec tourism revenues
(billions of dollars)



F: Forecast.
Sources: Statistics Canada and Ministère du Tourisme du Québec.

■ **\$327 million to support the Québec tourism industry**

Significant support has been awarded under the Québec Economic Plan to boost the tourism industry and maximize Québec's potential. This support has led to:

- major investments in Québec's tourist attractions, expanding the scope and increasing intervention budgets for the Program Supporting the Development of Tourist Attractions and the Programme de soutien aux stratégies de développement touristique,
- additional support for festivals and events.

In particular, the government has implemented the 2016-2020 Tourism Action Plan which focuses on the development of tourism products, through six sector strategies related to niches that give Québec a competitive edge.

Several wildlife tourism initiatives have been implemented, including:

- a \$19-million salmon fishing and sport fishing development plan,
- development of a controlled fishing and hunting exploitation areas network, with support in the amount of \$20 million,
- development of infrastructures in the Duchénier wildlife reserve, with an investment of \$10 million.

Lastly, total investments of more than \$310 million have been announced to stimulate the development of Sépaq's facilities. In addition to the amounts available in the current programs of various departments and organizations, the government has announced additional measures totalling over \$327 million to support the tourism sector since 2014.

TABLE 20

Financial impact of the additional support granted to support the tourism sector since 2014, by area of intervention
(millions of dollars)

	Total by 2022-2023
Investing in Québec tourist attractions	-152.1
Supporting major tourism projects	-102.5
Increasing support for festivals and events	-39.9
Developing tourism products	-32.8
TOTAL	-327.3

Investments promoting Sépaq's facilities

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 been able to establish itself as a major tourist lever for Québec.

The government has supported the development of Sépaq's facilities since 2015 through investments totalling more than \$310 million:

- \$21.6 million was allocated for the development of products highlighting the natural tourist attractions of the St. Lawrence River,
- \$36 million was allocated to invest in the infrastructure needed to operate Opémican National Park and restore the buildings of its historic site,
- \$60.5 million was allocated to increase winter activities and nature and adventure activities, in addition to protecting Sépaq's built, cultural and natural heritage,
- \$75 million was allocated for the maintenance of facilities, the development of new tourism infrastructure and the implementation of an environmental management plan,
- more than \$120 million were allocated in the March 2018 Québec Economic Plan, namely:
 - \$70 million for the development of built heritage, new tourism infrastructure and restoration of natural environments,
 - more than \$50 million for the construction of a predator pavilion at the Aquarium du Québec.

❑ The biofood sector: a lever for economic development

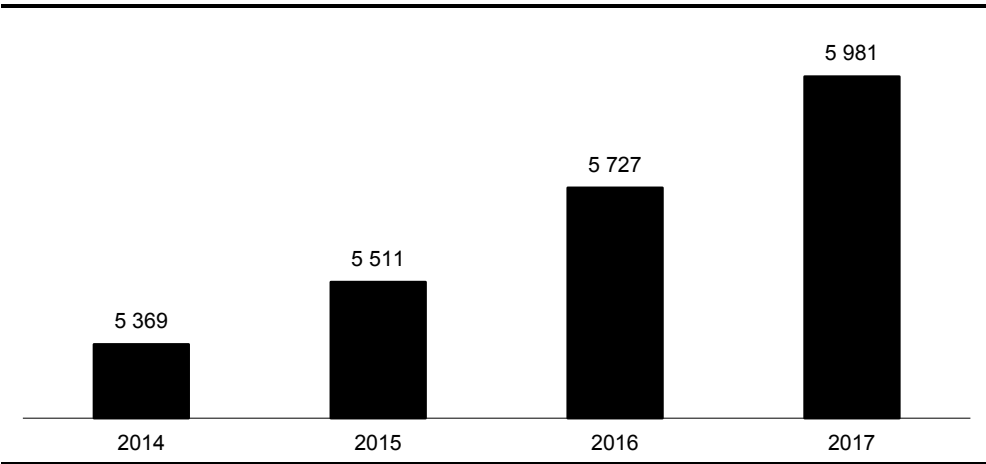
The biofood sector, which covers all activities related to agriculture, commercial fisheries and aquaculture, processing, food outlets and food services, is a significant part of the economy with more than 500 000 jobs and a contribution to Québec's GDP valued at \$25.3 billion, approximately 8% of the GDP.

The Québec Economic Plan has implemented measures to keep Québec's entire biofood industry competitive.

Government measures supported food manufacturing, which increased 11.4% from 2014 to 2017.

CHART 34

Production in the food manufacturing sector
(millions of 2007 dollars)



Source: Institut de la statistique du Québec.

■ \$560 million in support for the biofood sector

The Québec Economic Plan has planned significant action to promote the biofood sector. Among other things, the biofood sector benefited from an investment of more than \$210 million over six years, \$45 million of which came from the March 2016 Québec Economic Plan, and nearly \$167 million from the March 2017 Québec Economic Plan.

In addition to the measures instituted in recent years, investments of approximately \$349 million over five years are provided for in the March 2018 Québec Economic Plan to support the implementation of initiatives that are covered by the biofood policy.

— The Québec Economic Plan devotes a total of \$560 million to advancing Québec's biofood sector through 2022-2023.

Added to these investments is an additional \$80 million to upgrade the training and innovation infrastructure of the Institut de technologie agroalimentaire, analysis laboratories and the centres of expertise and research affiliated with the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

TABLE 21

Financial impact of the support for the biofood sector (millions of dollars)

	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
March 2018 Québec Economic Plan	—	—	-59.1	-70.8	-73.8	-74.5	-70.5	-348.7
March 2017 Québec Economic Plan	—	-20.7	-29.4	-35.3	-40.6	-40.7	—	-166.7
March 2016 Québec Economic Plan	-9.0	-10.0	-10.0	-8.0	-8.0	—	—	-45.0
TOTAL⁽¹⁾	-9.0	-30.7	-98.5	-114.1	-122.4	-115.2	-70.5	-560.4

(1) \$80 million is also earmarked for investment in the 2018-2028 Québec Infrastructure Plan.

Development of Québec's alcoholic beverage industry

Québec's alcoholic beverage industry is growing fast and the economic benefits it generates benefit all regions of Québec.

In recent years, several initiatives have helped companies that produce alcoholic beverages with their development and innovation projects.

In December 2016 the *Act respecting development of the small-scale alcoholic beverage industry* came into effect. That Act started the upgrade of the legislative and regulatory framework on alcoholic beverages, which is ongoing.

Among the changes made since 2016 are:

- the sale of non-fortified artisanal products, including wines and ciders, in grocery stores and convenience stores,
- the introduction of the artisan producers cooperative permit and the permit for artisanal production of alcohol and spirits,
- the authorization to sell fresh beer drawn from the pump tap, for consumption elsewhere,
- the authorization for small-scale beer producers to sell directly to people holding meeting permits,
- the authorization for holders of distilling permits to sell their products where they are produced for consumption elsewhere,
- the creation of the program to support marketing initiatives in the alcoholic beverage sector,
- the amendment of the Programme d'appui au positionnement des alcools québécois dans le réseau de la Société des alcools du Québec (PAPAQ) to extend it to spirits.

The March 2018 Québec Economic Plan also announces:

- the expansion of the PAPAQ to cover Québec spirits,
- an update to the *Regulation respecting cider and other apple-based alcoholic beverages*,
- the authorization to bottle imported spirits on behalf of a third party.

Lastly, Bill 170, *An Act to modernize the legal regime applicable to liquor permits and to amend various other legislative provisions with regard to alcoholic beverages* was tabled in the National Assembly in February 2018. This bill is intended to simplify and modernize the conditions related to the sale of alcoholic beverage permits so as to better meet the needs of citizens and the industry. It also aims to encourage responsible consumption of alcoholic beverages.

2.4 Focusing on Quebecers' creativity and innovation

Stimulating innovation and creativity are at the core of the measures undertaken by the government under the Québec Economic Plan.

Several measures have been taken to support the entire innovation chain, from research and development to marketing. They aim to:

- make Québec a more prosperous knowledge-based society,
- meet the challenges of the digital economy,
- support the marketing of Québec innovations.

☐ **Measures to address the challenges of globalization of the economy and its digital shift**

The Québec Economic Plan implemented measures to give Québec better tools for developing its knowledge-based economy and addressing the challenges related to globalization of the economy and its digital shift.

The Québec Economic Plan also contains several initiatives to support the influence of Québec artists who actively participate in Québec's economic development.

- The international reach of Québec's cultural sector illustrates the great creativity that characterizes Québec.

By placing creativity and innovation at the heart of its public policies, the government is positioning Québec so that it can continue to progress and consolidate its leadership position in tomorrow's economic niches.

2.4.1 A more prosperous knowledge-based society

With the Québec Research and Innovation Strategy 2017-2022, the government has set an objective of:

- ranking Québec among the top ten OECD leaders in research and innovation by 2022,
- making Québec an innovative and creative society by 2030, recognized as a hothouse for talent, ideas and innovation.

☐ A Québec strategy for research and innovation with significant resources

The Québec Research and Innovation Strategy released on May 12, 2017, offers a government vision focused on a knowledge-based society that is more prosperous, forward looking and influential.

The strategy has an additional implementation budget of \$585 million for its initiatives based on three main areas of intervention:

- \$133 million to develop talent, skills and a new generation, in particular through the Québec Research Fund,
- \$267 million to invest in all forms of research and innovation capacity through the Passeport Innovation program,
- \$185 million to stimulate the transfer and marketing of innovations, including support for sector research groups.

In total, including the additional amounts provided for in the March 2017 Québec Economic Plan, approximately \$2.8 billion will be devoted to research and innovation over five years.

The Québec Research and Innovation Strategy 2017-2022

36 measures and 7 projects will be implemented under the Québec Research and Innovation Strategy 2017-2022, including the creation of an artificial intelligence supercluster with a \$100-million budget and a \$180-million increase over five years in funding for the Québec research funds.

In addition, the Strategy provided support for several bodies in the research and innovation field, for example:

- the National Optics Institute to support the development of its knowledge in the field of the Internet of things, advanced robotics and 3D printing,
- Génome Québec to maximize Québec's performance under Genome Canada programs,
- the nine industrial research groups including specifically the Consortium for Research and Innovation in Aerospace in Québec, the Consortium de recherche et d'innovation en transformation métallique, the Centre québécois de recherche et de développement de l'aluminium, and the Québec Consortium for Drug Discovery.

In addition, requests for proposals were launched under the strategy to support startup projects.

- A request for proposals was launched in January 2018 to support startups in their innovation projects, and another was launched in September 2017 to support youth startups.

In total, approximately \$2.8 billion will be spent on research and innovation over five years.

■ **The Québec research funds**

The Québec research funds play an important part in Québec's research ecosystem, providing financial support for students and researchers from the university network. The government supports three funds, each with its own mission: nature and technology, health, and society and culture.

As a way of reaffirming their strategic importance, the Québec Economic Plan will increase their funding by \$180 million over the next five years.

- This new investment represents a substantial increase of more than 20% over the basic funding for Québec research funds.
- That will make over \$1 billion available to fund the Québec research funds for 2017-2018 to 2021-2022.

This increase will benefit universities especially by providing more funding for researchers and research groups. Support is also available for more projects with marketing potential, specifically by targeting projects that are most likely to have industrial applications.

TABLE 22

Increase in Québec research fund financing, 2017-2018 to 2021-2022
(millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	Total
Basic funding	174.5	174.5	174.5	174.5	174.5	872.5
Increase in funding	20.0	40.0	40.0	40.0	40.0	180.0
TOTAL	194.5	214.5	214.5	214.5	214.5	1 052.5

■ Industrial research sector groups

The nine industrial research sector groups are major players in the creation and funding of collaborative research projects.

These groups, which are present in different key industrial sectors, include specifically the Consortium for Research and Innovation in Aerospace in Québec, the Consortium de recherche et d'innovation en transformation métallique, the Centre québécois de recherche et de développement de l'aluminium, and the Quebec Consortium for Drug Discovery.

