

Channeling Quebec's True

ENERGY

THEMATIC DOCUMENT

31st Members' Convention
of Quebec Liberal Party



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GENERATING THE WEALTH
THAT QUEBECERS SHARE

1- Opening new wealth creation horizons

Despite a difficult economic climate following the 2008 financial crisis, which led to the most important global recession since the 1930's, Quebec has displayed an enviable economic track record over the last few years.

Quebec has come out stronger than most of its partners from the worldwide crisis. Quebec has recovered all the jobs lost during the recession period and has even managed to create new ones. Quebec will be among the first to return to balanced budget, as soon as 2013-2014, four years before Ontario.

Today, Quebec is displaying unemployment rates lower than both Ontario and the United States, a first in over thirty years. In fact, Quebec has seen the biggest lowering of its unemployment rate since 2003, the rate going from 9.2% to 7.3%.

This enviable performance is not the result of sheer blind luck. It is the result of a series of measures taken since 2003, all meant to boost Quebec's economic potential.

These measures include:

- The Employment Pact, with investments of over 1.5 billion dollars allowing tens of thousands of Quebecers to benefit from training and employment access programs;
- The reduction of the tax burden on families and the reintroduction of family allowances, which sustained growth in Quebecers' disposable income;
- The revival of large hydroelectric projects, propelling Quebec to the rank of global leader in renewable energies;
- The launching of the Quebec Plan for Infrastructures, which more than doubled annual investments in the rebuilding and maintenance of our roads, schools and hospitals;
- The abolition of the capital tax and the introduction of specific measures meant to stimulate entrepreneurial investment. Within Canada, Quebec is the province in which new investments are the least taxed.

Many special measures meant to sustain and support economic activity throughout the recession also proved judicious.

These measures include:

- The mobilisation of the SGF and Investment Quebec in order to support our businesses during the credit crunch;
- The home renovation program, which contributed to maintaining domestic demand;

Today, Quebec finds itself in an excellent position to pursue its economic development and assert itself in the new global economic space shaping up before our very eyes. But to do so, we will have to collectively take on some important challenges.

A world reshaped

The consequences of the last global financial crisis are many, fundamental and long lasting. The United States, Europe and Japan will all have to respond to their public debt crisis with important structural adjustments. This will, in turn, impact the global economy. This means that over the next few decades, the West will no longer be the engine of the world economy as they have since the period follow the Second World War. This task will then fall upon emerging economies, the likes of Brazil, Russia, India and China (BRIC).

This new global economic context implies many things for Quebec, including:

- Quebec will have to diversify its export destinations in order to minimize its commercial reliance on the United States and Europe, who currently take up more than 80% of our export market, and aim for growing markets;
- Quebec will have to face brutal competition on the part of BRIC countries and other emerging economies in order to secure its share of markets worldwide;
- Emerging economy's thirst for natural resources will open up new doors for Quebec and Canada, but will change dynamics in such a way that we will have to adjust to the reality of a consistently strong Canadian dollar;
- Healthy public finances are central to the reduction of international shocks and pressures. Quebec must hold the course on returning to balanced budgets in short order, and then proceed to ease the public debt burden.

Quebec's fundamental repositioning: Sustainable Development, new alliances, North Plan

The QLP has brought forth a visionary action plan in order to position Quebec in this new world.

It has set itself at the forefront of the battle against climatic change with global action that has defined Quebec as a North American leader in greenhouse gas emissions reduction, inspiring innovation and breathing new life into Quebec's businesses.

It has taken on an important leadership role in the development of new markets, having notably triggered negotiations between Canada and the European Union in order to draft a new economic partnership between the two.

It has launched the North Plan, a multi-faceted project. In an unprecedented alliance between Quebec's North and South, First Nations, Inuit and Quebecers, the North Plan enables Quebec to seize opportunities presented by the growth in demand for natural resources; it enables the continuing development of clean, renewable energies through which Quebec becomes a North American solution to the struggle against greenhouse gas emissions; it creates a coordinated development dynamic to improve the quality of life for Quebec's northern populations; it brings to light new activity sectors such as ecotourism; it ensures the preservation of our natural heritage for generations to come and finally, creates an environment ripe for responsible international investments that in turn, become sources of wealth for the whole of Quebec.

The North Plan represents economic activity that will generate 14 billion dollar to be reinvested in the province's health services, education, family services and as a tool in our battle against poverty, much to the benefit of the whole of Quebec. It's a 162 billion dollar contribution to Quebec's GDP over a 25 year span. It's a project with repercussions on every region of the province, with jobs being created and contracts being drawn up for suppliers.

First and foremost, it's the groundwork for a vaster Quebec, more aware of its resources, of its strengths, of its wealth and more conscientious and responsible in their maintenance and preservation.

Taking the right steps

Quebec is currently in a position of strength in its quest to elevate itself to the highest ranks of the world's most prosperous nations, but it will have to take action in order to capitalize on its assets and rise to the challenges and opportunities ahead. Above all, Quebec must aim for excellence in order to hold its own and measure up to the best.

It is in this context that QLP members have identified key economic priorities.

1.1 Broadening our horizons

The government of Quebec's will is to broaden its horizons in order to allow Quebec talent and business to shine and thrive in every corner of the globe.

Actions taken by the QLP government over the last few years have aimed at creating new spaces by reinforcing relations with France, the European Union, emerging economies, its Canadian neighbours and the United States.

Amongst agreements struck by the government we find:

- A France-Quebec agreement on the recognition of professional credentials and labour mobility;
- A Quebec-Ontario trade and cooperation agreement;
- Agreements with New-Brunswick relating to public markets and labour mobility;
- A long term agreement with the State of Vermont on the sale of hydroelectric energy.

These agreements improve upon the North-American Free Trade Agreement (NAFTA), which grants us privileged access to the North-American continent.

