

Canada

GOVERNMENT
OF CANADA
REGIONAL
ECONOMIC
EXPANSION

NOVA SCOTIA
DEPARTMENT
OF
DEVELOPMENT

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subsidiary
agreement



A CANADA — NOVA
SCOTIA SUB AGREEMENT
UNDER THE GENERAL
DEVELOPMENT AGREEMENT.

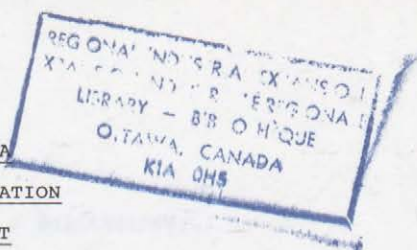


PULP AND PAPER MODERNIZATION CANADA/NOVA SCOTIA



**THIS SUB AGREEMENT SIGNED 23 MAY 1980
IS SUBJECT TO AMENDMENTS**

CANADA - NOVA SCOTIA
PULP AND PAPER MODERNIZATION
SUBSIDIARY AGREEMENT



THIS AGREEMENT made this 23rd day of MAY, 1981.

BETWEEN:

THE GOVERNMENT OF CANADA
(hereinafter referred to as
"Canada"), represented by the
Minister of Regional Economic
Expansion

OF THE FIRST PART,

AND:

THE GOVERNMENT OF THE PROVINCE
OF NOVA SCOTIA (hereinafter
referred to as "the
Province"), represented by the
Minister of Development

OF THE SECOND PART.

WHEREAS Canada and the Province signed a General Development Agreement dated September 12, 1974 (hereinafter referred to as "the GDA"), to achieve the objectives stated in Section 3 thereof;

WHEREAS in pursuit of these objectives, Canada and the Province have jointly agreed to seek to achieve a coordinated application of relevant federal and provincial policies and programs through the process of identifying development opportunities and assisting in their realization through the coordinated and concentrated application of relevant federal and provincial programs, including the provision of specialized measures required for such realization;

WHEREAS Canada and the Province have jointly agreed that development opportunities exist in the Nova Scotia pulp and paper industry and that special measures ought to be taken to sustain or improve the current level of forest and mill jobs, and improve environmental quality;

WHEREAS the Governor in Council by Order in Council P.C. 1981-5/630 of the 5th day of March, 1981, has authorized the Minister of Regional Economic Expansion to execute this Agreement on behalf of Canada;

WHEREAS the Lieutenant Governor in Council by Order in Council No. 80-1687 of the 16th day of December, 1980, has authorized the Minister of Development to execute this Agreement on behalf of the Province.

NOW THEREFORE the parties hereto mutually agree as follows:

SECTION 1: DEFINITIONS

1.1 In this Agreement:

- (a) "applicant" means an applicant for an incentive under this Agreement;
- (b) "approved capital costs" means the capital costs, as determined by the Management Committee, on which an incentive may be based;
- (c) "contribution" means the payment of an incentive under this Agreement;
- (d) "Federal Minister" means the Minister of Regional Economic Expansion of Canada or anyone authorized to act on his behalf;
- (e) "incentive" means a contribution to private sector projects identified under this Agreement;

- (f) "Management Committee" means the committee referred to in subsection 6.1;
- (g) "Ministers" means the Federal Minister and the Provincial Minister or anyone authorized to act on their behalf;
- (h) "offer of incentive" means a proposed contractual agreement tendered by the Province to an applicant specifying the terms and conditions of any incentive under this Agreement;
- (i) "program" means a series of specific and related activities, as referred to in Schedule "A";
- (j) "project" means the specific activity forming a self-contained unit as may be determined by the Ministers;
- (k) "Provincial Minister" means the Minister of Development or anyone authorized to act on his behalf.

SECTION 2: PURPOSE AND OBJECTIVES

2.1 The purpose of this Agreement is to enable Canada and the Province jointly to undertake the implementation of a program of incentives to the pulp and paper industry in Nova Scotia.