By supporting the industrial research sectoral groups for a total amount of more than \$95 million since 2014-2015, the Québec government has contributed to the completion of more than 379 projects. This support generated total research and innovation investments of more than \$263 million.

TABLE 23

Financial assistance granted to the nine industrial research sector groups since 2014-2015

(millions of dollars, unless otherwise indicated)

	2014-2015	2015-2016	2016-2017	2017-2018 ^F	Total
Amount granted	7.2	14.2	27.3	46.4	95.1
Projects (number)	n/a	92	125	162	379
Total project value	18.7	38.3	81.1	125.0	263.1

F: Forecast.

Source: Ministère de l'Économie, de la Science et de l'Innovation.

College technology transfer centres

Colleges have specific structures to guide businesses and organizations in applied research, technical support and training.

- This structure takes shape within college technology transfer centres (CCTTs).

CCTTs are institutions recognized by the Ministère de l'Éducation et de l'Enseignement supérieur and report to the colleges.

Currently, there are 49 CCTTs, 43 of them are technological in nature and 6 centres are specialized in innovative social practices. The 49 CCTTs are found in 33 CEGEPs and 1 private college, and are present within 14 administrative regions in Québec.

CCTTs cover a wide range of activity sectors, where each one has experience in one or more specific fields.

Their mandate is to carry out applied research, technical assistance and information activities to contribute to the planning and execution of technological and social innovation projects, as well as innovation implementation and dissemination.

CCTTs provide technological and social assistance to businesses and organizations at various stages in a change process.

- They help approximately 4 000 businesses per year to develop their research and innovation projects.

The CCTTs' activities contribute greatly to the building of closer ties among businesses, organizations and college-level educational institutions. They have a significant effect on scientific and technical training, matching workforce needs with specialized training. In this way, CCTTs contribute to the economic development of their respective regions and Québec as a whole in their sectors of expertise.

In January 2018, the government announced a request for proposals that will allow colleges to implant new CCTTs, specifically in the field of innovative social practices.

In addition, the March 2018 Québec Economic Plan provides for a contribution of \$20 million specifically to test a new "trial" training approach. This approach helps students fit into both employment settings and research environments.

❑ **Montréal, a world leader in artificial intelligence**

Montréal is recognized as a hub for artificial intelligence, particularly due to the presence of a large number of researchers who are internationally recognized in this field and in that of deep learning.

- Montréal has the Montreal Institute for Learning Algorithms (MILA), headed by Yoshua Bengio, a world pioneer in artificial intelligence, and the Institute for Data Valorization (IVADO), a pivotal institute in Montréal, grouping Québec's expertise in operational research, artificial intelligence and data science and creating synergies between universities and the industry.

This international renown has allowed Montréal to attract the main players in this sector, such as DeepMind, Facebook, Google, Microsoft, Samsung and Thales, which have all chosen to invest in Montréal's artificial intelligence sector.

Montréal's ecosystem is also fed by the increasing interest among manufacturers for artificial intelligence applications in their operations. The emerging business Element AI proposes connecting businesses and researchers to develop those solutions.

■ **Maintaining Québec's leadership in this promising sector**

Attracting and retaining expertise in Québec remain both a necessity and a challenge. That is why, under the Québec Economic Plan, the government has provided ways of maintaining Québec's leadership in this promising sector, specifically through:

- granting \$100 million to support the creation and advancement of an artificial intelligence cluster, the cluster, part of the IVADO, will contribute to the definition of Québec's vision of artificial intelligence,
- supporting the completion of several projects that highlight Québec's artificial intelligence know-how, such as:
 - development of the AI-powered supply chains supercluster (SCALE.AI),
 - the launch of NextAI at HEC Montréal and Montréal's Creative Destruction Lab,
 - the implementation of a worldwide artificial intelligence organization in Montréal.

The Institute for Data Valorisation

The Institute for data valorisation (IVADO) was created out of an academic and industrial initiative by Campus Montréal, which brings together HEC Montréal, Polytechnique Montréal and the Université de Montréal.

IVADO is comprised of industry professionals and university researchers, with more than 1 000 data scientists, including 150 researchers, recognized as among the best in the world. It is the worldwide leader in publications in this field.

Its academic partners specifically include: the Group for Research in Decisions Analysis, the Interuniversity centre for research in business networks, logistics and transport, the Montreal Institute for Learning Algorithms and the Canada Excellence Research Chair on Data Science for Real-Time Decision-Making.

Grant from the Canada First Research Excellence Fund

The federal government has announced that it will award a \$93.6 million grant out of the Canada First Research Excellence Fund to IVADO to implement its “Data Serving Canadians: Deep Learning and Optimization for the Knowledge Revolution” strategy.

This strategy should pave the way to major scientific breakthroughs, allowing useful information to be efficiently extracted from massive data sets (machine learning) and turned into actionable decisions (operations).

It will also contribute to training a knowledgeable workforce of data scientists with entrepreneurial skills to maximize the benefits of the research.

❑ **Innovations in the life sciences sector**

In 2016, the life sciences industry in Québec accounted for approximately 630 companies supporting more than 30 000 highly qualified jobs.

This sector has undergone significant change over the past few years. Many technological innovations and new regulatory requirements have led:

- sector businesses to adopt new business models,
- governments to consider integrating certain technologies to reduce health-related costs and improve patient care.

To support this activity sector, which is among the most innovative in Québec's economy, the government made public, on May 5, 2017, the Québec strategy for life sciences 2017-2027—Innovation comes to life.

- This strategy, spread over a ten-year period, is based on a first financial framework of \$205 million over five years.
- In addition, the March 2018 Québec Economic Plan provides for an additional \$52.5 million to support initiatives in the sector.

■ **Ambitious targets for a growth sector**

With the Québec strategy for life sciences 2017-2027, the Québec government has set ambitious targets for itself:

- attracting \$4 billion of private investments to Québec by 2022,
- making Québec one of the five most important North American hubs in the sector by 2027, whereas it was in tenth place when the Québec strategy for life sciences 2017-2027 was launched.

The strategy provides for initiatives focused on four areas of intervention, each one comprising important measures:

- increasing investments in research and innovation in all of the life sciences, due among other things to the implementation of a Health collaboration acceleration fund, with up to \$75 million set aside,
- encouraging the creation of innovative companies and supporting their growth, particularly through the BioMed Propulsion program with a budget envelope of \$100 million,
- supporting private investment projects and making Québec a preferred location for biomanufacturing projects through a budget envelope of \$100 million,
- integrating innovation more fully into the health and social services network, setting up the Office for innovation in health and social sciences.

■ **Additional support of almost \$204 million since 2014**

In addition to the amounts available in the regular programs from the various departments and bodies, the government has announced measures to support the life sciences sector totalling nearly \$204 million since 2014.

TABLE 24

Financial impact of the additional support granted to the life sciences sector, per intervention area, since 2014
(millions of dollars)

	Total by 2022-2023
Increase investments in research and innovation	-120.1
Promote creation of innovative businesses and support their growth	-37.2
Integrate innovation more fully into the health and social services network	-46.5
TOTAL	-203.8

2.4.2 Addressing the challenges of the digital economy

The use of digital technology by businesses contributes to an increase in productivity, innovation and job creation.

Québec must be able to take advantage of the opportunities created by these new technologies and continually adapt to new global trends.

□ Deployment of a cutting-edge digital strategy

The Québec Digital Strategy, launched in December 2017, is a true social project that affects all of its spheres, and more specifically, social life, work organization, learning methods and how to retrieve information, health management, environmental protection and the growing influence of culture and enhanced wellbeing.

— Québec wants to position itself as a lead player in global digital transformation.

By providing overall project consistency and proposing an ambitious overall vision of the Québec of tomorrow, the Québec Digital Strategy, which is dynamic, will drive Québec society to create added value and increase collective wealth, based on key common principles.

This strategy will wage a unique offensive to increase access to high-performance digital infrastructure, which in turn will speed up innovation throughout the province.

Among the actions contributing to the strategy, the Digital Economy Action Plan, presented in May 2016, has almost \$200 million available over five years to develop an economy of excellence in digital management.

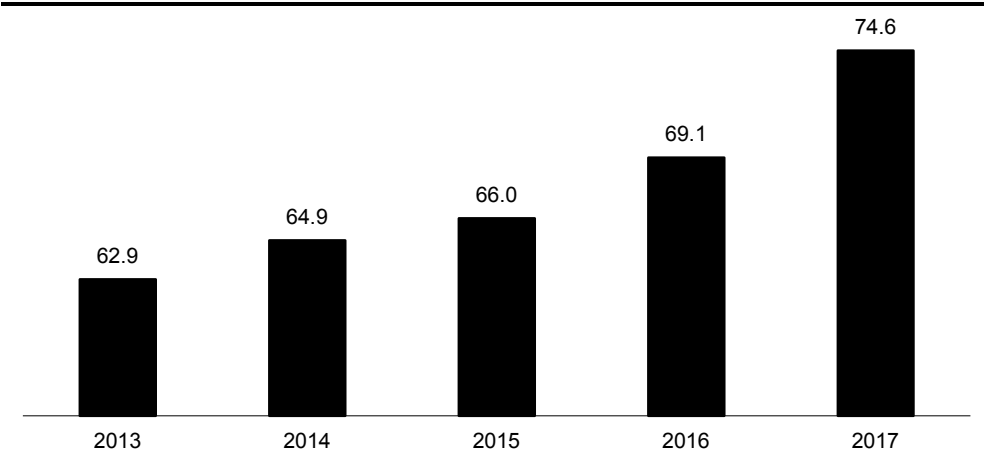
❑ **A strategy that counts on Quebecers’ expertise**

The dynamism of the information technology service sector has helped businesses in this sector grow significantly in recent years.

— The number of jobs in the information technology service sector went from close to 63 000 in 2013 to almost 75 000 in 2017, an 18.5% increase.

CHART 35

Jobs in the information technology service sector
(thousands)



Note: Jobs in the information technology service sector correspond to jobs in the software publishers (NAICS 5112), data processing, hosting and related services (NAICS 5182) and computer systems design and related services (NAICS 5415) sectors.

Source: Statistics Canada.

Québec Digital Strategy

The Québec Digital Strategy, which is the result of a vast consultation undertaken in the summer of 2016, defines a consistent governmental vision for Québec to evolve into a digital society.

It focuses on seven strategic policy directions that will guide the intervention priorities over the next five years. A specific target has been defined for each policy direction.

Québec Digital Strategy's policy directions and targets

Policy directions	Targets
Reliable, dynamic digital infrastructures	For 100% of citizens to have access to high-speed Internet services, more than 90% of them having access to very high-speed Internet services of at least 100 Mbps for downloading and 20 Mbps for uploading
Digital skills education and development for everyone	That all citizens develop more digital skills so that Québec is one of the leaders in this area within the OECD
Transparent and efficient public administration	That 90% of the policy directions implemented for the public administration of the Québec Digital Strategy be completed
Smart cities and territories	That at least 75% of citizens benefit from digital transformation of municipalities
Digital economy of excellence	That all Québec businesses increase their digital intensity by 50%
Health connected to citizens	That 100% of citizens may interact digitally with the health and social services network and its professionals
Growing influence of culture, at home, everywhere	That the Québec culture offering becomes more visible and consulted on digital networks

Moreover, six cross-cutting principles, applicable to each of the directions, will guide all actions taken in the digital realm:

- transparency,
- data openness, security and sustainability,
- public participation,
- creation of public value,
- experimentation, open innovation and collaboration,
- flexibility and efficiency.

❑ **\$1.9 billion for the digital shift**

The Québec Economic Plan provides for measures to support the various economic activity sectors in their digital transformation:

- \$400 million for projects to ensure access to high-speed Internet services in rural areas and remote outlying regions, specifically through the Québec branché program,
- \$355 million for the implementation of the education and higher education digital plan,
- \$226.3 million for initiatives in the cultural sector, including the Québec digital cultural plan,
- \$194.2 million for the plan to modernize the justice system,
- \$406 million for tax measures to support the digital shift.

