

Technical Annex to the Viewpoint:
“Quebec Is Still a Corporate Subsidy Champion”
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1. Daycare Subsidies

Quebec is undoubtedly the province with the most generous family policy, due to its Reduced Contribution Program for daycares. For the 2016-2017 fiscal year, total program expenditures amount to \$2.3 billion.¹ Basically, this amount is divided between three types of childcare, namely public childcare centres (CPE), home childcare providers, and subsidized daycare centres.

As the two latter categories are made up of private, for-profit entities,² they are counted in the Subsidies to private enterprises category (252) of the survey of Canadian Government Finance Statistics (CGFS). However, the CANSIM table does not allow for the data on for-profit daycares to be extracted for each province.³ We therefore subtracted the amount of subsidies granted to these childcare services over a period of five years, namely \$5.8 billion, as calculated based on the Examinations of estimates of expenditure (see the source under Table A-1) for the total subsidies paid out by the Quebec government over this same period (\$22.2 billion).⁴

Quebec is not the only province to transfer funds directly to facilities providing childcare services. The CGFS survey also counts subsidies for British Columbia, Manitoba,

¹ Quebec Finance Department, *Public Accounts 2016-2017, Volume 2—Financial Information on the Consolidated Revenue Fund: General Fund and Special Funds*, November 2017, pp. 206-209.

² Regroupement des centres de la petite enfance de la Montérégie, *Portrait du réseau, Types de service de garde*.

³ Communication with a statistician responsible for this survey at Statistics Canada, October 2017. Statistics Canada, *Statistical classifications, Canadian Government Finance Statistics (CGFS) 2014 Version 1.2, 2521 - Subsidies to nonfinancial private enterprises*, January 13, 2017; Statistics Canada, CANSIM Table 385-0034: Canadian government finance statistics (CGFS), statement of operations and balance sheet for the provincial and territorial governments.

⁴ The subsidies are converted into constant dollars for the 2016-2017 fiscal year, while the GDP amounts are in constant 2016 dollars due to the lack of data on quarterly GDP for the provinces.

Saskatchewan, and Nova Scotia (in decreasing order in terms of subsidies).⁵ The lack of data prevents us here again from isolating the amounts of subsidies for childcare services for these provinces. As no other Canadian province provides subsidized childcare services that are comparable to Quebec's, the amounts in play are not as large. In any event, subtracting the subsidies to childcare services in these other provinces would not have a significant effect on the conclusions of this Viewpoint. It would only increase the gap between Quebec and the other provinces in terms of subsidies paid out to other companies.

Table A-1

Total subsidies paid out to private companies for childcare services, millions of constant \$

| Year ending March 31 | Home childcare providers | | Subsidized daycare centres | | Total for-profit centres | |
|-------------------------|--------------------------|--------------|----------------------------|--------------|--------------------------|--------------|
| | Number of spaces | Subsidies | Number of spaces | Subsidies | Number of spaces | Subsidies |
| 2012-2013 | 91,663 | 681 | 41,590 | 451 | 133,253 | 1,132 |
| 2013-2014 | 91,664 | 687 | 43,549 | 463 | 135,213 | 1,150 |
| 2014-2015 | 91,664 | 708 | 45,970 | 484 | 137,634 | 1,193 |
| 2015-2016 | 91,604 | 682 | 46,057 | 488 | 137,661 | 1,169 |
| 2016-2017 | 91,604 | 667 | 46,498 | 477 | 138,102 | 1,144 |
| 5-year Total | 458,199 | 3,425 | 223,664 | 2,362 | 681,863 | 5,787 |

Note: Subsidies are converted into constant dollars for the 2016-2017 fiscal year.

Sources: Quebec Families Department, *Études des crédits 2013-2014 to 2017-2018*; Statistics Canada, CANSIM Table 326-0020: Consumer Price Index, Quarterly, 2012-2017.