Moreover, the government of Quebec was the instigator of negotiations that will lead to the striking of a new global economic and trade accord between Canada and the European Union.

We must keep working in this direction and move ahead still. We believe a QLP government must seek to multiply agreements and accords of economic, scientific and technical cooperation both inside and out the Canadian federation's borders.

We believe a QLP government must notably seek to increase trade relations with Latin America and Asia, with particular emphasis on the BRIC countries (Brazil, Russia, India and China).

PROPOSITION 1

Go beyond our borders and strike agreements with our partners the world over, and:

- 1.1 Negotiate multiple economic, technical and scientific cooperation agreements in areas of Quebec jurisdiction;***
 - 1.2 Lead efforts to conclude a specific economic partnership agreement between Canada and China;***
 - 1.3 Maintain efforts to conclude negotiations towards a new economic partnership between Canada and the European Union;***
 - 1.4 Cooperate with the federal government and the members of the Council of the Federation so as to promote the conclusion of trade agreements with Latin American countries, especially Brazil;***
 - 1.5 Intensify economic cooperation with New England states, with a view to increase the fluidity of commerce;***
 - 1.6 Conduct a greater number of trade missions in those countries and regions;***
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In order to penetrate new markets, it is also essential to promote Quebec's products and to accompany and support our exporters in their efforts, especially in the case of small to medium enterprises.

Many organizations and ministries are mandated to promote Quebec's products abroad. This applies, notably, to the Ministry of International Relations (MRI) through the network of Quebec Abroad delegations, and of the Ministry of Economic Development, Innovation and Exportation (MDEIE), by means of the Director General of International Economic Trade.

Moreover, Quebec and Canada's government jointly support Regional Organizations for the Promotion of Exports (ORPEX). These organizations are regrouped at the heart of the Network of Commissions for Quebec Exports (RECOMEX), which represents 16 organizations promoting exports throughout Quebec. The RECOMEX is aimed at Small to Medium Enterprises throughout Quebec and is the result of the members' desire to share their expertise and international networks. Financed by the Canadian and Quebec government, some organizations also receive financial support from Local Development Centers (CLD) and from Regional Conferences of Elected Officials (CRÉ).

Some public corporations, such as Investment Quebec, with the mandate of canvassing foreign investment, and Hydro-Quebec, have an in-depth understanding and expertise in foreign markets. Montreal International has also developed an important network of contacts worldwide.

We believe the Quebec government should put its export forces together in order to develop an emerging market penetration strategy meant to increase and diversify Quebec's international exports.

This is why we propose that a QLP government ...

PROPOSITION 2

Hold a national exportation forum so as to elaborate a new market penetration strategy. This forum will also be tasked with identifying key obstacles to export success and offering solutions:

- 2.1 This forum will include the government of Quebec, the federal government, public corporations, members of the ORPEX network, export financing organizations, as well as experts and business leaders in international trade from the public and private sectors;***
 - 2.2 This forum would also seek to develop various tools to facilitate access to valuable information, such as a centralized portal for the various aid programs targeted at exporters;***
 - 2.3 It would also be tasked with developing a market strategy for Quebec products, including the development of a common brand;***
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A business looking to cater to new markets can stumble onto many obstacles along the way. Linguistic barriers, technical and environmental legislation and distinct business cultures can all prove to be deterrent to exports.

For a small to medium enterprise, the information gathering can prove tedious and discouraging for many. More often than not, SMBs do not dispose of the tools or expertise to engage in an export venture. The business would benefit greatly from easily accessed and centralised information resources.

This is why we propose that a QLP government ...

PROPOSITION 3

Elaborate, in collaboration with the federal government and other public agencies, a centralized research database on business intelligence for export markets, easily accessible to small and medium-sized businesses (SMBs);

1.2 Exploiting our natural and energy resources in a sustainable development perspective

The dynamic growth of emerging economies has led to strong global demand for natural resources.

During the 2010 Montreal World Energy Congress, it was established that the growth in demand for energy was expected to accelerate. That same growth in demand will add up to the equivalent of Japan's annual energy consumption; a rise expected to hold steady until 2030.

Demand for metals and minerals should also keep growing at a high pace. In aluminum markets, for example, global industry will have to build installations the size of those housed in Saguenay-Lac-Saint-Jean every nine months to keep up with demand.

This strong demand results in large parts from the rise in living standards in emerging countries. For instance, in western countries, people typically make use of 20 kilos of aluminium a year for every person. On the other hand, average per capita consumption is 10 kilograms a year in China, 5 in Brazil and one kilogram a year in India.

In other words, the richer a country gets, the more energy and mineral resources it will consume. So we can expect global demand for natural resources to keep growing, and world prices to stay high.

Quebec has natural resources aplenty.

Quebec is the fourth largest producer of hydro power in the world. The Development potential is just as large as the capacity already installed.

Quebec is the world's third largest aluminium producer.

Quebec is a mining superpower, and stands among the world's ten largest producers. Yet, only 40% of Quebec's mining potential has been properly canvassed.

Nearly all metals can be found in exploitable quantities in Quebec : nickel, zinc, cobalt and iron ore, as well as precious metals and gemstones such as gold, platinum and diamonds. One can also find exotic but valuable minerals such as lithium, vanadium and rare earths.

Quebec is in a great position to take advantage of strong global demand and firm prices. But our mining and energy potential must be realized.

The North Plan is all leveraging that potential, while protecting the environment and improving living standards across Quebec, but especially in Northern Communities.

The North Plan was developed in partnership. It is the outcome of consultations among elected officials in the government of Quebec and the regions, as well as among Inuit and First Nation communities, all of whom along with key actors, took a hand in dreaming and planning the North of tomorrow.