2.2 The objectives of this Agreement are:

- (a) To improve the viability and efficiency of the pulp and paper industry in Nova Scotia; and
- (b) to encourage the adoption of improved environmental protection measures by the industry.

2.3 Pursuant to the objectives stated in subsection 2.2, and subject to the terms and conditions of this Agreement, contributions may be made for the purposes of accelerating and maximizing private sector investments for modernization, pollution abatement and energy cost reduction, which are consistent with good forest management and forest resource utilization.

SECTION 3: SUBJECT MATTER

3.1 Canada and the Province agree to cooperate in financing the program outlined in Schedule "A" attached to and forming part of this Agreement. Schedule "A" also provides a rationale for, and a description of, the program to be implemented under this Agreement.

3.2 Incentives provided by Canada and the Province under this Agreement shall be directed to the following activities and related capital costs directly associated with the manufacturing and processing of primary pulp and paper products:

- (a) Modernization of production processes;
- (b) increases in value-added of production;
- (c) pollution abatement; and
- (d) energy cost reduction.

3.3 It is understood that no contributions shall be made under this Agreement for:

- (a) Direct expansion of net newsprint production capacity;
- (b) forest access, harvesting, or management;
- (c) transportation system improvements;
- (d) manufacturing and processing of lumber or other solid wood products;
- (e) converting of paper or paperboard into intermediate or final goods;
- (f) normal preventive replacement, repair or maintenance;
- (g) the modernization of assets for which an incentive has previously been authorized under this Agreement; or
- (h) acquisition of land, acquisition of interests in land or costs arising from conditions of such acquisition.

3.4 An applicant's proposed project must meet the following criteria to be eligible for assistance under this Agreement:

- (a) The project is not likely to occur at the time of application, in the absence of statutory requirement or without government assistance;
- (b) only expenditures made by the applicant after receipt by the Ministers of an incentive application may be considered as eligible for assistance;
- (c) the project will likely result in a commercially viable operation over the long term without the need for additional government assistance; and
- (d) the project is in accord with current statutory objectives for pollution control and resource management.

3.5 No incentive shall exceed twenty-five percent (25%) of the approved capital costs of an applicant's proposed project.

SECTION 4: FINANCIAL PROVISIONS

4.1 The total amount payable by Canada and the Province under this Agreement shall be up to an amount of \$21,250,000 and shall be shared on the basis of eighty percent (80%) by Canada and twenty percent (20%) by the Province. Notwithstanding any other provision of this Agreement, Canada's contribution shall not exceed \$17,000,000 and the Province's contribution shall not exceed \$4,250,000.

4.2 Contributions by Canada and the Province are subject to the Parliament of Canada and the Legislative Assembly of the Province of Nova Scotia having authorized funds for the fiscal year in which a contribution is required.

SECTION 5: TERMINATION

5.1 This Agreement shall terminate on March 31, 1984, provided that all rights due to either the Province or Canada, which are not fully satisfied, shall survive the termination of this Agreement, and acceptance of an offer of incentive made pursuant to subsection 6.5(b) must be received on or before that date. Canada shall not pay any claim received after March 31, 1986.

SECTION 6: ADMINISTRATION AND MANAGEMENT

6.1 Each of the Ministers shall designate one or more senior officials, in equal numbers, to be responsible for the administration of this Agreement. These officials shall constitute the Management Committee whose function it shall be to oversee the planning and implementation of the program specified in Schedule "A" and to fulfill responsibilities identified for the Management Committee elsewhere in this Agreement. In the event of any disagreement within the Management Committee, the relevant matter shall be referred to the Ministers whose decision shall be final.

6.2 The Ministers shall respectively appoint one federal official and one provincial official to act as Co-Chairmen of the Management Committee. Canada and the Province agree to provide the Management Committee with all information necessary for the performance of its functions.

6.3 The signatures of at least two members of the Management Committee shall be sufficient verification for the purpose of this Agreement of any recommendation or decision made, or approval given by the Management Committee, provided that at least one of the members represents the Provincial Minister and another represents the Federal Minister.