2. Subsidies to Private Schools

Since the private sector has a substantial place in the Quebec education system, the comparison could have been affected by transfers granted to private schools. However,

⁵ Communication with a statistician responsible for this survey at Statistics Canada, October 2017.

these subsidies are counted in the Transfers to non-profit institutions category (2821) of the CGFS.⁶

3. Capital Transfers and Tax Credits

The CGFS nomenclature is essentially based on the *Government Finance Statistics Manual 2014*, prepared by the International Monetary Fund. The 252 classification includes the tax benefits and direct government subsidies granted to private companies included in Figure 1 of the Viewpoint. However, subsidies granted to Crown corporations like Investissement Québec, Hydro-Québec, the Société générale de financement du Québec, and the SAQ are counted in the Subsidies to government business enterprises category (251). It is very likely that a substantial portion of these subsidies are ultimately destined to private companies, but the CGFS does not break down the data in this way.⁷ Here again, this does not change the conclusions of this Viewpoint, since the inclusion of these amounts would only reinforce our demonstration.

Moreover, capital transfers for the acquisition of non-financial assets, loan guarantees and the reimbursement of a debt guaranteed by the government are not included in the 252 classification. These amounts are classified under Grants (26) or Miscellaneous other expense – Capital (2822), but the degree of detail available in the CGFS does not allow for an estimation of the portion granted to private companies.⁸ Despite these methodological limitations, the estimate of subsidies illustrated in Figure 1 of the Viewpoint is prudent and remains the most precise interprovincial comparison that can be carried out, given the available statistics.

In our estimate of the subsidies granted by the Quebec government, we excluded certain categories of tax expenditures, counting only tax credits. Essentially, we did not count reduced tax rates, exemptions and exonerations (among others, the partial inclusion of the capital gains tax and the reduced income tax rate for small businesses), certain

⁶ *Ibid.*

⁷ International Monetary Fund, *Government Finance Statistics Manual 2014*, 2014, pp. 89 and 131; Statistics Canada, *Public Sector Universe*, 2014, December 8, 2016.

⁸ International Monetary Fund, *Ibid.*, pp. 132-133.

deductions, or losses carried forward. The reason is that these tax measures are usually considered to be part of the basic system.⁹

4. GDP

Quarterly GDP is not available for all provinces. We therefore used the calendar year, whereas the subsidy data is based on the fiscal year ending March 31. By using a weighted average for the past five years, this method does not significantly limit the analysis. Table A-2 details total subsidies and GDP for each province in constant dollars over the past five years, as well as the ratio of subsidies per \$100 of GDP. Transfers to for-profit child care in Quebec are not included in the total subsidies. Subsidy amounts are converted into constant dollars for 2016-2017, and GDP figures are in constant 2016 dollars. Figure A-1 provides provincial GDP per capita for each province in 2014 and 2016 in constant 2016 dollars.