The North Plan will be deployed over 25 years. It features planned investments of over 80 billion dollars over this period, enough to create 20,000 jobs a year on average, for 25 years. It's huge!

Economic repercussions will be huge as well across the Quebec territory. For instance, the mining sector currently accounts for 50,000 direct jobs in all regions of Quebec : 15,000 jobs actually exploring and digging, but 35,000 in foundries, research institutions and countless suppliers.

The impacts will be felt on the wages paid, which stand at \$70,000 a year for every job on average in the mining industry, as well as in all the taxes paid, royalties levied, and purchases made with local suppliers. The government has taken action to make sure the implementation of the North Plan leads to sustained benefit for Quebecers. It has for instance:

- Raised the level of royalties on mining companies, to the extent that the overall tax burden on mining companies in Quebec is now 28% higher than the Canadian average;
- Provided Investment Quebec with seed funds totalling \$500 million to invest in upcoming mining ventures;
- Planned for direct contributions of the mining industry to the development of Northern infrastructure.

The agreement reached between Investment Quebec and the Stornoway Diamond Corporation is an eloquent illustration of the economic impact of such a project. The company plans to exploit a major diamond-bearing deposit 350 kilometres north of Chibougamau. Investments of 400 million dollars will be made, creating 300 permanent jobs. Investment Quebec has acquired 37% of Stornoway stock, giving it access to a similar proportion of benefits. Investment Quebec will also receive royalties equivalent to 2% of the value of the diamonds extracted.

For all future projects, we believe we can go further along the path of maximizing the economic benefits for Quebecers.

PROPOSITION 4

Exploit our natural resources to the benefit of all Quebecers, and:

- 4.1** *Seek ways to increase Quebecers' financial involvement in mining investment projects, similar to Investment Quebec stock purchases; more precisely, the government should explore ways to establish a tax-advantaged fund encouraging Quebecers to invest directly in the sustainable development of the North;*
 - 4.2** *Develop a network of suppliers and equipment-makers to mining firms. Developing such an upstream network would lead to the emergence of a cluster of Quebec SMBs capable of exporting their know-how far and wide;*
 - 4.3** *Support the development of downstream transformation businesses in the mining sector, notably in the case of iron, diamonds and rare earths;*
 - 4.4** *Support technology transfer on behalf of Quebec businesses, with the help of university research organizations;*
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Hydro power as a source of social and economic development

The birth of the windpower industry, and the rebirth of the hydro industry, under the Charest government is well on its way to making Quebec a world renewable energy superpower. It is a form of economic development that helps Quebec reduce its greenhouse gas emissions, as well as creating jobs and wealth in every region.

With the North Plan, the government is moving ahead with the development of clean and renewable energy generation, adding 3,500 MW, 3,000 MW of hydro power, 300 MW of windpower and 200 MW coming from other sources.

We believe the government should consider realizing further development goals from hydro power development, especially for communities on the North Plan territory.

Ironically, while the lion's share of Quebec's installed hydro power generation capacity is located on the North Plan territory, the communities dotted through the territory often do not have access to it.

Indeed, some 7,000 electricity consumers purchase power generated by diesel engines, which leaves a dirty mark of the region's environmental record. Various initiatives are currently underway to better protect the environment while reducing electricity costs. For example, Hydro-Québec is working on pilot projects testing diesel-windpower hybrid systems. Should those solutions deliver on their promise, it could lead to a substantial reduction in fuel consumption in 14 villages in Nunavik, with hopes of a 42% reduction in greenhouse gas emissions.

Moreover, some native and local communities place great hopes in the potential of small hydro projects (50 MW or less) to stimulate local economic and social development. We believe those communities ought to be allowed to move ahead and realize those projects, insofar as those projects are supported by the communities, operated by them, and generate local benefits.

We believe the time has come to harness the energy of the North to the benefit of social and economic development in the North. With access to hydro power, the development potential is enormous.

For instance, it would be possible for local and native communities to develop greenhouse cultivation, and benefit from diversified food products at a much lower cost than is the case with imported products transported and warehoused at great cost.

This is why we propose that a QLP government ...

PROPOSITION 5

To support social and economic development among communities in the North Plan territory through small hydro projects:

5.1 Such projects should be initiated and managed by local communities, for their own benefit;

Preparing the workforce that will make the North Plan happen

The implementation of the North Plan represents an unprecedented challenge for Quebec when it comes to attracting, develop and training the required workforce. All of the many development projects described in the North Plan will lead to a boost in demand for qualified workers.

This is a formidable opportunity to improve upon the marketable skills of the people in the communities in the North Plan's territory. Indeed, jobs are the contribution of the North Plan to the improvement of living standards north of the 49th parallel. This is why improving basic education for local people is a priority. Particular attention ought to be paid to native people, especially women and young adults, who have a chance to open new career horizons.

Since 2003, the QLP government has stepped up its efforts to provide education and training to Inuit and First Nation people. Many major projects have been completed, such as the Cree Professional training centre in Waswanipi, The First People Pavillion at the Quebec University in Abitibi-Témiscamingue in Val-d'Or, the Wendake Professional training centre, as well as the newly opened First Nations Postsecondary Institute in Odanak.

The government of Quebec can also boast an original solution: that of the worksite school set up by the Department of Transportation to help with extending Road 138. We need to leverage that

kind of success and develop similar training schemes in the area of mining, roadbuilding, hydro projects and tourism.

Local workers can fill a large share of the jobs available. Yet, we will need to look elsewhere to fill all of the most specialized positions, elsewhere in Quebec and around the world. The North Plan insists that all economic development projects should be designed from the outset with a complete list of the requisite skills. The aim is to have a workforce ready to get started at the moment each projects gets underway.

The success of the North Plan is predicated on the capacity of Quebec and local government authorities, along with business and training establishments, to develop the labour pool necessary to meet the demand for thousands of jobs.