6.4 The Management Committee may establish subcommittees to advise and assist it in its work, which subcommittees may include persons who are not members of the Management Committee. Subcommittees will prepare, as requested, submissions and recommendations to the Management Committee on all matters relating to the planning and implementation of the program in Schedule "A".

6.5 The Management Committee shall be responsible for the routine management of this Agreement and, in particular, for the following:

- (a) Assessing projects, and recommending to the Ministers appropriate actions including the amount, terms and conditions of any offers of incentive;
- (b) notifying the applicant of the decision of the Ministers in respect to an incentive through a letter signed by representatives of Canada and the Province, it being understood that any commitments referred to in the letter are conditional upon the applicant's acceptance of all the terms and conditions contained in the offer of incentive;
- (c) retaining consulting and other professional services as may be required;
- (d) submitting each year, on or before the annual GDA meeting, for approval of the Ministers, a report on the progress of this Agreement;
- (e) recommending to the Ministers amendments to this Agreement; and
- (f) performing other functions as may be assigned by the Ministers.

6.6 The Management Committee shall prepare guidelines for eligibility, assessment, funding and implementation procedures for approval by the Ministers.

6.7 The Advisory Board on the Pulp and Paper Industry, as designated by the Federal Government, will review applications for incentives and provide advice and recommendations to the Federal Minister.

SECTION 7: CONTRACTS

7.1 In all projects assisted under this Agreement, Canadian material, machinery and equipment, consulting and other professional services shall be used to the extent to which these items are procurable and consistent with economy and efficiency.

7.2 All contracts for consulting and other professional services retained on behalf of the Management Committee shall be supervised in accordance with procedures approved by the Management Committee. All reports produced under such contracts shall become the property of both parties to this Agreement.

SECTION 8: IMPLEMENTATION

8.1 Together with notification in accordance with subsection 6.5(b), the Province will tender an offer of incentive to the applicant specifying the proposed amount and the terms and conditions to be followed in implementing the project. When accepted by the applicant, this offer of incentive shall form the contractual agreement between the Province and the applicant.

8.2 Every contractual agreement between an applicant and the Province shall provide that:

- (a) The applicant shall utilize the assets for which an incentive has been given for a period of 24 months after the project completion date as determined by the Ministers;

- (b) in the event that the assets are sold, destroyed or otherwise disposed of, during this 24-month period, the applicant shall be required, at the option of the Province, to repay all or part of the incentive;
- (c) in the event that an applicant replaces or repairs all or part of a destroyed or damaged asset, within a reasonable period of time as specified by the Ministers and after having made repayment in accordance with paragraph 8.2(b) above, the Ministers may order the appropriate amount of the incentive to be reinstated;
- (d) all substantive amendments to the agreements referred to in subsection 8.1 shall be submitted to the Management Committee for their approval, and shall provide that should the applicant make a major change in the implementation of the project without prior approval of the Ministers, Canada and the Province reserve the right to modify their financial commitment to the project;
- (e) any member of the Management Committee or his representative shall be permitted to inspect any project and the records relating thereto at all reasonable times for the purpose of verifying progress claims and obtaining any other information concerning the project which may be required by the Ministers; and
- (f) if the applicant fails to meet its obligations under the agreement, the Ministers may adjust the incentive and may require repayment of any amounts already paid to the applicant thereon.

8.3 All announcements of incentives provided under this Agreement shall be made jointly by Canada and the Province.

8.4 The Province shall ensure that proper and accurate records relating to each project are maintained, and shall be responsible for auditing and certifying the costs of each project.

8.5 The Province shall forward to the Management Committee all reports relating to progress of work done under Schedule "A" of this Agreement, in such detail and at such times as may be required by the Management Committee.

8.6 The Province shall forward to the Management Committee all reports relating to studies and assessments undertaken under Schedule "A" of this Agreement as soon as they are received.