To date, investments of more than \$1.9 billion are forecast in support of the implementation of the Digital Strategy, and various sectoral action plans that it oversees.

TABLE 25

Main investments in regards to the Québec Digital Strategy (millions of dollars)

	Total investments by 2022-2023
Digital Economy Action Plan	187.9
Projects to ensure access to high-speed Internet services in rural areas and outlying regions	400.0
Develop next generation technologies in Québec	66.6
Education and higher education action plan	355.0
Initiatives to foster digital transformation of the cultural field	226.3
Digital transformation of public bodies	72.0
Plan to modernize the justice system	194.2
Digital shift of the tourist industry	15.0
Digital transformation of the construction sector	11.0
Benefiting from the Financial Markets Administrative Tribunal's expertise to digitize Québec's tribunals	2.5
Tax measures to support the digital shift	406.0
TOTAL	1 936.5

Québec branché program

The Québec branché program is aimed at ensuring that citizens, organizations and businesses located in rural settings and remote regions that have poor or no Internet service have quality, high-speed Internet services¹ at a price comparable to that found in urban settings.

With a budget envelope of \$100 million, the program supports the financing of digital distribution and transportation infrastructures to rural communities, in parallel with the Canadian government's new Connect to Innovate² program.

In the context of the first request for proposals by the Québec branché program that ended on April 20, 2017, more than 240 projects were submitted.

More than one third of these projects were retained and will thus receive financial assistance for the implantation of digital infrastructures. This represents an investment of approximately \$100 million through the Québec branché program.

- With the contribution offered by the federal government through its Connect to Innovate program, the total investments will amount to nearly \$300 million.
- Almost 100 000 additional homes will be connected to a high-speed Internet network.

In addition, to ensure accessibility to a high-performance digital network in all regions of Québec, the update to the Québec Economic Plan in November 2017 set aside an additional \$300 million specifically for the completion of the second phase of the Québec branché program.

- 1 The Québec branché program was established in 2016 from CRTC standards that were in effect at that time. Access was considered to be high speed when it provided downloading at 5 Mbps, uploading at 1 Mbps and a monthly capability of data transfer equal to or greater than the Canadian average. Since that time, the CRTC has established new targets for basic Internet connection service. It wants, by 2021, for 90% of households and businesses in Canada to have access to a broadband Internet connection with at least 50 Mbps for downloading and at least 10 Mbps for uploading.
- 2 The Connect to Innovate program, with a budget envelope of \$500 million from the federal government, is aimed at improving high-speed Internet services in rural and remote Canadian communities.

❑ **Important tax measures to support the digital shift**

For a number of years, the Québec government has invested in the development of tech companies, namely through various tax measures aimed at fostering an economy shift to a digital environment.

Québec has a pool of businesses present in several key technological fields that can count on a qualified and competent workforce recognized around the world.

In the Québec Economic Plan, the government implemented new tax measures to support the digital shift among businesses:

- a tax credit for integration of information technology in SMBs,
- a tax credit to support the digital transformation of print media enterprises,
- a tax holiday for large-scale investment projects aimed at developing digital platforms,
- an additional deduction for depreciation for the acquisition of computer equipment and manufacturing and transformation material.

■ **Tax credit for integration of information technology in SMBs**

The tax credit for integration of information technology within SMBs in the manufacturing, primary and wholesale and retail sectors was implemented to encourage these businesses to:

- integrate high value-added software into their business processes,
- use management software suites optimally in order to increase their productivity and competitiveness.

To date, the measure has been able to support the completion of several hundred management software suite integration projects in approximately 300 SMBs.

These projects represent investments totalling \$45 million for a tax assistance amount of approximately \$8 million per year.

■ **Tax credit to support the digital transformation of print media enterprises**

The March 2018 Québec Economic Plan provides for the introduction of a refundable tax credit to support digital transformation of print media enterprises. Effective for a five-year period, this tax credit will foster digital innovation in these enterprises' business model.

Briefly, the tax credit is for a company that:

- operates print or digital media producing original, general interest, written news in Québec,
- has its own editorial team in Québec,
- incurs expenses for the development of the digital offering for information media and business intelligence.

The tax credit rate is 35% and the tax assistance amount that can be granted to the company is limited to \$7 million per year.

This initiative is to be transformational for the print media industry and its digital business model.

■ **Tax holiday for large-scale investments – digital platforms**

The tax holiday for large-scale investments for the development of digital platforms, represents an incentive measure that will contribute to increasing digital intensity in Québec's businesses.

This measure, for which all sectors of the economy are eligible, allows Québec's businesses to continue to modernize their digital offering. For example, it will favour the:

- retail sector, through the development of infrastructures to be used for e-commerce,
- transportation sector, through the development of IT systems for the operation of logistics hubs,
- telecommunications sector, to develop cultural and information content dissemination platforms,
- artificial intelligence sector, whose IT platforms can offer services such as transportation automation, connected objects and massive data processing.

■ **Additional deduction for depreciation for computer equipment and manufacturing and transformation material**

To support the digital shift by businesses through the acquisition of new technology, and to answer tax reform in the United States, in the context of the Québec Economic Plan, the government introduced an additional deduction for depreciation for computer equipment and manufacturing and transformation material.

Increase businesses' liquidity to support their digital shift

The additional 60% deduction for depreciation will allow businesses to deduct the entire amount of their investment in computer equipment in two years.

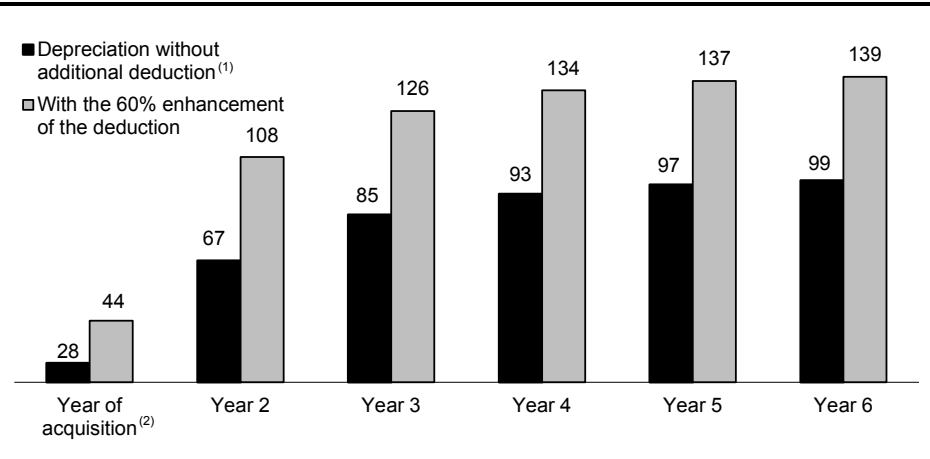
- In comparison, after two years, without the additional deduction, businesses would have deducted only 67% of the value of their investment.
- This will allow businesses to generate cash more quickly pursuant to their investment by reducing the tax payable, which will increase their profitability and will make financing easier.

Moreover, after six years, the additional deduction that is applicable in regards to the first two tax years when the goods are used, will allow businesses to benefit from a tax deduction representing 139% of the value of their investment.

- This measure represents a tax reduction of \$406 million.

Illustration of the effect of the additional deduction for depreciation for computer equipment

(accumulated depreciation, percentage of acquisition cost)



(1) Tax rules provide for a 55% depreciation rate using the declining balance method for computer equipment.

(2) For the purchase year, tax regulations provide for one-half of the depreciation amount.

2.4.3 Supporting the marketing of Québec innovations

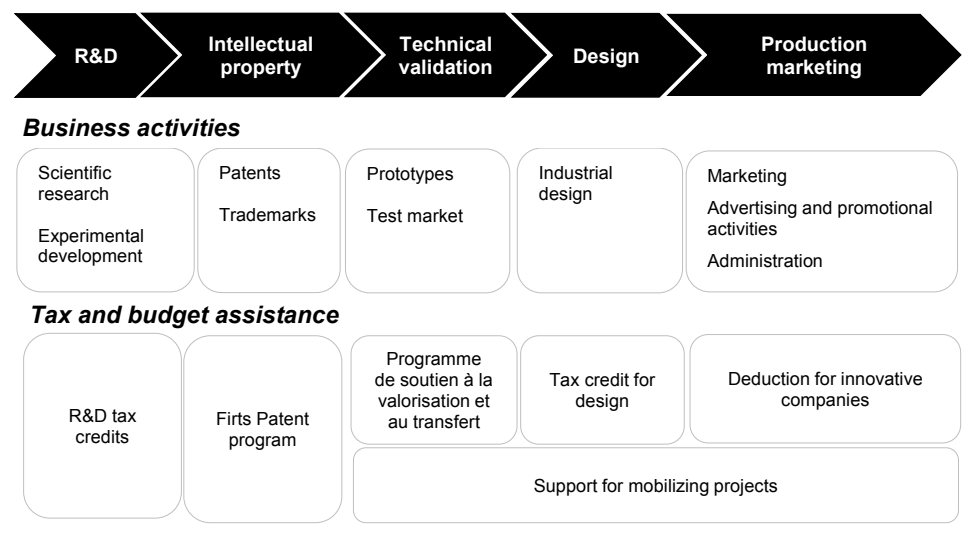
To foster the marketing of innovations designed by Québec businesses, the Québec Economic Plan specifically:

- introduced the deduction for innovative corporations (DIC) to allow companies to benefit from a reduction in their income tax for revenue stemming from the marketing of intellectual property from Québec,
- fostered the completion of mobilizing projects.

Combining all the support for innovation provided by the Québec government, enterprises that carry out their activities in Québec can benefit from government backing at all stages of innovation.

ILLUSTRATION 2

Main tax and budgetary measures for innovation



❑ **The deduction for innovative corporations**

To promote the marketing and manufacturing of innovations designed by corporations in Québec, the Québec Economic Plan introduced a deduction for innovative corporations (DIC).

With the DIC, enterprises in the manufacturing sector that market products incorporating patent protecting inventions developed in Québec will benefit from a lower tax rate on their revenues attributable to such patents.

— The tax rate on income attributable to a patent is reduced to reach 4%.

By introducing this tax advantage, the government wants to foster:

- investment in the innovative manufacturing sector,
- retention of intellectual property developed in Québec,
- production and marketing of goods resulting from patents protecting inventions designed in Québec,
- the competitiveness of Québec corporations.

The DIC provides support to help advance research results to the marketing step.

❑ **Supporting the completion of mobilizing projects to accelerate innovation in promising fields**

Québec has the potential of being a leader in applied technology and innovations, specifically in promising fields such as artificial intelligence.

Through mobilizing projects, the Québec government financially supports businesses so they combine their efforts to successfully complete innovation development and appropriation projects, specifically by mobilizing universities, public research centres and economic development bodies as well as SMBs.

Under the Québec Economic Plan, the government supports mobilizing projects in several promising fields.

Supporting mobilizing projects in promising fields

The Québec Economic Plan supports several mobilizing projects.

\$40 million for more eco-friendly airplanes

The purpose of this project, called SA²GE (cutting-edge aeronautical system for the environment), is to support the industry in the implementation of technology whose marketing will foster adaptation to new environmental standards as well as a reduction of GHG emissions in Québec and elsewhere.

\$100 million for the creation and growth of the artificial intelligence knowledge cluster

The cluster will stimulate artificial intelligence research and innovation and operational research, as well as the creation of businesses and the deployment of applications throughout Québec. A committee was set up to establish the cluster's deployment strategy.

\$60 million for AI-powered supply chain supercluster (SCALE.AI)

This support will help apply the latest technological advances to Québec's industrial sectors to develop smart supply chains. SCALE.AI to date mobilizes 118 world-class partners, manufacturers, facilitation bodies and research establishments.