*This is why, above and beyond the measures described in the North Plan,
we propose that a QLP government...*

PROPOSITION 6

Prepare the workforce to execute the North Plan, and:

- 6.1 Improve training programs aimed at Quebec first nations, especially in respect to the North Plan and any other natural resources projects;**
 - 6.2 Increase the number of worksite training centres along the lines of the model developed by the Quebec Department of Transportation;**
 - 6.3 Allow regional cegep and universities to develop clusters of excellence to meet the labour needs of the North Plan;**
 - 6.4 Promote labour needs and employment opportunities related to the North Plan to the people in the South of Quebec, through a dedicated web portal;**
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Supporting agriculture

SGenerating wealth out of our natural resources also means leveraging the talent of our farmers and transformers, and the great agricultural potential of our territory.

Like other industries, the farm business is facing a shortage of new entrepreneurs to take over existing operations.

Once limited to farmers under supply management, the problem of farm succession is now widespread and raises legitimate concerns in many rural regions. Most farmers will reach retirement age over the next few years.

They hope to retire knowing they have transferred ownership to neighbours or loved ones so the work of generations does not come to an end.

Moreover, food transformation businesses in Quebec have been losing market share on the domestic market to imported products over the past years, mostly as a result on the strength of the Canadian dollar.

In recent years, resources have been invested in the promotion of Quebec food on the domestic market, through a major advertising campaign and specific “Made in Quebec” labelling allowing consumers to readily identify Quebec products on the shelves. Those efforts appear to be bearing fruit.

This is why we propose that a QLP government...

PROPOSITION 7

Maintain the viability of farm and agrifood businesses:

- 7.1 By developing an agricultural policy aimed at the dynamic occupation of the territory through modern and competitive operations;***
 - 7.2 By encouraging major grocery store chains to increase the presence of Quebec products on their shelves, since they account for 70% of food spending;***
 - 7.3 By making it easier to transfer ownership of farms to the next generation;***
 - 7.4 By supporting innovation to drive down costs in greenhouse agriculture, so Quebecers can purchase Quebec-made fresh products all year long;***
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1.3 Focusing on business productivity and creativity

Quebec is renowned the world over for its creativity and capacity to innovate. Whether it is in the area of culture, video games and special effects, medical and pharmaceutical research, energy, aerospace, optics and photonics, Quebec has given birth to world-class industries thanks to the creativity and sense of innovation of the people of Quebec.

Despite this, it is well known that Quebec lags behind other economies worldwide with respect to the growth of productivity gains in businesses, and has done so for quite some years now. Indeed, in spite of improvements in 2009 and a closing of the gap with the rest of Canada, Quebec ranks dead last among OECD countries for its rate of productivity growth over the past decade.

To diversify our exports and meet the threat of international competition from newly-emerging economies, we absolutely must accelerate productivity gains. The strength of the loony, now on par with the American dollar, has noticeably widened the productivity gap with U.S. competitors. The American market accounts for 75% of Quebec exports. Closing the productivity gap with the nations around us requires priority attention. In this area as in others, Quebec must aim for first place.

To achieve that paramount goal, the Quebec government must rely on many simultaneous levers: innovation, investment in capital goods, the skill set of the workforce, business taxation and regulation.

We also need to come to a clear common agreement on what productivity exactly means. Productivity is not about telling someone who already works too much that he or she needs to put in even more hours. An overtaxed workforce is not more productive, just the opposite. Being more productive means accomplishing more in the way of useful work in the reasonable amount of time available, thanks to up-to-date skills, better tools, better methods. It is all to the workers' benefit, as well as Quebec society.

Since 2003, the QLP government has taken a number of key decisions with respect to each of those levers. Notably:

- The Quebec Research and Innovation Strategy, updated last year, that calls for investments of \$1.2 billion over the 2010-13 period and seeks to translate research results into business advantage;
- The adoption of the Employment Pact;
- The phasing out of the business capital tax;
- The introduction of various tax changes to reduce the effective marginal tax rate on business investment, which is now the lowest of all Canadian provinces;
- The adoption of a policy on reducing the regulatory burden on businesses, with such specific measures as the introduction of a single information web portal for businesses and the merging of two forms every business needs to send to the Office of the business registrar and Revenue Quebec every year.

These measures are a step in the right direction. Yet, given the urgency and the size of the productivity gap we need to close, QLP members feel that the government of Quebec needs to elevate productivity and innovation to the rank of core priorities. It is incumbent on the Quebec government to exercise leadership, mobilize all actors in society and rally Quebecers around this major challenge.

This is why we propose that a QLP government...

PROPOSITION 8

Act decisively to accelerate productivity gains across the Quebec economy, and:

- 8.1 Mobilize all economic actors around the issue of productivity by holding a national forum on productivity and innovation so as to elaborate a new collective strategy, and issue a decree making 2013 the year of productivity and innovation;***
 - 8.2 Revise all programs providing support to businesses in order to channel more resources towards investment projects directly linked to innovation and improvement in business productivity;***
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Reducing the cost of regulation

Despite the progress achieved in reducing the regulatory burden, a lot remains to be done. Regulation is necessary, but it should not be excessive or feature extraordinary compliance costs for businesses.

Studies conducted by the Canadian Federation of Independent businesses (CFIB) show that administrative procedures add \$30 billion dollars a year to the operating costs of Canadian businesses. The corresponding figure for Quebec is \$7 billion a year. The burden falls most heavily on smaller firms. It is estimated at \$6,500 per employee in firms with 5 workers or less, compared to \$1,100 in firms with 100 workers or more.

A survey conducted earlier this year by the Entrepreneurship Foundation revealed that the willingness to go into business is waning in Quebec, and lagging the rest of the country. The study indicates that the legal, fiscal and administrative complexities are a major obstacle on the path of starting or taking over a business venture for 26.6% of would-be entrepreneurs in Quebec, compared to 16.9% in the rest of Canada.

