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CNW CODE 01 + WEEKLIES

Québec Acts on Its Efforts to Balance the Budget and Announces Additional Measures

Québec, May 12, 2010 – The Minister of Finance, Raymond Bachand, and the Chair of the Conseil du trésor and Minister responsible for Government Administration, Monique Gagnon-Tremblay, today tabled in the National Assembly two bills that implement and even increase the spending reduction measures announced when the 2010-2011 Budget and the Expenditure Budget were tabled.

The Minister of Finance indicated that: “Recent developments in the international economic and financial situation remind us how important it is to control public finances, eliminate the deficit and begin reducing the debt. Bill 100 implements certain measures of the 2010-2011 Budget Speech with the objective of balancing the budget by 2013-2014 and reducing the debt. Among other things, it includes significant spending measures to ensure that the government delivers on its commitment to shoulder 62% of the effort to return to balance.” In addition to measures already identified, the government today announced the expansion of some of these measures to other categories of public employees.

Scope of the pay policy

As declared on March 30, the government's pay offer to its employees is now extended to all management and executive personnel of government departments and public organizations, i.e. 29 405 additional people.

Performance bonuses suspended throughout all executives

Bill 100 also stipulates expanding the suspension of performance bonuses for 2010-2011 and 2011-2012 to all state managers rather than just senior executives of public organizations. This suspension applies to all executives of government departments and organizations, including the health and social services network, the education network, universities and the Société de l'assurance automobile du Québec. This will save \$34 million annually, or \$68 million for the next two years and will affect slightly more than 14 000 managers.

“The government has been responsive to concerns raised by the public in recent weeks about the need for everyone to contribute to the effort to reduce public spending,” the ministers noted. The Minister of Finance pointed out that these new measures will not apply retroactively: those who have achieved their goals and earned their bonus in 2009 will qualify this year, contrary to what the Opposition would have done, i.e. cut premiums that have been duly earned.

Comparable effort required of government corporations

The broadening also targets the executives of commercial and financial government corporations, namely Hydro-Québec, the Société des alcools du Québec, Loto-Québec, the Société générale de financement du Québec and Investissement Québec. The bill provides that these corporations must make an effort to reduce additional performance-based remuneration of their management and supervision personnel comparable to that required of management and supervision personnel of other organizations. In total, 2 375 people will be covered, generating savings of nearly \$9 million annually, or \$18 million for the next two years.

The bonuses for senior executives of these corporations will be reduced by the equivalent of 10% of base salary, while bonuses for other executives will be reduced by 30% overall.

The Caisse de dépôt et placement du Québec, which has already undertaken a major review of the incentive earning measures for managers, is not covered by the bill.

25% reduction of costs associated with training, advertising, travel and a 10% reduction of administrative operating expenses

In accordance with the announcement last March, the costs associated with training, advertising and travel are being reduced by 25% as of 2010-2011. This measure will save \$34 million annually. In addition, Bill 100 tabled today calls for a cost reduction of 10% in administrative operating expenses in 2013-2014. This measure will ultimately save \$229 million annually.

The government today announced that it is widening this measure to the health and education networks, ultimately generating additional savings of \$110 million per year. This means that by 2013-2014, the savings achieved in this regard will amount to \$373 million. These measures will be widened to other administrative entities.

Productivity efforts by government corporations

The government has also confirmed that, as announced in the 2010-2011 budget, commercial and financial government corporations, i.e. Hydro-Québec, Loto-Québec and the Société des alcools du Québec, will have to make efforts to reduce costs and increase productivity. The required efforts must amount to \$350 million by 2013-2014. In addition, other public organizations will be required to make efforts totalling \$180 million by 2013-2014, for a grand total of \$530 million.

Elimination and transfer of organizations

The Minister Gagnon-Tremblay, meanwhile, announced the tabling of an initial bill to eliminate and transfer operations of six organizations and one Fund. This is a first step towards the elimination or merger of 28 funds and government organizations, as announced in the 2010-2014 action plan to reduce and control spending tabled last March. The following organizations are targeted by this measure:

- the Conseil consultatif du travail et de la main-d'œuvre, whose activities will be integrated into the Ministère du Travail;

- the Conseil des relations interculturelles, whose activities will be incorporated into the Ministère de l’immigration et des Communautés culturelles ;
- the Conseil de la science et de la technologie, whose activities will be integrated into the Ministère du Développement économique, de l’Innovation et de l’Exportation;
- the Conseil des aînés et le Conseil de la famille et de l’enfance, whose activities will be integrated into the Ministère de la Famille et des Aînés;
- the Conseil permanent de la jeunesse, whose activities will be integrated into the Ministère du Conseil exécutif;
- the Fonds du service aérien gouvernemental, whose activities will be integrated into the Centre des services partagés du Québec which reports to the Ministère des Services gouvernementaux.