\$60 million for a request for proposals for strategic, mobilizing projects for Québec

This request for proposals will allow the best projects to be selected, specifically for marketing new products, processes and services in order to position businesses and help them expand through the integration of value chains and to support economy transformation projects, new business models and marketing innovation.

2.4.4 Growing influence of culture worldwide

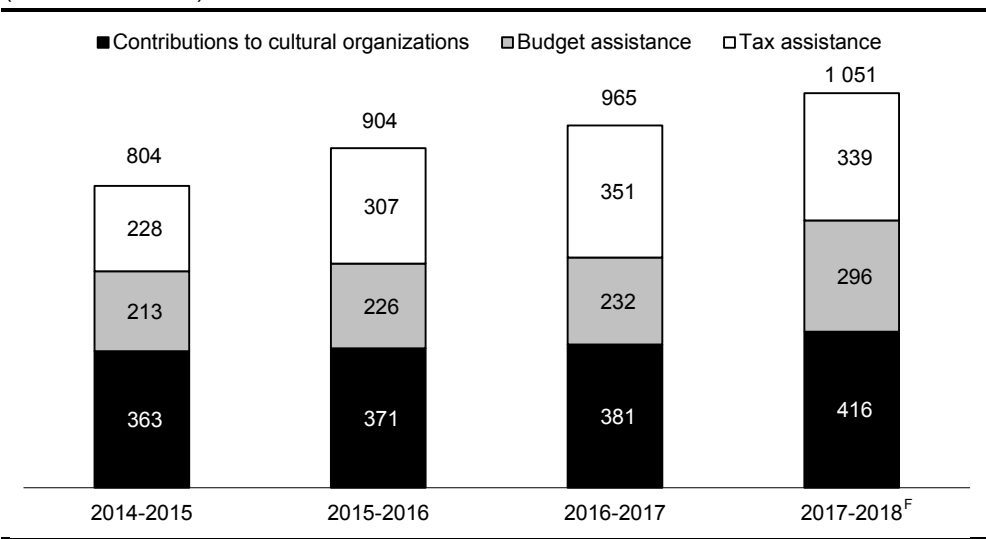
Culture is an essential component of societal development and it must be preserved and enhanced.

Over the last few years, the government has reaffirmed its commitment to Québec’s culture. By financing artists, bodies and cultural events throughout Québec, the government ensures that citizens have preferred access to the talent of Québec creators, while promoting strong and vibrant culture in Québec.

Since 2014-2015, the government’s contribution to the cultural sector has increased significantly going from \$804 million to \$1 051 million in 2017-2018, an increase of \$247 million or more than 30%.

CHART 36

Changes in the government’s contribution to the cultural sector – 2014-2015 to 2017-2018⁽¹⁾
(millions of dollars)



Note: Totals may not add due to rounding.

F: Forecast.

(1) Contributions and budget assistance include subsidies paid in 2017-2018 under the March 2018 Québec Economic Plan.

Sources: Ministère de la Culture et des Communications and Ministère des Finances.

As a result of these investments, Québec remained a world leader in cultural activity sectors. To continue this momentum, the March 2018 Québec Economic Plan increased support to the cultural sector with an additional amount of \$509 million over the next five years.

Substantial support provided for film and television production

Québec's workforce in the film and television production sector is recognized around the world for its skills, talent and experience. Its infrastructures and resources, always at the cutting edge of technology, allow large-scale productions to be made in Québec.

In recent years, the government has continued to invest significant amounts, enabling the film and television production sector to continue to grow quickly.

- Since 2014-2015, the budgets allocated to this sector have increased by almost 50% to reach \$338 million.

The stability and competitiveness of the tax credits are specifically recognized as significant factors contributing to an increase in audiovisual productions and postproduction activities carried out in Québec.

The March 2018 Québec Economic Plan also provides for increases in tax measures totalling \$14.6 million from 2018-2019 to 2022-2023 including:

- making digital platforms eligible for the tax credit for film and television production in Québec to take new broadcasting methods and consumption (digital media) into consideration,
- eliminating the cap limiting admissible labour costs to 45% in regard to the tax credit for film dubbing, to stimulate this industry even more and make it more competitive.

Change in government support for film and television production, 2014-2015 to 2017-2018

(millions of dollars)

	2014-2015	2015-2016	2016-2017	2017-2018 ^F
Budget assistance ⁽¹⁾	32	34	39	36
Tax assistance ⁽²⁾	196	266	312	302
TOTAL	228	299	351	338

Note: Totals may not add due to rounding.

F: Forecast.

(1) Includes assistance programs for film and television production for SODEC.

(2) Includes the tax credit for Québec film and television production, the tax credit for film production services and the tax credit for film dubbing.

Sources: Ministère de la Culture et des Communications and Ministère des Finances du Québec.

3. A STRONG ECONOMY THAT BENEFITS QUEBECERS' QUALITY OF LIFE

Improving the quality of life for all Quebecers is at the heart of the actions undertaken by the government.

The excellent performance of Québec's economy, combined with the decrease in the tax burden, has had a direct impact on Quebecers' standard of living.

Quebecers now benefit from lower taxation, enjoying a significant reduction in the tax burden amounting to \$3 billion per year.

— At no time over the last 30 years have the first dollars earned been so little taxed.

The different initiatives of the Québec Economic Plan have given Québec's economy new momentum, which has directly benefited Quebecers.

❑ Public services in keeping with Quebecers' needs

The government's good financial position has made it possible to reinvest significantly in public services.

— The priority sectors of education and health benefited from these increases, namely by adding new resources.

Furthermore, in keeping with Quebecers' priorities and its commitments, the government has made a major shift toward a more sustainable mobility and increased protection of Québec's ecosystems.

❑ Inclusive measures supporting the development of everyone's full potential

Within the framework of the Québec Economic Plan, the government implemented measures aimed at fostering more inclusive growth, especially in regard to:

— disadvantaged people, with the Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023,

— youth, by focusing on the potential of Québec youth.

3.1 Direct impacts on the standard of living of Quebecers

3.1.1 A sharp increase in household income

Since 2015, Québec has seen accelerated economic growth. When comparing the periods 2013 to 2015 and 2016 to 2018,³ we note that:

- the average annual growth in GDP per capita went from 2.1% to 2.7%, an increase of 0.6 percentage point,
- the average annual growth in weekly wages per worker went from 1.8% to 2.3%, an increase of 0.5 percentage point,
- the average annual growth in household income per capita went from 2.5% to 2.7%, an increase of 0.2 percentage point.

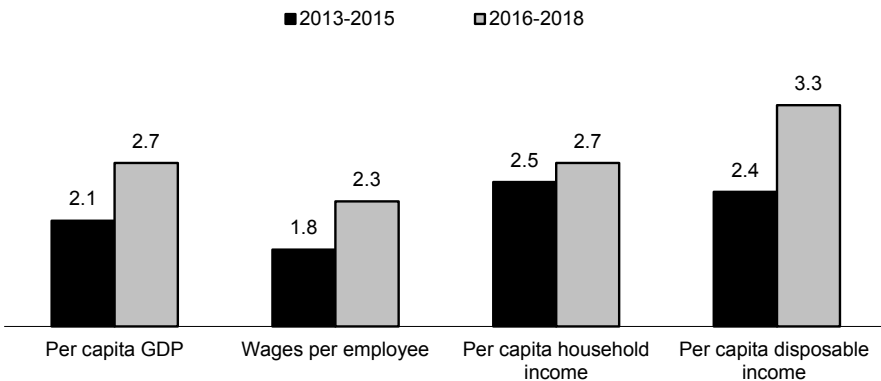
These results show that households have benefited fully from the economy's recovery. On average, annual growth previously reported per capita in terms of income before tax and transfer measures has accelerated by 0.4 percentage point between the periods in question.

Furthermore, the average growth in disposable income per capita was 2.4% from 2013 to 2015 and 3.3% from 2016 to 2018.

- This represents a 0.9-percentage-point jump between the two periods, reflecting:
 - an increase in income thanks to the strength of the economy,
 - tax relief and income support measures introduced by the government since 2015.

CHART 37

Growth of certain economic indicators in Québec (nominal terms, percentage annual average)



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

³ For the years 2013 to 2016, these are observed statistics. For 2017 and 2018, the forecasts used are those from the Ministère des Finances du Québec.

3.1.2 A significant decrease in the tax burden

Thanks to the positive outcomes of the Québec Economic Plan on the economy and the sound management of public finances, the government was able to reduce the tax burden on taxpayers.

In fact, the Québec government introduced several measures aimed at improving the disposable income of Quebecers:

- the elimination of the health contribution,
- a reduction in the tax payable resulting from the 15% reduction in the tax rate on the first dollars earned and the increase in the basic personal amount,
- a reform of the school tax system,
- an increase in work incentive measures.

These measures represent a reduction in the tax burden of nearly \$19 billion for the period from 2014-2015 to 2022-2023:

- \$630.5 million in measures announced as part of the March 2018 Québec Economic Plan,
- \$6.5 billion for the November 2017 update of the initiatives of the Québec Economic Plan,
- \$3.2 billion from reforming the school tax system,
- \$8.6 billion in measures already planned.

All of these actions represent a permanent reduction in Quebecers' tax burden of nearly \$3 billion per year, starting in 2018-2019.

TABLE 26

Financial impact of tax burden relief⁽¹⁾ on Quebecers (millions of dollars)

	2014-2015 to 2017-2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
New actions							
March 2018 Québec Economic Plan ⁽²⁾	—	-105.4	-114.6	-124.8	-136.6	-149.1	-630.5
November 2017 update of the Québec Economic Plan ⁽³⁾	-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 ⁽⁴⁾	-679.3	-681.6	-680.5	-679.7	-3 219.8
Subtotal	-1 083.2	-1 684.4	-1 840.7	-1 881.7	-1 924.0	-1 968.2	-10 382.2
Measures already planned							
Reduction of the tax burden ⁽⁵⁾	-1 762.9	-1 043.0	-1 028.0	-1 033.4	-1 038.8	-1 044.4	-6 950.5
Work incentive ⁽⁶⁾	-318.5	-220.9	-221.2	-221.6	-222.0	-222.4	-1 426.6
Other measures ⁽⁷⁾	-56.8	-33.3	-33.7	-34.4	-34.9	-35.5	-228.6
Subtotal	-2 138.2	-1 297.2	-1 282.9	-1 289.4	-1 295.7	-1 302.3	-8 605.7
TOTAL	-3 221.4	-2 981.6	-3 123.6	-3 171.1	-3 219.7	-3 270.5	-18 987.9

Note: The financial impacts of some measures may differ from financial impacts originally announced as they have since been revised to reflect the actual data and updated forecasts.

(1) The tax burden reductions include the tax measures of 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 extending the RênoVert tax credit.

(3) The measures in the November 2017 update of the Québec Economic Plan include reducing the lowest tax rate from 16% to 15%, a supplement of \$100 per child to purchase school supplies and increases in 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) This consists of the implementation of the proposed reform beginning on July 1, 2018. It should be noted that the school year runs from July 1 to June 30.

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

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

(7) Other measures include the supplement for children with disabilities requiring exceptional care, tax credits for seniors' activities, the increase of the tax credit for donations, the subsidy for seniors to partly offset a rise in municipal taxes, the greater deduction for the remote region of Îles-de-la-Madeleine and the automatic payment of certain refundable tax credits.

❑ **Actions to benefit all Quebecers**

By reducing significantly the tax burden, the government has acted to increase Quebecers' disposable income. Several measures have been implemented for:

- reducing the tax burden on taxpayers through tax cuts and eliminating the health contribution,
- improving income support for Québec families, including a supplement of \$100 per child to purchase school supplies and increasing the child care expense cap eligible for the refundable tax credit for child care expenses,
- improving the work incentive by increasing in particular the minimum wage and increasing work premiums,
- strengthening support for the most disadvantaged by enhancing last resort financial assistance and the Aim for Employment Program,
- guaranteeing better retirement income with the enhancement of the Québec Pension Plan and the gradual implementation of voluntary retirement savings plans.