Recently, the government of Quebec has set up a task force on regulatory reform and paperwork reduction. The group is to report to the President of the Cabinet Committee for economic prosperity and sustainable development, Mr. Sam Hamad.

This is why we propose that a QLP government...

PROPOSITION 9

Remove regulatory obstacles to the launching and subsequent growth of small businesses, and:

- 9.1 Complete the process of standardizing definitions, thresholds and timetables for businesses that must forward payments and wage deductions to provincial and federal tax authorities;***
 - 9.2 Proceed with an assessment and review of all forms that business must fill, with a view to reducing compliance costs;***
 - 9.3 Establish pilot-projects whereby any business of 10 employees or less in a given region would be paired with an exclusive case officer able to help that business navigate through support programs, tax and regulatory issues on behalf of all Quebec government departments and organizations;***
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Sustaining entrepreneurship

Quebec is having difficulty developing a genuine entrepreneurial culture. Only 6.9% of young Quebecers surveyed have any plan to start a business of their own, compared to 11.2% for young Canadians. The rate of new enterprise creation has slowed from 14.6% in 1991 to 11.2% in 2006. This is a worrisome trend given that 70% of currently active entrepreneurs are expected to retire over the next decade.

This is why we propose that a QLP government...

PROPOSITION 10

Make it easier for the ownership of existing businesses to be transferred to the new generation of entrepreneurs, and:

- 10.1 Set up a Entrepreneurial Succession Portal in collaboration with local and regional entrepreneur organizations. The portal would allow businesses seeking new ownership to be matched with people with the willingness and the means to go into business;***
- 10.2 Designate a section of that portal specifically for the transfer of ownership in farm businesses, in collaboration with the Department of Agriculture;***
- 10.3 Review business tax policy in order to discourage dissolution and encourage transfer of ownership;***

10.4 To extend the Home Buyers' Plan concept to business ownership, allowing people to draw upon their own RRSP funds tax-free for starting or purchasing a business for the first time, so long as they reimburse their RRSPs over a given timeframe. The initiative should be :

- **Regulated in such a fashion as to minimize risks;**
- **Limited to 10 % of the value of RRSP funds;**
- **Designed to prevent the acquisition of stock in a company owned by a spouse;**
- **Designed to prevent the further acquisition of stocks in a company following a second transaction;**

10.5 Develop a new feature of the Quebec Entrepreneurship Contest, aimed at consolidating the growth of winning firms. The initiative would twin every one of the 7 finalists of the Youth Entrepreneurship Grand Challenge to an established business renowned for its contribution to Quebec economic development so as to provide them with:

- **Mentoring services for the 3 years following the contest where they were finalists;**
- **Formal support to increase those entrepreneurs' credibility with financial institutions;**
- **The broadcasting of the Quebec Entrepreneurship Contest so as to improve promotion and provide greater visibility to youth entrepreneurship. The broadcast could be accomplished by Télé-Québec in collaboration with private sponsors;**

10.6 Support educational establishments wanting to set up entrepreneurship-study programs and reintroduce economic and financial literacy courses in secondary schools;

Developing a network of suppliers and equipment-makers

The low rate of productivity growth in Quebec is mostly attributable to the historically lower rate of private business investment.

As we have seen, the government has considerably modified the tax regime of businesses in order to stimulate private investment. The abolition of the capital tax and tax relief on new investment are some of the key measures.

The results are good, but we believe that we need to go beyond tax measures to encourage and further accelerate private investment.

We believe should rely on its existing world-class businesses and industry to develop and strengthen networks of suppliers and equipment-makers in Quebec.

The aluminium and aerospace industries are good examples of global industries where big producers require a network of accredited parts and services suppliers, businesses in a position to develop and widely export know-how of their own. The idea is to solidify the whole value chain, from industry leaders to small businesses.

The development of the AP-60 technology by Rio Tinto Alcan in Saguenay-Lac-Saint-Jean or the C-Series planes by Bombardier are good illustrations of technological innovations that lead to the development and strengthening of a network of outsourced suppliers.

We believe the Quebec government should identify industrial sectors suitable to the development and strengthening of suppliers. Particular attention should be paid to the mining sector, given the size of upcoming investments in this area.

This is why we propose that a QLP government...

PROPOSITION 11

Reinforce the industrial fabric of Quebec by stimulating private investment and supporting the emergence and strengthening of a network of suppliers and equipment makers, and:

- 11.1 Support the most promising projects as a matter of priority, through financial support and the granting of electricity blocs;***
 - 11.2 Pay particular attention to the development of suppliers and equipment makers in the mining sector;***
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1.4 Preventing labour shortages

Quebec has made great strides since 2003 when it comes to jobs and the labour market.

- The unemployment rate in Quebec is now lower than the rate in Ontario and the United States, something unprecedented in over 30 years;
- The employment rate, which measures the proportion of people aged 15 and over currently holding a job, has reached 60.3% in Quebec, compared to 62% in Canada and 58.5% in the United States.

In fact, the big challenge over the coming years will not be the need to create enough jobs for everyone, but rather to make sure that labour shortages do not break Quebec's economic momentum.

As a consequence of population ageing, Quebec is vulnerable to labour shortages, especially for qualified personnel. The group of people aged 20 to 64, which makes up the available labour pool, is predicted to start shrinking in 2016, barely five years from now.

According to a Conference Board study entitled "From the babyboom to labour deficits : imminent labour shortage in Quebec", our province is facing a shortfall of 363,000 workers by 2030, if current trends continue.

Needless to say, serious labour shortages would undermine all of the progress we can achieve with regards to the other factors impinging on productivity. To remain a prosperous society, Quebec must deal with this issue as a matter of urgency.