For these six organizations, the budget allocated for 2010-2011 is \$6 million dollars. The government will be able to save nearly \$2 million dollars, which is 33% of the total budget allocated. “With this bill, we are initiating an initial administrative reorganization aimed at streamlining structures and reducing the number of organizations,” stated Ms. Gagnon-Tremblay.

Towards a balanced budget and debt reduction

“We have chosen to make a determined and sustained attack on our collective debt before others do so. The Official Opposition Party seems to wash its hands of it. Such an attitude has led some European countries into an unprecedented crisis. We have taken steps to ensure we do not reach that point,” Minister Bachand said.

Achieving a balanced budget by 2013-2014 and the debt reduction objectives in 2026 requires acting on a set of measures that apply gradually and over several years. These measures include the implementation of the Fund for financing health institutions, the Fund for road and public transit infrastructure and the rise in the cost of heritage pool electricity, so that the all of the additional benefits that will result are paid into the Generations Fund for debt reduction. “To comply with the plan to return to balanced budgets presented in the last budget, and act on the commitment to reduce the debt, these measures must be adopted and implemented rapidly,” the ministers concluded.

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Sources:	Catherine Poulin Press Relations Officer Office of the Minister of Finance and Minister responsible for the Montréal region 418 643-5270 514 873-5363	Geneviève Villemure-Denis Press Relations Officer Office of the Chair of the Conseil du trésor and Minister responsible for Government Administration 418 643-5926
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BILL 100 an Act to implement certain provisions of the Budget Speech of 30 March 2010, to reduce the debt and return to a balanced budget in 2013-2014

Main measures :

- freezing the salary of the premier, ministers and MNAs for two years;
- that over the next five years, the pay raises offered to all state employees will be applied to management and executive personnel of government departments and organizations;
- suspension, for two years, of bonuses to management personnel of government departments, organizations, the health and social services network, the education network and universities;
 - the Minister of Finance will ensure that a comparable effort is made by government corporations.
- executive and administrative staff reductions of organizations of the health and social services and the education networks as well as the universities, according to rules similar to those applied by the Conseil du trésor to reduce public service staff levels following retirement;
 - 25% reduction in advertising, training and travel expenses by government departments and organizations and a 10% reduction in their operating expenses;
 - a comparable effort is required of government corporations.
- indexing of user fees as of January 1, 2011, with the exception of childcare service fees;
- establishment of Fund for the financing of health and social services institutions into which the health contribution, notably, will be paid;
- creation of the Fund for road and public transit infrastructure funding allocated to infrastructure funding;
- amendment of the Act respecting the Régie de l'énergie to allow, starting in 2014, a gradual rise in the cost of heritage pool electricity;
- payment into the Generations Fund of close to \$1.6 billion in 2018-2019 corresponding to the additional revenue stemming from the rise in the cost of heritage pool electricity;
- establishment of debt reduction targets to be achieved by 2025-2026.

**BILL 104 providing for the elimination of certain organizations and
the Fonds du service aérien gouvernemental**

Elimination and transfer of the following six organizations and fund:

- the Conseil consultatif du travail et de la main-d'œuvre, whose activities will be integrated into the Ministère du Travail;
- the Conseil des relations interculturelles, whose activities will be incorporated into the Ministère de l'immigration et des Communautés culturelles;
- the Conseil de la science et de la technologie, whose activities will be integrated into the Ministère du Développement économique, de l'Innovation et de l'Exportation;
- the Conseil des aînés et le Conseil de la famille et de l'enfance, whose activities will be integrated into the Ministère de la Famille et des Aînés;
- the Conseil permanent de la jeunesse, whose activities will be integrated into the Ministère du Conseil exécutif;
- the Fonds du service aérien gouvernemental, whose activities will be integrated into the Centre des services partagés du Québec which reports to the Ministère des Services gouvernementaux.