These initiatives will make it possible for all Quebecers to have more money in their pockets, which they can in turn spend on activities that they hold dear, thereby improving their standard of living.

- Middle-class families will benefit from earning an additional \$1 500 per year as of 2018.
- Workers paid at average wage who are living alone will benefit from an annual reduction in their tax burden greater than \$500.
- Experienced workers will be able to count on annual earnings of nearly \$1 500 starting this year.
- Last resort financial assistance recipients will benefit from an annual increase in their disposable income ranging from \$540 to \$5 382 per single person.
- Future retirees will see their disposable income increase thanks to the enhancement of the Québec Pension Plan.

TABLE 27

Annual increase in disposable income per household situation – Overall
(dollars)

	Family⁽¹⁾	Single individual
Middle-class families and workers ⁽²⁾	1 573	536
Experienced workers aged 65 and over ⁽³⁾	—	1 466
Last resort financial assistance recipients		
– Severe long-term constraints	7 277	5 382
– Severe short-term constraints	1 616	1 261
– Social welfare	740	540
Retirees ⁽⁴⁾	4 587	1 756

(1) Couple with two children aged 4 and 7 and two equal employment incomes.

(2) Workers paid at average wage.

(3) Only the typical case of a single person is presented, given that the tax credit is determined on an individual basis.

(4) Impact of the enhancement of the Québec Pension Plan for a worker paid average wage.

❑ Reform of the school tax system

On tabling the update of the November 2017 Québec Economic Plan, the government announced its intention to reform the school tax system.

- The last major overhaul of the school tax system goes back almost 25 years. Since then, the application context has changed and certain adjustments are needed.

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

The proposed reform provides for:

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

The government also undertakes to offset the school boards' reduction in their school tax revenues by an equivalent increase in the government subsidy they receive in order to maintain their level of funding.

The five main objectives of this reform are:

- stopping taxpayers who do not have children receiving educational services from changing linguistic school boards,
- eliminating the inequity to taxpayers of school tax rate spreads within a given region,
- easing the tax burden on taxpayers,
- maintaining the level of funding to school boards,
- respecting the taxation power of school boards.

3.1.3 A plan allowing for greater wealth, to benefit the quality of life for all Quebecers

The Québec Economic Plan acted on all the determinants of economic growth in order to create greater wealth and improve Quebecers' quality of life.

- By reducing the tax burden on individuals and businesses, the government has specifically increased the work incentive and encouraged investment and entrepreneurship.
- By supporting these two determinants, the government has made it possible to set up a framework conducive to economic growth.
- Furthermore, by reinvesting significant amounts in education and health as well as increasing investments in infrastructure, the government has taken action to increase the productive capacity of Québec's economy.

The Québec Economic Plan has made it possible to improve the effectiveness of public interventions, thereby contributing to a better allocation of government resources, and ultimately accelerating economic growth.

As a result, individual and business tax regimes were optimized and government interventions were analyzed to boost viability and quality.

- Thus, by improving the structure of government intervention in terms of both taxes and public expenditures, the government has been able to maximize its impact on the economy.

❑ Economic impacts of tax relief measures brought in by the Québec government

The Québec government has introduced measures to benefit businesses and individuals totalling \$4.7 billion per year, including:

- \$3.5 billion for individuals,
- \$1.2 billion for businesses.

On account of their improved competitiveness, Québec businesses will increase exports and create jobs, thereby boosting their production capacity. In figures:

- investment by businesses will rise by \$2 billion per year,
- businesses will create 44 000 additional jobs,
- exports will increase by \$1.5 billion per year.

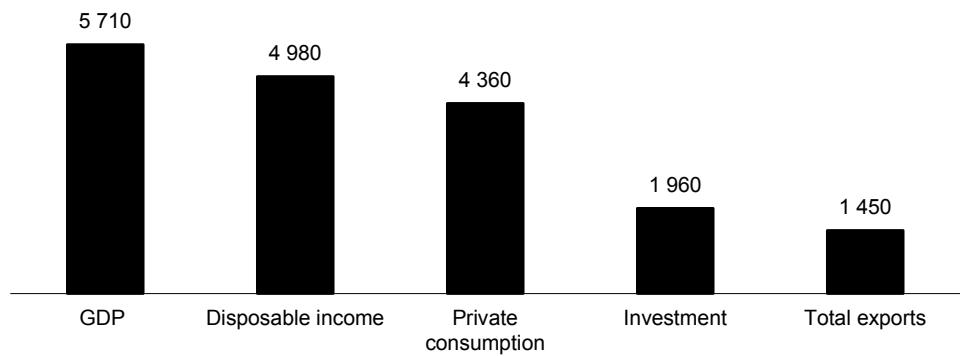
Turning to families, disposable income will increase by \$5 billion per year, largely due to income tax reductions and job creation.

- This rise in income will lead to a \$4.4 billion increase in household spending.

Overall, the annual impact of all these measures on Québec's GDP will be an increase of \$5.7 billion, or 1.3%.

CHART 38

Long-term effects on key variables in the Québec economy
(variation in millions of 2018 dollars, in real terms)



Note: Estimates of effects are based on the general equilibrium model of the Ministère des Finances du Québec.
Source: Ministère des Finances du Québec.

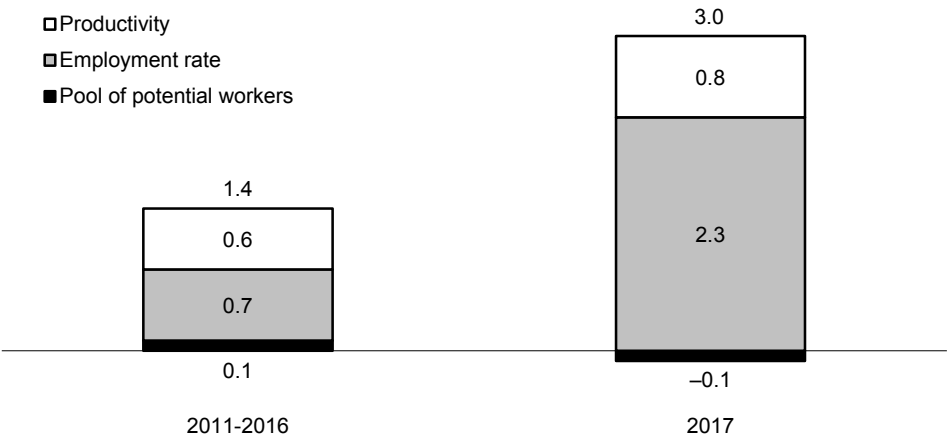
■ **Improved economic situation**

The actions introduced by the government under the Québec Economic Plan have had a substantial impact on economic growth.

— In 2017, Quebecers’ increased participation in the labour market and improvements in productivity resulted in Québec’s real GDP growth rising to 3%, as against 1.4% over the 2011 to 2016 period.

CHART 39

Factors contributing to Québec’s economic growth
(average annual percentage change and contribution in percentage points)



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

3.2 Investing in Quebecers' priorities

The growth in own-source revenue, supported by the performance of the Québec economy and the actions taken by the government, has yielded additional financial resources.

- Accordingly, the government has invested more in high-quality public services, to the benefit of all families in Québec.

3.2.1 Investment in public services

With similar rates of growth in spending and revenue, Québec has regained financial health, enabling the government to allocate considerable amounts to the maintenance of quality public services.

- Spending on public services thus remains far above the level observed prior to the last recession.

Significant measures have been taken to maintain access to better-quality education.

- Thanks to substantial additional investments, 10 200 new resources will be supporting students in their educational success by 2021-2022.

In order to meet Quebecers' health and social services needs, the government has committed to maintaining average spending growth of 4.0% per year.

- For this purpose, the health and social services sectors' expenditures total \$38.5 billion in 2018-2019.

Furthermore, the measures taken by the government demonstrate its desire to provide Québec with a generous public transit offering, in response to the wishes of Quebecers.

- The government has allocated substantive investments of approximately \$3.5 billion in public transit, in addition to \$13 billion devoted to major strategic electric public transit projects.

❑ The proportions of revenues and expenditures in the economy

The proportions of government revenues and expenditures in the economy generally follow a similar trend.

From 2008-2009 to 2014-2015, deficits were recorded due to the fact that the weight of expenditures was greater than that of revenues.

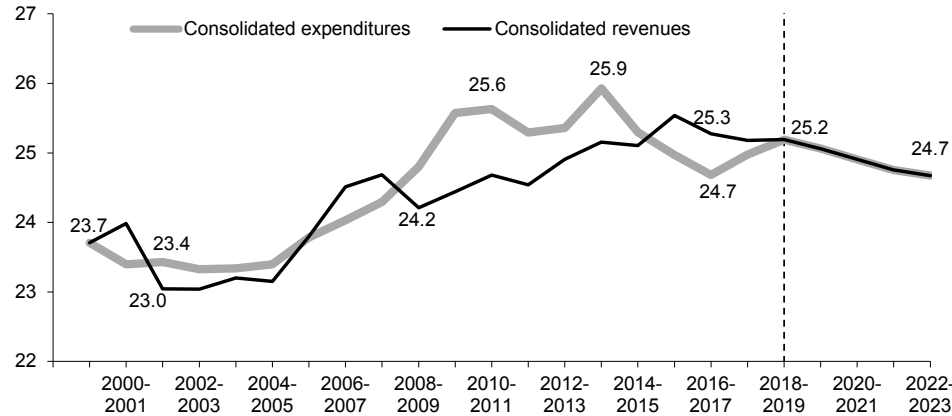
— The proportion of expenditures underwent sustained growth until 2013-2014, when it reached 25.9%.

In 2018-2019, the weight of revenues and expenditures each represent 25.3% of GDP.

Over the next five years, the weight of expenditures and revenues in the economy will gradually settle at 24.7%, a level comparable to that of 2007-2008, prior to the last recession.

CHART 40

The proportion of consolidated revenues⁽¹⁾ and expenditures in the economy – 1999-2000 to 2022-2023 (percentage of GDP)



(1) Revenues takes into account use of the stabilization reserve and excludes revenues set aside for the Generations Fund and the contingency reserve.

❑ Education funding: the government lives up to its commitment

The government has made education a priority.

Thanks to Québec's improved financial situation and accelerated growth in recent years, the government is in a position to share the resulting benefits and is therefore announcing new measures to promote academic success, particularly through better support for students.

The government committed to increasing spending on education by 3.5% per year.

The March 2018 Québec Economic Plan confirms that this commitment has been attained.

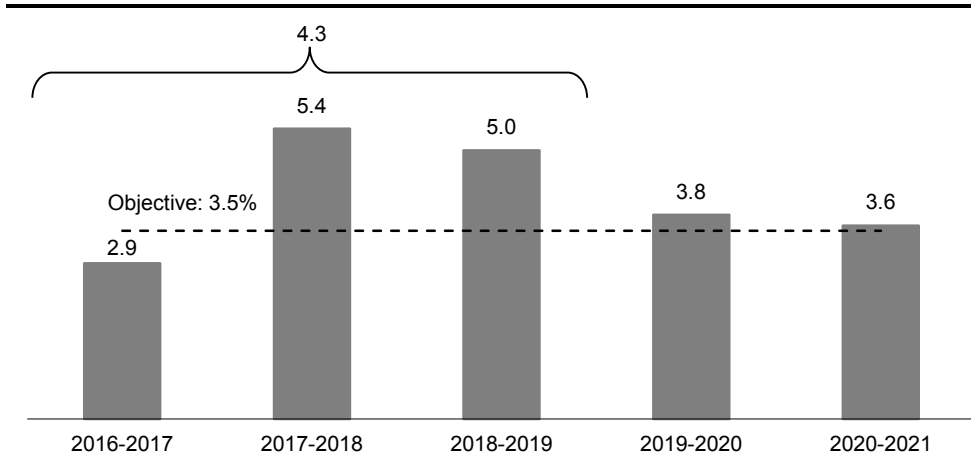
Growth in program spending for education in 2018-2019 is 5.0%.