There are essentially 3 ways to deal with the issue:

- In the short term, getting more people aged 15 to 65 years old into the job market;
- In the medium term, increasing immigration;
- In the longer term, increasing the birth rate.

Over the last few years, the proportion of working age Quebecers actually holding a job has crept up. Yet, in some age brackets, Quebec needs to do a lot better to catch up with the Canadian average.

This is especially true of workers aged 55 and older. As a group, their labour participation rate went up from 26.5% in 2003 to 31.5% in 2010. Despite this progress, the figures remain noticeably lower in Quebec than in Ontario (37%) and Canada (36%).

It is therefore vital that we re-examine the relevant tax rules, which should be designed to encourage every experienced worker who wants to stay on the job market to do so.

This is why we propose that a QLP government...

PROPOSITION 12

Provide incentives for greater labour market participation, especially by experienced workers aged 55 and over, and:

- 12.1 Conclude an agreement with federal authorities whereby workers 60 years and older and eligible to earn pension income can do so concurrently with employment income in the context of a progressive retirement scheme;***
 - 12.2 Rethink taxation in such a fashion as to encourage the participation of older people to the labour market. Tax measures should encourage part-time employment after the normal retirement age and provide incentives for those who wish to push retirement back;***
 - 12.3 Conclude an agreement with federal authorities whereby workers 65 years and older earning employment income the choice to continue contributing to the Quebec Pension Plan or to contribute the same sums to their own RRSPs;***
 - 12.4 Change the rules governing public sector pensions so as to encourage public servants to stay in employment longer and opt for retirement later;***
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Improving the labour market integration of immigrants is another way to sustain a vibrant labour pool.

In this respect, the most recent data from Statistics Canada is encouraging. Unemployment went down for immigrants between 2009 and 2010, with an increase of nearly 8% in the number of immigrants in employment. In fact, over half of net new job creation last year can be attributed to immigrant workers.

Nevertheless, the unemployment rate among immigrants remains higher than the rate for Quebec-born citizens, and higher than in the rest of the country. A report by the Quebec Auditor General in 2010 reveals that some 40% of immigrant workers back in 2006 were "overqualified", meaning they had more years of schooling and diplomas than were customarily needed for the job they held or sought. The situation has improved since, but matching the demand and supply of relevant skills is something Quebec must still improve upon.

As the numbers suggest, the skill sets of newcomers do not always correspond to the demands of the Quebec labour market. In the interest of newcomers and society as a whole, we need to keep making adjustments to improve skills adequation even further.

This is why we propose that a QLP government...

PROPOSITION 13

Improve the selection and integration process for new immigrants by:

- 13.1 Granting more points in the selection criteria for immigration candidates holding a valid job offer from an employer located outside the Montreal metropolitan area;***
- 13.2 Granting student visas in an expedited fashion and with more latitude on financial conditions to newcomers who want to register to complete a diploma in Quebec vocational schools that do not fill their classes with a full complement of students in fields where employers' demand is strong;***

Selection criteria and process remain, at the end of the day, tools designed to make better predictions on integration prospects. The real business of integration takes place when newcomers find an employer willing to hire them and provide them with their first chance.

This is why the QLP government has developed a number of programs to entice employers into hiring newcomers. There is the PRIIME scheme, which provides wage subsidies to employers who hire newcomers and visible minorities, which helped 5 500 people to find a job. Another, Passerelle pour l'emploi en région, targets recent immigrants residing in Montreal who wish to test the job market outside of the metropolitan area. More recently, the government has also introduced the IPOP initiative, to provide internship opportunities to professionals trained abroad who want to join a profession regulated by professional corporations in Quebec.

These programs are effective, but most employers and job-seekers do not know about them. We believe the government has every interest in improving awareness of those initiatives.

This is why we propose that a QLP government...

PROPOSITION 14

Provide for better promotion and awareness by employers of support programs for hiring immigrants, and:

- 14.1 Organize, in collaboration with chambers of commerce and labour market partners, "Quebec newcomer workers job fairs" so that prospective employers and job seekers can readily be matched and to encourage immigrants to settle beyond the Montreal metropolitan area;***
 - 14.2 Better develop support and mentorship programs for employers with respect to French language learning and diversity management in workplaces;***
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Other programs aimed at helping newcomers connect with the labour market have been established. Besides PRIIME and Passerelle pour l'emploi en région, the international portal of the Online Placement Service, the Practical guide to international recruitment and Diversité + are new initiatives established by both the Employment and Immigration Departments. In May of 2011, the minister launched 10 new projects as part of the Défi Montréal program, which helps employers navigate through the recruitment and integration process, a total investment of 976,000\$.

We believe that such programs need to be scaled up and become more available outside of Montreal. In particular, we believe that French courses in the workplace will often suit the needs and schedules of immigrant workers than courses offered in the community. We further believe that what employers want above all from the government is sound practical advice and guidance on best practices in diversity management.

Recognizing the value of immigrants' credentials and experience is the key to making sure their skills and competence contribute fully to Quebec's prosperity. In this respect, a great deal of progress was made over the last few years to avoid attracting qualified workers to Quebec only for them to experience the disillusion of unemployment or deskilling. Immigration candidates are better informed nowadays about the conditions and procedures regarding access to regulated professions. New tools have been developed to help them prepare for exams, while access to short term training, especially in French as a second language, has been considerably widened. It is worth keeping in mind that immigrants seeking to access a regulated profession represent less than 10% of all immigrants to Quebec, and that 94% of them eventually manage to be admitted to the ranks of professional corporations.