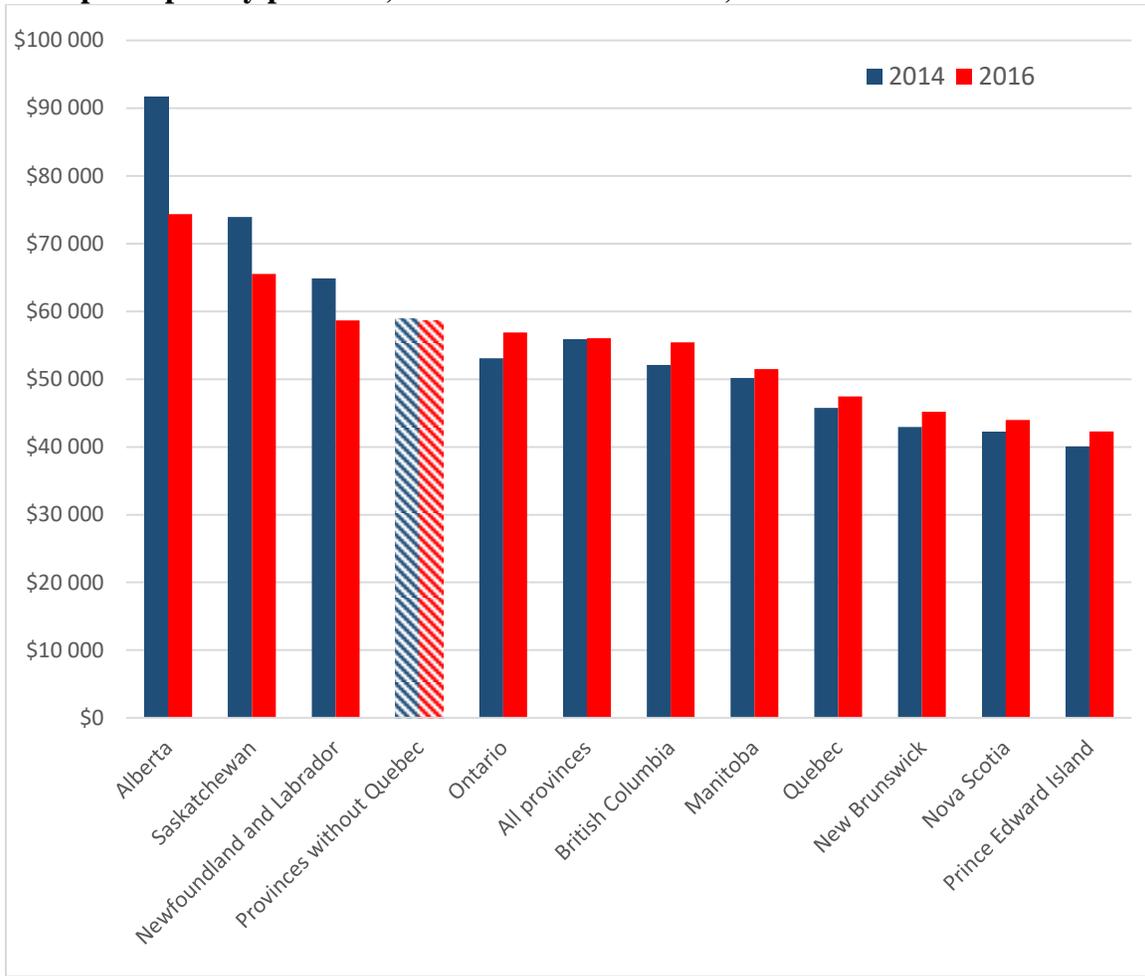
Table A-2
Total corporate subsidies and GDP by province

| | Subsidies (\$) | GDP (\$) | Ratio/\$100 of GDP |
|---------------------------------|-----------------------|--------------------------|--------------------|
| Prince Edward Island | 336,207,656 | 30,034,085,445 | \$1.12 |
| Saskatchewan | 3,856,407,018 | 410,223,605,019 | \$0.94 |
| QUEBEC | 16,450,866,539 | 1,908,636,568,048 | \$0.86 |
| Manitoba | 2,190,717,632 | 329,729,376,238 | \$0.66 |
| All provinces | 57,420,481,977 | 9,957,235,053,269 | \$0.58 |
| Nova Scotia | 1,157,743,852 | 202,711,823,498 | \$0.57 |
| <u>Provinces without Quebec</u> | <u>35,182,253,102</u> | <u>8,048,598,485,221</u> | <u>\$0.44</u> |
| Ontario | 15,300,299,657 | 3,776,016,099,013 | \$0.41 |
| Alberta | 6,769,331,787 | 1,726,601,268,038 | \$0.39 |
| British Columbia | 4,578,663,121 | 1,237,401,921,128 | \$0.37 |
| Newfoundland and Labrador | 510,793,142 | 168,131,559,506 | \$0.30 |
| New Brunswick | 482,089,239 | 167,748,747,337 | \$0.29 |

Sources: Statistics Canada, CANSIM Table 384-0038: Gross domestic product, expenditure-based, provincial and territorial, 2012-2016; Statistics Canada, CANSIM Table 385-0034: Canadian government finance statistics (CGFS), statement of operations and balance sheet for the provincial and territorial governments, 2012-2016; Statistics Canada, CANSIM Table 326-0020: Consumer Price Index, 2012-2017.

⁹ Quebec Finance Department, *Dépenses fiscales—Édition 2016*, March 2017, pp. A.43-A.50.

Figure A-1
GDP per capita by province, in constant 2016 dollars, 2014 and 2016



Note: The GDP per capita for the provinces without Quebec is a weighted annual average.

Sources: Statistics Canada, CANSIM Table 051-0001: Estimates of population, by age group and sex for July 1, Canada, provinces and territories, 2014 and 2016; Statistics Canada, CANSIM Table 384-0038: Gross domestic product, expenditure-based, provincial and territorial, 2014 and 2016; Statistics Canada, CANSIM Table 326-0020: Consumer Price Index (CPI), Annual, 2014-2016.