Moreover, from 2016-2017 to 2018-2019, growth in expenditure for education will be 4.3%, or 0.8 of a percentage point higher than the initial target.

The growth objective will be maintained at 3.5% for the coming years.

CHART 41

Program spending – Éducation et Enseignement supérieur (per cent)



Note: The chart shows education and higher education program spending before the impact of the reform of the school tax system.

❑ **Almost \$900 million in additional investments for academic success**

Growth in program spending for education in 2018-2019 is 5.0%. Expenditure will amount to \$18.9 billion.

— This amount includes additional investments of \$897 million made since 2016.

■ **Additional resources to support students**

Substantial investments have been devoted to increasing the number of persons supporting students in achieving academic success.

— In September 2018, 3 100 additional professionals will provide primary and secondary students with support on their academic path. Four years from now, therefore, their number will have increased by 7 700:

— 7 200 additional resources providing direct services to students,

— 500 additional professionals such as speech therapists and remedial teachers.

— In higher education, colleges and universities will have hired 1 000 additional resources, as of September 2018, for student training and support. Four years from now, 2 500 persons will have been hired.

— In total, the education system will have an extra 10 200 professional resources.

❑ **A digital action plan to develop the skills of youth and adults**

The March 2018 Québec Economic Plan provides for additional investments to step up the digital transformation of the educational system.

— These investments will lead to the efficient integration and optimal use of digital technologies helping students achieve success.

❑ **Quality infrastructures**

With the goal of providing high-quality, modern, efficient education and higher education services, the 2018-2028 Québec Infrastructure Plan (QIP) provides for investments of \$16.2 billion, including:

— nearly \$9.5 billion more for preschool, primary and secondary education,

— \$6.7 billion for higher education.

Thanks to these investments, new students will be accommodated and the work that has begun on renovating and improving educational institutions throughout Québec will be continued.

❑ Health funding: a commitment reached

The government has made health a priority.

Québec's improved financial situation and accelerated growth have allowed the announce of new measures to improve access to quality health services, especially for vulnerable people.

The government committed to increasing spending on health and social services by 4.0% per year.

The March 2018 Québec Economic Plan confirms that this commitment has been attained.

In 2018-2019, program spending on health and social services is set to grow by 4.6%. These expenditures will mainly ensure the financing of health institutions and physician compensation. In particular:

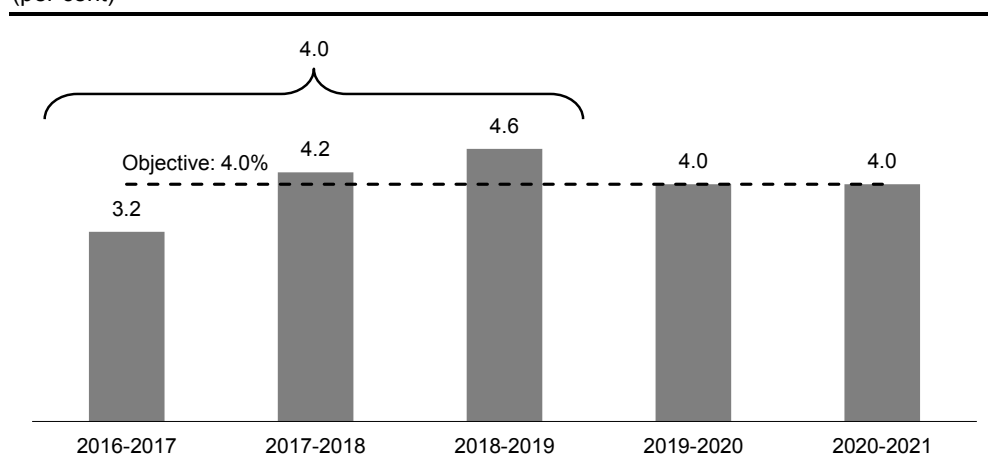
- spending on health institutions has increased by 5.3%. This significant improvement in health services is due to the budget flexibility freed up further to the agreements reached with the medical federations,
- the increase in the cost of medical services will be kept below 3.0% on average by 2022-2023, including the change in the volume of health care.

From 2016-2017 to 2018-2019, health expenditures will have increased 4.0% on average, a rate that will be maintained in the coming years.

- The increase in the amounts allocated to health and social service institutions will be, in particular, for the implementation of measures to address the issue of nurses' work organization in Québec.

CHART 42

Program spending – Santé et Services sociaux (per cent)



❑ **Additional investments to improve access to quality health services**

For 2018-2019, spending on health and social services will increase by 4.6%. Expenditures are \$38.5 billion.

— This amount includes \$2.6 billion of additional investments made since 2016.

The additional investments made it possible to:

- improve access to health services, for example by reducing emergency and diagnostic surgery wait times,
- improve home and residential care for seniors,
- improve prevention initiatives, particularly as regards health,
- provide the population of each region with a comparable level of access to frontline and specialized services.

Thus, thanks to the investments announced in the Québec Economic Plan:

- nearly 1.1 million additional people now have access to a family doctor,
- 325 family medicine groups (FMG) have been set up,
- 1 300 nurses and patient-care attendants have been hired in long-term care centres (CHSLD),
- 31 super-clinics, open 7 days a week, 12 hours a day, have been opened to reduce emergency room overcrowding.

❑ **Quality infrastructures**

In order to offer Quebecers modern, efficient and quality infrastructures, the 2018-2028 Québec Infrastructure Plan (QIP) provides \$18.7 billion in investments for the health and social services network.

- More than \$6 billion will serve to replace existing infrastructures and more than \$8 billion will be allocated to improve existing infrastructures or build new ones.

Five new projects are being studied under the 2018-2028 QIP. The expansion and rehabilitation of Hôpital Maisonneuve-Rosemont was under study during 2017-2018.

❑ **Fostering sustainable mobility through strategic investments in public transit and modern infrastructures**

Québec has embarked on a shift toward more sustainable mobility, mainly through the 2013-2020 Climate Change Action Plan, the Government Sustainable Development Strategy 2015-2020, the Transportation Electrification Action Plan 2015-2020 and the 2030 Energy Policy.

This shift will be confirmed by the future sustainable mobility policy, which will simultaneously take into account all transportation modes for people and goods across the entire Québec territory, and propose integrated national transportation and land-management planning.

The government has already achieved a first significant milestone in fostering sustainable mobility with the implementation of major strategic public transit initiatives aimed at stimulating Québec's economic development, reducing travel times for citizens, reducing GHG emissions and promoting the electrification of transportation.

For this purpose, investments of more than \$13 billion are set aside for major strategic electric public transit projects:

- the Réseau express métropolitain (REM),⁴ 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.

One year later, the government has added another milestone, announcing new investments of \$1.8 billion to implement the sustainable mobility policy, thus increasing its commitment to \$3.5 billion by 2022-2023.

⁴ The name "Réseau électrique métropolitain" was changed to "Réseau express métropolitain."

TABLE 28

Investments and financial impact to favour sustainable mobility
(millions of dollars)

	Investments ⁽¹⁾	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, higher-performance land transportation	429.2	—	-108.2	-84.6	-57.3	-59.7	-62.4	-372.2
Significant support for regional air transportation	173.2	—	-11.2	-14.5	-15.0	-16.0	-16.5	-73.2
March 2018 Québec Economic Plan	1 833.3	—	-154.3	-180.2	-199.7	-262.2	-318.7	-1 115.1
March 2017 Québec Economic Plan ⁽²⁾	1 720.9	-573.0	-124.0	-262.0	-269.0	-262.7	-230.2	-1 720.9
TOTAL	3 554.2	-573.0	-278.3	-442.2	-468.7	-524.9	-548.9	-2 836.0

(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 for fiscal years 2017-2018 to 2021-2022.

3.2.2 Québec on the path of sustainable development

The Québec Economic Plan takes into account the fact that the environmental, social and economic dimensions of development activities carried out in Québec are indissociable.

Under the Québec Economic Plan, the government has introduced substantial measures to foster the sustainable development of the economy, particularly by giving businesses and individuals incentives to adopt eco-responsible behaviours and by investing to preserve the environment.

■ Québec: an enviable GHG emissions performance

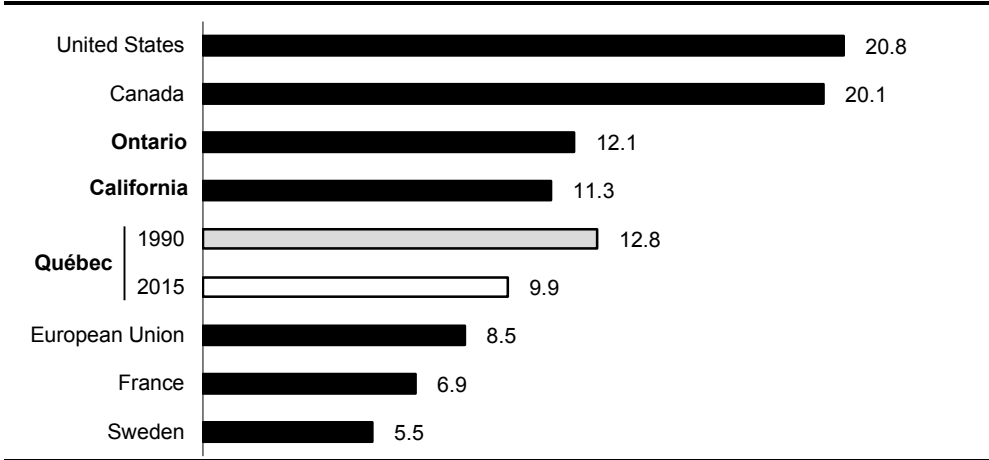
In 2015, Québec ranked first among Canadian provinces with the lowest per-capita GHG emissions, and was well positioned in North America.

— The rate was 9.9 tonnes of CO₂ equivalent per capita, as against 11.3 tonnes in California, 12.1 tonnes in Ontario, 20.1 tonnes for all of Canada, and 20.8 tonnes in the United States.

Between 1990 and 2015, Québec reduced its carbon footprint from 12.8 to 9.9 tonnes CO₂ equivalent per capita.

CHART 43

GHG emissions per inhabitant in certain jurisdictions
(2015 tonnes of CO₂ equivalent, unless otherwise indicated)



Sources: Statistics Canada, Environment and Climate Change Canada, Eurostat, California Air Resources Board, United States Census Bureau, United States Environmental Protection Agency, Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques and Ministère des Finances du Québec.

Québec's GHG emission cap-and-trade system

The GHG emission cap-and-trade system that has been in force in Québec since 2013 is a carbon-pricing system.

This carbon market, which has been linked to that of California since 2014, was expanded in January 2018 with the addition of Ontario, broadening the scope of what was already the largest carbon market in North America.

Limiting GHG emissions

This type of system limits GHG emissions. The government sets a cap on total emissions for economic sectors governed by the system. Businesses conducting their activities in sectors where the cap applies must hold an emission allowance for each tonne of emissions released into the atmosphere.

Setting annual emission caps that decrease over time, according to the emission reduction targets set, ensures reductions over the period defined until the targets are reached.

The option to trade emission allowances on the market

To give businesses the correct level of emission allowances, the cap system is accompanied by the option to trade emission allowances on the market.

Businesses can receive emission allowances for free, buy them from the government when they are auctioned, or acquire them from other businesses.

Under this system, businesses therefore have two choices:

- reduce their GHG emissions by, for example, improving their manufacturing processes or reducing their fossil fuel consumption,
- purchase emission allowances to ensure their compliance—in other words, owning emission allowances equivalent to their GHG emissions.

Two major advantages

The cap-and-trade system has two major advantages.