In Quebec, the vast majority of newcomers who seek access to regulated professions are first awarded "partial recognition", which simply means they will need to complete additional courses before they can practice the profession for which they originally trained for. In the meantime, that immigrant will not be allowed to work in the field, in any fashion. Recently, though, some notable exceptions have emerged. Namely, graduates from Canadian and French universities can expect their university credentials recognized as if they were Quebec diplomas. When it comes to immigrant workers from elsewhere, agreements have been reached with the Quebec Bar, the College of Physicians, as well as the Orders of Chartered Accountants and Agronomists to smooth the transition.

One of the most interesting avenues to improve matters further would be to establish an intermediate path for immigrant professionals, one where they could occupy a position in the same professional domain, in contact with the sought after trade or profession, but at an inferior level of qualification until they complete their remedial training. This approach, known as the "restricted practice" authorization, would certainly be more advantageous for Quebec's economy than the now proverbial – if largely legendary – case of the foreign-born doctor driving a cab. The foreign credentials recognition process, and the agreements under discussion with various professional corporations, should seek to make wider use of restricted practice authorizations.

This is why we propose that a QLP government...

PROPOSITION 15

Improve upon and accelerate the process of foreign credentials recognition, through restricted practice authorizations delivered to immigrants professionals completing their remedial training;

Presently, only 18% of people residing in Quebec on a temporary basis, as students or workers, opt to make Quebec their permanent home. One of the means available to the government to improve integration would be to seek better retention of temporary immigrants. Whether in school or in workplaces, these immigrants are already in contact with Quebec culture, often learning French, and are already either holding a job or earning a job-ready diploma.

It makes plenty of sense to make sure that some immigrants among them who wish to stay and build a life in Quebec can benefit from an accelerated procedure, with selection criteria that take account of the process of integration to Quebec society they have already begun.

Particular attention should be paid to foreign research scientists and academics who are living in Quebec on temporary assignment, working in institutions of higher learning in Quebec. Accelerated procedures and additional points in the selection criteria could be awarded to those working on research projects deemed a priority by the government. Eventually, more researchers who want to stay in Quebec could continue to contribute to scientific progress here.

PROPOSITION 16

To improve upon and accelerate the process of moving from temporary to permanent resident status for those newcomers who have already shown their ability to learn French and secure employment;

1.5 Restoring our transportation infrastructure

A modern and sturdy transportation infrastructure is essential to an efficient economy. A study released in 2010 by the Board of Trade of Metropolitan Montreal puts the overall cost of traffic congestion in metropolitan Montreal at \$1.4 billion.

Transport Canada, in a study released in 2006 entitled *The Cost of Urban Congestion in Canada*, came to similar conclusions. The cost of traffic congestion in Canada's nine largest urban areas was estimated at between \$2.3 and \$3.7 billion in 2002 dollars.

As a point of interest, this study estimated that 90% of the cost of congestion represents the value of the time lost in traffic. The value of the fuel consumed represents 7% of the congestion cost and GHG emissions represent 3%.

Quebec is an economy open to the world. We need to have an infrastructure that allows the efficient transportation of people and goods if we are to continue to prosper.

In an economy where inventory management is dominated by "just-in-time," the costs of congestion can greatly reduce the competitiveness of businesses and cause the loss of supplier contracts. Moreover, congestion is a big hindrance for exporters.

With the introduction of the Quebec Infrastructure Plan in 2007, the government committed to restore our infrastructure over a 15-year timeline.

To achieve this goal, it launched a major economic initiative, entailing \$37.7 billion of investment over five years. In January 2009, the government increased the investment to \$41.8 billion for the 2008-2013 timeline, almost \$20 billion of which is for highways and public transit.

Furthermore, legislation was passed in the National Assembly requiring that any future government complete the repair of our infrastructure and continue to maintain it.

There is still one hurdle to cross to ensure the longevity of our transportation infrastructure after it has been restored: we must ensure permanent funding for our infrastructure to prevent a recurrence of past mistakes.

This is why we propose that a QLP government...

PROPOSITION 17

Provide Quebec with modern infrastructure, through stable and predictable financing, and:

17.1 Initiate frank and open discussions with the federal government, municipalities and other agencies involved in the management of transportation infrastructure, with the aim of establishing a permanent financing formula for transportation infrastructure;

The Champlain Bridge represents a strategic infrastructure for Montreal's economy. This is the bridge with the most traffic in Canada. A major share of shipments to the U.S. market crosses the Champlain Bridge. The strategic importance of this infrastructure is indisputable.

Meanwhile, the federal government, which owns the Champlain Bridge, is slow in making a decision to replace this outdated structure. Given the bridge's strategic importance to the future transportation of people and goods in the greater Montreal region and that it will take 10 years to replace it, this situation is untenable.

PROPOSITION 18

Increase the pressure on the federal government so it comes to a decision on replacing the Champlain bridge and commits to financing the project. To achieve that goal, the government must mobilize the economic and opinion leaders of the Montreal greater metropolitan area;

1.6 Healthy public finances and a fair tax system

The 2008 financial crisis, which turned into a public finance crisis in Europe and the U.S., shows how important it is to keep public finances healthy.

Fortunately, Quebec has one of the lowest budget deficits due to its careful administration of the Quebec economy during the global recession. In fiscal 2010-2011, Quebec's budget deficit represented 1.4% of GDP, compared to 3.3% for Ontario, 3.2% for Canada, 10.6% for the U.S., and 7.8% for the OECD countries.

As a result, Quebec will be one of the first jurisdictions to return to a balanced budget, which will be as of 2013-2014, four years earlier than Ontario.

Given the heavy tax burden borne by Quebecers, we are pleased that 62% of the effort needed to return to a balanced budget comes from spending restraint and the battle against tax evasion. But Quebec is still deeply in debt. Whether in terms of the accumulated deficits compared to GDP (35.4%) or the gross debt expressed as a percentage of GDP (53.8%), Quebec is the most indebted province in Canada.

The government has set itself a dual debt reduction objective.