- By definition, it ensures a growing reduction of the GHG emissions it covers by setting declining caps—the system's founding principle.
- The system reduces the costs associated with decreasing GHG emissions by encouraging the reduction of emissions where it is least costly to do so, be it in Québec or in another jurisdiction participating in the carbon market.

❑ The fight against climate change is well under way

Québec has adopted an integrated approach to combating climate change based on:

- Québec's GHG emission cap-and-trade system, the central plank of the approach,
- full reinvestment of revenue from this system in the implementation of the 2013-2020 Climate Change Action Plan, via the Green Fund.

The fight against climate change is thus well under way, and is supported by improved governance resulting from the setting up of the Conseil de gestion du Fonds vert, whose main role consists in:

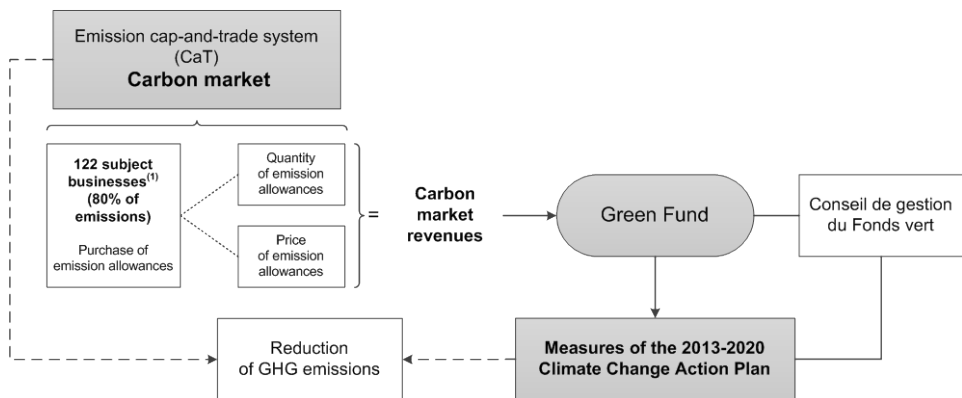
- planning the further implementation of the 2013-2020 Climate Change Action Plan to foster its success and accelerate its impacts,
- ensuring that the programs put in place are the most appropriate to fight climate change and maximize the reduction of GHG emissions in Québec.

Nearly 70% of the revenue from the 2013-2020 Climate Change Action Plan had been spent as at March 31, 2017.

- As a partner, Transition énergétique Québec will contribute to reducing GHG emissions, particularly by promoting Québec's transition toward a low-carbon economy.

ILLUSTRATION 3

An integrated approach to the fight against climate change



(1) This is the number of businesses in 2016. Certain businesses may be both fossil fuel distributors and major industrial emitters.

Sources: Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques and Ministère des Finances du Québec.

■ Measures to help the fight against climate change

The fight against climate change is a priority issue for the government. Since June 2014, Québec has been acting proactively to foster the reduction of polluting emissions, particularly by:

- setting up the RénoVert program, a refundable tax credit to encourage eco-responsible renovation,
- developing the Technoclimat program, designed to encourage the development in Québec of technological innovations aimed at reducing GHG emissions,
- measures to encourage sustainable mobility in the transportation industry, in particular:
 - supporting the development of the new electric and intelligent vehicles cluster,
 - improving the Roulez vert program that offers incentives for purchasing electric vehicles,
 - enhancing and extending the Écocamionnage program to give the goods transportation industry incentives to opt for lower-carbon-footprint vehicles,
- backing innovation in green technologies, including support for carbon-capture research being carried out by the Valorisation Carbone Québec consortium,
- changes to the additional registration fee for vehicles with large-displacement engines.

The RénoVert refundable tax credit

In the March 2016 Québec Economic Plan, the government introduced the RénoVert program, a refundable tax credit for eco-responsible renovation until March 31, 2017.

- To encourage more Québec homeowners to undertake eco-responsible renovations, the RénoVert refundable tax credit was extended until March 31, 2018.

The March 2018 Québec Economic Plan provides for a further extension of the RénoVert refundable tax credit until March 31, 2019.

The aim of the tax credit is to encourage Quebecers to undertake eco-responsible residential renovation work carried out by recognized contractors in order to:

- stimulate economic growth by fostering household spending and employment in the residential renovation sector,
- develop the green renovation industry,
- encourage innovation in the design of new materials, products and manufacturing processes for eco-responsible home renovation.

Eligible expenses are those incurred in the performance of recognized eco-responsible renovation work, such as the replacement of doors and windows with Energy Star certified models, installation of less polluting heating systems, improvement of building insulation, or the installation of solar panels.

The tax credit is 20% of eligible expenses that exceed \$2 500, up to a maximum tax credit of \$10 000.

By the end of 2019-2020, RénoVert will have granted a total of \$521 million to Québec homeowners for eco-responsible renovation.

❑ **Encouraging businesses and individuals to adopt eco-responsible behaviours**

To encourage businesses and individuals to follow the principles of sustainable development, the Québec Economic Plan has:

- implemented an ambitious energy policy,
- introduced measures to fight climate change,
- taken action to protect the environment.

■ **An ambitious energy policy**

When the 2030 Energy Policy was established in April 2016, Québec set itself the goal of becoming a North American leader in the areas of renewable energy and energy efficiency, thereby building a new, strong, low-carbon economy.

This ambitious policy puts the consumer at the centre of initiatives designed to:

- prioritize a low-carbon economy,
- make optimal use of Québec's energy resources,
- foster responsible consumption,
- take full advantage of our energy-efficiency potential,
- stimulate the technological and social innovation chain.

The 2030 Energy Policy sets out a vision and targets that illustrate the progress consumers of all types, from citizens to businesses, are encouraged to achieve, or from which they will benefit directly.

Transition énergétique Québec

Creation of Transition énergétique Québec

In order to coordinate, support, stimulate and promote the various programs and actions associated with energy transition, innovation and efficiency, the government created Transition énergétique Québec (TEQ) on April 1, 2017.

The creation of this agency, placed under the purview of the Ministère de l'Énergie et des Ressources naturelles, has made it possible to intensify the energy transition efforts of the entire government administration.

TEQ is funded by the fees paid by energy distributors, amounts paid under the 2013-2020 Climate Change Action Plan and amounts made available through the Energy Transition Fund and other partners.

These resources and tools will allow the government to achieve Québec's 2030 Energy Policy targets.

First master plan

As part of its mission, TEQ must develop every five years an energy transition, innovation and efficiency master plan to structure all the energy transition efforts of the departments and public bodies.

On June 7, 2017, the government adopted the key directions and targets to be achieved by the TEQ at the end of its first master plan covering the 2018-2023 period, in particular:

- improve average energy efficiency by at least 1% per year throughout Québec,
- reduce total gas consumption by at least 5% compared to 2013, by 2023, real consumption of petroleum products should be down by 900 million litres.

The first master plan is scheduled to be submitted to the government in spring 2018.

■ Significant action to protect the environment

A key part of the government's policies, the protection of Québec's ecosystems has been the driving force of many of the actions taken in recent years.

Under the Québec Economic Plan, the government has taken concrete action to safeguard the environment.

Thus, measures have helped maintain the quality of the environment, in particular, by restoring mining sites, rehabilitating contaminated soil and ensuring good water quality.

TABLE 29

Measures to protect the environment (millions of dollars)

Measures	Amounts
Accelerate the restoration of abandoned mining sites	620.0
Improve water management and quality	46.0
Ensure deployment of the next Québec Water Strategy	25.0
Ensure safe operation of public and municipal dams	45.7
Achieve government objectives for protected areas	55.9
Increase BAPE funding	4.5
Hire wildlife protection officers	24.5
Promote responsible use of agricultural pesticides	14.0
Fight effectively against invasive alien plants	8.0
Implement a caribou population management plan	23.1
Reform the environmental authorization scheme	7.3
Rehabilitate contaminated land	52.9
Restore the Lac Saint-Pierre ecosystem	14.0
Help RCMs protect wetlands and bodies of water	16.2
Help local partners protect and make sustainable use of water resources	46.5

A constantly changing legislative framework

The government has adapted the legislative framework to adequately respond to current environmental issues. Among the many changes are the following:

- *Environment Quality Act*,
- *Act respecting the conservation of wetlands and bodies of water*.

Environment Quality Act

Major amendments were made to the *Environment Quality Act* in 2017. This statute provides Québec with a modern authorization scheme that adheres to the highest environmental protection standards.

The new approach, based on the level of environmental risk, makes it possible to focus efforts on projects with a major environmental impact. It also simplifies the process by allowing proponents of low-risk projects to file a declaration of compliance.

Act respecting the conservation of wetlands and bodies of water

In force since 2017, the *Act respecting the conservation of wetlands and bodies of water* implements a modern and essential scheme for the conservation of agriculture, forest, municipal and environmental areas affected by this major issue.

This statute makes it possible to conserve, restore or create environments and plan the development of the territory, according to their functions. The Act also simplifies the process of authorizing projects according to the environmental risks they pose.

Source: Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques.

3.3 Laying the foundation for inclusive growth

Québec's prosperity must be based on a vision and desire to stimulate economic growth in an inclusive manner that benefits all Quebecers.

The policies and programs in the Québec Economic Plan are intended to reduce inequalities and foster inclusive growth.

A more just society for all

The Québec government must strive to improve social justice while respecting our most fundamental values.

In order to promote a more egalitarian, just and respectful society, the Québec Economic Plan has provided for the implementation of such government strategies as:

- the Concerted Action Plan to Prevent and Counter Bullying 2015-2018 – Together Against Bullying, A Shared Responsibility,
- the 2015-2018 Government Action Plan: *Radicalization in Québec: Act, Prevent, Detect and Live Together*,
- the 2016-2021 Government Strategy to Prevent and Counteract Sexual Violence,
- the Government Strategy for Gender Equality Toward 2021,
- the 2017-2022 Government Action Plan against Homophobia and Transphobia,
- the Governmental Action Plan to Counter Elder Abuse 2017-2022.

Through these initiatives, the government is taking the necessary steps to make Québec a more just society for all.

3.3.1 Enhancement for vulnerable persons

The government's additional investments to reduce the number of Quebecers in need amount to almost \$4.4 billion and are mainly in:

- the Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023,
- social housing.

TABLE 30

Additional investments in social policies since June 2014

(millions of dollars)

	Investment	Financial impact							Total
		Before 2018- 2019	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Other years	
Poverty reduction ⁽¹⁾	2 559.7	-41.3	-253.6	-405.4	-532.0	-625.8	-701.6	—	-2 559.7
Social housing	1 421.9	-68.1	-160.6	-253.7	-205.4	-282.3	-186.0	-138.8	-1 294.9
Increasing work premiums	333.9	-95.4	-47.7	-47.7	-47.7	-47.7	-47.7	—	-333.9
Implementation of Employment Objective Program	45.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	—	-45.6
Addition to the SPAE and the EIC under the March 2018 Economic Plan ⁽²⁾	29.0	—	-5.0	-6.0	-6.0	-6.0	-6.0	—	-29.0
New initiatives relating to active aging of seniors	51.7	—	—	-1.9	-4.5	-13.9	-25.5	—	-45.8
Enhancing the measures of the Governmental Action Plan to Counter Elder Abuse 2017-2022	33.3	-12.8	-3.8	-4.9	-5.9	-5.9	—	—	-33.3
TOTAL	4 475.1	-225.2	-478.3	-727.2	-809.1	-989.2	-974.4	-138.8	-4 342.2

(1) The Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023. This plan includes investments of \$38.8 million in social housing and \$260 million in work premiums.

(2) The Subsidy Program for Adapted Enterprises (SPAE) and the Employment Integration Contract (EIC).

❑ **Government Action Plan to Foster Economic Inclusion and Social Participation**

The fight against poverty and social exclusion is an ongoing concern for the government.

Made public in December, the Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023 is a continuation of the two plans to fight against poverty. In this latest plan, the government takes concrete steps to achieve its objective of lifting more than 100 000 people out of poverty and improving the living conditions of the poorest households.

To this end, it provides several measures entailing almost \$2.6 billion of investments that involve improving last resort financial assistance programs.

❑ **Social housing initiatives**

Since June 2014, \$1.4 billion has been invested in, among other things, the construction of 12 000 social housing units under the AccèsLogis Québec program.

Over and above the construction of social housing units, some of the investments were used to improve the Rent Supplement Program, which provides eligible households with financial support to reduce their rental costs.

These investments were also used to adapt and renovate the homes of low-income households and households with special needs.

❑ **Increasing work premiums**

With a view of better supporting and valuing the work effort of households without children, the government announced gradual increases in general and adapted work premiums beginning in June 2014. These increases will be granted by 2022.

As well, the eligibility criteria for the supplement for long-term recipients no longer receiving last resort financial assistance have also been broadened. In January 2018, the amount of time a person must have received last resort financial assistance was changed to 24 months out of the last 30 months.

These various announcements represent an investment of \$594 million, broken down as follows:

- \$260 million under the Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023,
- \$334 million under previous action plans.

❑ Implementation of the Employment Objective Program

As part of the Québec Economic Plan, the government announced an investment of nearly \$46 million to implement the Employment Objective Program for new social assistance applicants.

The purpose of this new program is to intervene more effectively and provide applicants with intensive, individualized support to facilitate rapid integration into the labour market.

❑ Promoting the integration of persons with a disability in the labour market

Under the Québec Economic Plan, the government is planning to invest \$29 million over five years to foster the integration of disabled people into the labour market.

These investments will facilitate the hiring of disabled people participating in the two programs administered by Emploi-Québec:

- the Subsidy Program for Adapted Enterprises, for businesses where at least 60% of the employees are disabled,
- the Employment Integration Contract, which targets most public and private businesses.

❑ Supporting seniors

Since 2015, the Québec government has announced numerous measures aimed at supporting seniors, ensuring they can live safely and that there is support available adapted to their needs.

The March 2018 Québec Economic Plan provides for an additional \$45.8 million for new initiatives relating to active aging of our seniors.

Within the framework of the Québec Economic Plan, the government allocated an amount of more than \$33 million to enhance the Governmental Action Plan to Counter Elder Abuse 2017-2022.

3.3.2 Helping our youth succeed

Young people want to succeed in life and do their part to help Québec advance. They bring energy, creativity and vitality that enrich Québec society.

However, there are many milestones in a young person's life, including choosing a career, finishing school, joining the workforce, starting a family and their first act of civic engagement. Ideally, young people go through these transitions smoothly and develop to their full potential.

The government supports young people on their life course to facilitate these transitions. It devotes considerable resources in this regard so that young people can realize their full potential, take their rightful place in society and help shape Québec's future according to their priorities and values.

- The March 2018 Québec Economic Plan provides for investments of \$920 million for youth from fiscal 2017-2018 to 2022-2023.
- In addition to these investments, the government announced close to \$1.8 billion in initiatives over six years in the March 2017 Québec Economic Plan and its November 2017 update.
- Moreover, investments of \$205 million over five years are provided in the 2016-2021 Youth Action Strategy, unveiled in December 2016 in response to the directions announced in the 2030 Québec Youth Policy.

Overall, more than \$2.9 billion has been earmarked from 2016-2017 to 2022-2023 to help young people succeed in life.

❑ Significant improvements in academic success

Education is an important determinant of employment and productivity. It improves employability, ensures increased participation in the labour market and enables access to better quality jobs.

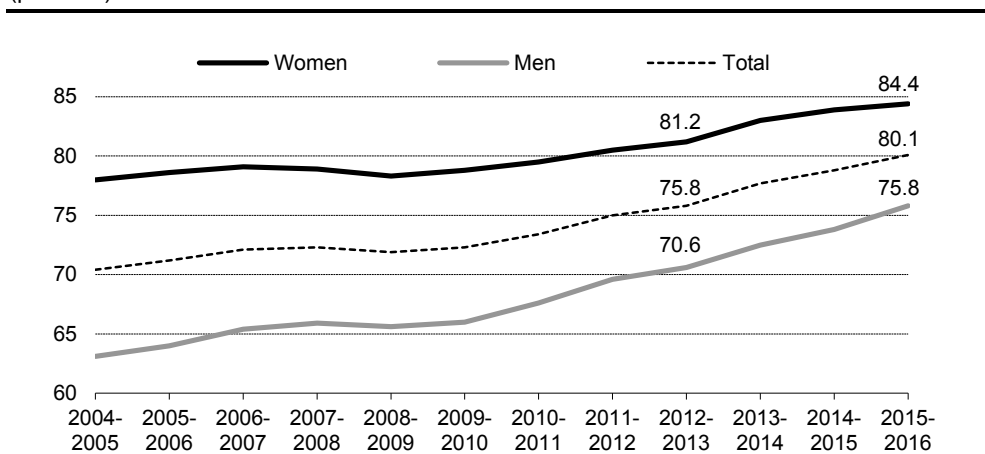
Over the past three years, Québec has shown significant improvements in academic success.

— Student success rates in the under-20 age group stood at 80.1% in 2015-2016, compared with 75.8% three years earlier.

— This rate has increased 4.3 percentage points over three years.

CHART 44

Secondary school graduation and qualification rates⁽¹⁾ (per cent)



(1) Rate corresponding to the proportion of students under the age of 20, who obtained a first diploma seven years after starting secondary school.

Source: Ministère de l'Éducation et de l'Enseignement supérieur.

A QUÉBEC PREPARED FOR THE FUTURE

Québec is facing major challenges in transforming its economy and influencing its public finances. To overcome these challenges, it needs to offset the impact of an aging population, take advantage of globalization opportunities and quickly adapt to the digitization of the economy.

The Québec Economic Plan has allowed Québec to position itself favourably to address these challenges by committing \$46 billion for initiatives that helped to stimulate employment and exports, create a favourable investment climate, as well as provide Quebecers with wealth creation.

❑ Québec Economic Plan: actions already starting to pay off

These strategic actions are already starting to pay off, as demonstrated by the rapid growth of the economy, the exceptional vigour of the labour market, the sustained recovery in investment by businesses and the sharp increase in Quebecers' disposable income.

The Québec Economic Plan has led to a major improvement in Québec's economic and financial health by creating conditions conducive to the economic development of all sectors and all regions of Québec, despite global economic uncertainty.

Québec is now a Canadian leader when it comes to economic growth and the management of public finances.

❑ Accelerating the transformation of Québec's economy

Québec is now in a better position to face future economic challenges as its economy is undergoing major transformation.

For Québec to become a leader of tomorrow's economic niches, its businesses and workers must continue to innovate, appropriate the latest technology and adapt to a changing labour market.

Through the Québec Economic Plan, the future looks promising.

It is now time to accelerate the transformation, so that Québec can confidently develop its potential for the future.

APPENDIX: MAIN ACCOMPLISHMENTS STEMMING FROM THE QUÉBEC ECONOMIC PLAN

TABLE 31

Main accomplishments stemming from the Québec Economic Plan

Québec's economic performance

- 222 600 jobs were created between May 2014 and February 2018, most of which were full-time positions
- Decrease in unemployment rate to 6.1% in 2017, the lowest annual rate ever seen
- Average increase in disposable income per capita of 3.3% from 2016 to 2018
- 3% real GDP growth in 2017, the highest level in nearly 20 years
- 5% real growth in business investments in 2017, the highest increase since 2012
- Resumption of exports with 11.6% increase in real terms since 2014
- Ranked first in the country regarding SMB owners' optimism
- 42% increase in Quebecers' entrepreneurial intention rate between 2013 and 2017

Economic development of all regions in Québec

- Relaunch of the Plan Nord and inauguration of the Société du Plan Nord with a budget of more than \$450 million
 - Investments of nearly \$3 billion to meet labour market challenges
 - The 2018-2028 Québec Infrastructure Plan budget is at a historical level of \$100.4 billion
 - Modernization of governmental action in outlying regions, most particularly by signing the municipality partnership agreement for the 2016-2019 period
 - Substantial support for strategic sectors including:
 - \$825 million to promote the development of the innovative manufacturing sector, with the implementation of the manufacturing initiative
 - \$500 million to support businesses in their efforts to capture foreign markets, with the Québec Export Strategy 2016-2020
 - \$510 million to support growth in the aerospace industry, with the Québec Aerospace Strategy 2016-2026
 - \$66 million to enhance the aluminium transformation value chain, with the Québec Aluminium Development Strategy
 - \$2.8 billion dedicated to research and innovation, with the Québec Research and Innovation Strategy 2017-2022
 - \$1.9 billion to support various sectors of activity in their digital transformation, through the Québec Digital Strategy
 - \$429 million for the implementation of initiatives to modernize and diversify the forest industry
 - \$342 million to support the Québec tourism industry
 - \$560 million in support for the biofood industry
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TABLE 31

Main accomplishments stemming from the Québec Economic Plan (cont.)

Economic development of all regions in Québec (cont.)

- Support for economic projects in all regions, particularly:
 - nearly \$29.1 billion through transactions by Investissement Québec
 - more than \$4 billion in tax-advantaged investments that will impact Québec's economy
 - more than \$1.7 billion through electricity discount programs
 - more than \$15 billion through the enhanced tax holiday for large investment projects
- Implementation of Québec's Maritime Strategy with \$2 billion in initiatives announced in connection with the strategy's first action plan

Business context favouring company growth

- Decrease in companies' tax burden by \$6.1 billion
- SMB assistance measures totalling \$7.3 billion, broken down as follows:
 - \$4.1 billion to reduce the tax burden
 - \$0.5 billion to improve the tax system
 - \$1 billion for budgetary assistance measures
 - \$1.7 billion for initiatives to promote access to investment capital
- Decrease in regulation and bureaucracy for SMBs has been the highest in Canada since 2014
- Adoption of tax measures favouring the transfer of businesses to a Québec succession
- Additional support for succession and entrepreneurship, most particularly through the implementation of the program to support cooperative buyouts
- Implementation of the Plan to Strengthen the Québec Economy as an Executive-Driven Economy
- Implementation of tax measures totalling \$373 million to increase investments and encourage employment and training in outlying regions
- Ensure an equitable business context by requiring suppliers outside of Québec to collect Québec Sales Tax
- Report of the Québec Taxation Review Committee

Improvement in Quebecers' quality of life

- Decrease in individuals' tax burden by \$3 billion annually by:
 - completely abolishing the health contribution beginning in 2018
 - reducing the tax rate on the first dollars earned to 15%, the lowest rate in 30 years
 - reforming the school tax system
 - increasing work incentive measures
 - Introducing the LogiRénov and RénoVert renovation tax credits
 - Implementing a tax credit for first-time home buyers
 - Implementing measures aimed at fostering more inclusive growth, particularly:
 - nearly \$2.6 billion in additional investments under the Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023
 - \$2.9 billion to help young people on their path to success
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TABLE 31

Main accomplishments stemming from the Québec Economic Plan (cont.)

Improvement in Quebecers' quality of life (cont.)

- Significant actions to foster the sustainable development of the economy, most notably:
 - \$3.5 billion to foster sustainable mobility through strategic investments in public transit
 - measures to encourage businesses and individuals to adopt eco-responsible behaviours and to preserve the environment
- Significant investments in public services as a result of the government's good financial position, particularly in education and health
- Better access to high-quality health services, with nearly 1.1 million additional people who now have access to a family doctor

Disciplined management of public finances

- Balanced budget achieved in 2015-2016 and maintained in the following years
 - Reduction in the debt burden thanks to the Generations Fund
 - Increase in Québec's credit rating in 2017
 - Maintenance of the weight of expenditures and revenues in the economy at comparable levels
 - Implementation of the Ongoing Program Review Committee
 - Elimination of loopholes in relation to international tax issues
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