The first objective concerns the debt representing accumulated deficits. This is the debt that was used "to pay for the groceries," the one that does not correspond to an asset. The government's goal is to reduce this ratio to bring it down to 17% in 2025-2026.

The second objective concerns gross debt. The government's goal is to reduce the gross debt-to-GDP ratio to 45% in 2025-2026.

The government has already announced that to reach its debt reduction goals, the price of heritage pool electricity will be increased gradually as of 2014-2015. This increase represents 1¢/kWh over five years. The entire amount will be deposited in the Generations Fund. In addition, the government will make additional deposits to the Generations Fund as of 2014-2015 derived from the increase in mining and oil and gas royalties.

We believe that the targets the government has set for debt reduction represent minimal targets.

Moreover, given the importance of keeping the tax system competitive in order to help business compete and encourage effort, we believe that these objectives should not be achieved by making the tax burden any heavier than already planned.

This is why we propose that a QLP government...

PROPOSITION 19

Announce a clear and detailed debt reduction plan, which should:

- 19.1 Confirm that the goal of returning to balanced budgets by fiscal year 2013-14 is unmovable;***
 - 19.2 Confirm that the targets established by the government represent unmovable and minimal objectives;***
 - 19.3 Provide details on the means decided upon to meet those targets, by giving precisions on the share of the whole debt reduction effort attributed to economic growth, spending restraint and increases in the tax burden;***
 - 19.4 Commit to allocating any extra revenues arising from a level of economic growth surpassing predictions to accelerate debt reduction as a matter of priority;***
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Making the tax system fairer and encourage saving

The collection of all of the State's revenues is not only necessary to attain budget balance and debt reduction targets, but it is also a matter of fairness amongst taxpayers. Everyone should pay their share.

We believe that fraud and tax evasion have baneful and very harmful effects on the public's confidence in our democratic institutions and on the business climate.

Much work has already been done to offset the most abusive types of tax evasion. In particular, the government has announced the creation of the Quebec Revenue Agency, which will have the administrative flexibility required to achieve the targets. It has also pioneered the battle against what is known as abusive tax planning. In addition, the government's plans for restoring budget balance include a tax collection target of \$1.4 billion in 2013-2014.

To achieve these objectives, the government has targeted the sectors where tax fraud is most widespread, in particular black market tobacco and the restaurant and construction industries. Furthermore, since June 1, 2010, government departments and agencies have required bidders on public contracts of \$25,000 or more to submit a certificate from the Ministry of Revenue. The legislative provisions governing the awarding of public contracts for \$25,000 and up will be expanded to bidders throughout the public sector, including public corporations and municipalities. From now on, a tax certificate will also be required for subcontractors working on public construction contracts governed by these legislative provisions. We believe we should go even farther.

Channeling
Quebec's True

ENERGY

PROPOSITION 20

Re-examine and toughen up the fines levied for tax fraud so they become a greater deterrent;

Fair treatment for taxpayers also dictates that tax rates increase with income. In other words, the higher the taxable income, the higher the rate. This is how our tax system works, and it is one of the most progressive in North America.

However, tax transfer mechanisms can produce incongruous results. Thus, when household income exceeds a certain threshold, the household loses various tax benefits intended for low-income families, such as the GST-QST refund. For such families, the transfer mechanisms make the effective marginal tax rate on \$1,000 of additional income very high.

This situation can discourage effort and the will to improve one's working conditions by looking for a better-paying job. However, considering the expected workforce shortages, we should be encouraging effort and self-improvement instead.

The tax system should also encourage saving, so that Quebecers will be in better financial health when they leave the job market. Quebecers live longer, which has a direct impact on financial planning for retirement.

Saving also facilitates the funding of investments which, in turn, drive economic growth and job creation.

We believe it would be beneficial for Quebec's economy to provide greater tax exemptions for every form of savings, including those used to finance skills training and professional development.

PROPOSITION 21

Re-examine the personal income tax regime so that it rewards effort for all income categories, and so that it provides greater encouragement for saving, investment and growth;

Improve government efficiency through technology

The government must constantly improve its processes in its efforts to offer the best services at the lowest possible cost. Priority must be put on the use of new information technologies in order to improve the delivery of public services.

In recent years, the QLP government has taken steps to modernize Quebec's public service through various initiatives, such as putting the government online and digitizing health records.

Meanwhile, social networks (Facebook, YouTube, Twitter, etc.), wikis, and blogs are well on the way to becoming the preferred communication tools of the younger generation, not to mention their elders. This set of applications has become known as Web 2.0 – where the user not only takes in information, but also puts it out, and broadcasts new information on the Web. The user becomes part of a network.

For a government, this means it can be in constant contact with the citizens and instantly learn their reaction to the measures it plans to implement.

It also means the government can benefit from the creativity of its citizens when it comes to finding solutions to the problems our society faces.

Finally, the use of Web 2.0 within the government machinery will allow it to break down the compartmentalization of the individual departments and improve the efficiency of public service employees.

Like numerous other governments, such as those of the U.S., the U.K., Australia and, closer to home, New York State and British Columbia, the QLP government needs to take full advantage of these new opportunities to improve the internal operations of the government and the quality of services for the citizens, by benefiting from all of our fellow citizens' innovative capabilities.

PROPOSITION 22

Leverage the potential of Web 2.0 applications to provide better public services and improve exchanges with citizens, and:

- 22.1 Make government data part of the public record. To that end, the government should entrust the task to a central agency such as the National Library or the Quebec Statistical Institute (ISQ) to format and organize this data in a uniform fashion to facilitate research. All Departments and agencies need to contribute, and the project should be completed within a year;***
 - 22.2 Provide an appropriate framework for citizen participation so that people can directly contribute to the elaboration of public policies. A directive to that effect should be in place within 12 months, and features safeguards to keep transactions secure;***
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