SECTION 9: PAYMENT PROCEDURES

9.1 Subject to subsection 5.1, payments by Canada shall be made promptly to the applicant or to the Province on the basis of the applicant's progress claims setting out the eligible costs incurred in a form and verified in a manner satisfactory to the Ministers. The Province hereby directs payments to be made by Canada to the applicant in all cases except where it is mutually agreed by Canada and the Province that payments should be made to the Province. When payments are made by Canada to the applicant, Canada shall provide to the Province an accurate accounting for such payments.

9.2 Where payments are made by Canada to the Province, Canada may assist with the interim financing of programs and projects, if the Province so requests, by making interim payments

to the Province of one hundred percent (100%) of Canada's share of claims submitted, based on estimates of costs actually incurred, and certified by a senior officer of the Province.

9.3 The Province shall account for each interim payment by submitting to Canada, within the quarter following such payment by Canada, a detailed statement of the actual costs incurred, paid, and verified in a manner satisfactory to the Federal Minister. Any discrepancy between the amount paid by Canada by way of interim payments and the amounts actually paid by the Province shall be promptly adjusted between Canada and the Province.

9.4 The Province agrees to administer the contractual agreements referred to in subsection 8.1 and to take such steps as may be necessary, including litigation, to recover from the applicant any amount paid to the applicant to which the applicant may not be entitled under a contractual agreement and any repayment of an incentive shall be distributed between Canada and the Province on the same percentage basis as the payment of incentive to the applicant.

SECTION 10: PUBLIC INFORMATION

10.1 Canada and the Province agree to cooperate in the development and implementation of a joint program of public information respecting implementation of projects under this Agreement, and further agree to supply, erect and maintain on the direction of the Management Committee:

- (a) During the course of construction of capital projects, a project sign or signs in both official languages, specifying that the relevant project is a Canada/Nova Scotia regional development project, financed by contributions from the Department of Regional Economic Expansion of the Government of Canada and the Government of the Province of Nova Scotia or such other wording to the like effect as may be agreed to by the Ministers; and
- (b) where relevant upon completion of each project, a permanent sign or plaque to the effect set forth in subsection 10.1(a).

10.2 Any public announcement of the measures covered and of the products generated by this Agreement, as well as any official opening ceremony for the projects under this Agreement, where such ceremony is indicated and appropriate, shall be arranged jointly by the Ministers.

SECTION 11: RECORDS AND AUDIT

11.1 Each of the parties hereto shall keep detailed and accurate accounts and records of its shareable expenditures in respect of the Agreement, and shall make such accounts and records available at all reasonable times for inspection and audit by the other party. Any discrepancy between the amounts paid by either party and the amounts actually payable by it, as disclosed by any such audit, shall be adjusted by means of subsequent progress claims.

SECTION 12: GENERAL

12.1 The provisions of the GDA shall apply to this Agreement.

12.2 No member of the House of Commons or of the Legislative Assembly of Nova Scotia shall be admitted to any share or part of any contract, agreement or commission made pursuant to this Agreement, or to any benefit to arise therefrom.

12.3 Any dispute between the parties hereto on any question of law or fact arising out of the Agreement shall be submitted to and determined by the Federal Court of Canada pursuant to the Federal Court Act of Canada.

12.4 Where one party hereto is responsible for the implementation of a cost-shared program or project, it shall indemnify and save harmless the other party, its officers, servants and agents, against all claims and demands of third parties in any way arising out of the implementation of such program or project, except as such claims or demands relate to the act or negligence of any officer, employee or agent of the other party.

SECTION 13: EVALUATION

13.1 Upon implementation of this Agreement, Canada and the Province shall commence a joint evaluation of the program of incentives identified in Schedule "A" in accordance with

Section 12 of the GDA and having regard to the purpose and objectives of both this Agreement and the GDA. The Management Committee will be responsible for ensuring that the information and procedures necessary to conduct the evaluation of this Agreement are developed within the initial phase of program implementation.

SECTION 14: AMENDMENTS

14.1 This Agreement, and Schedule "A" hereto, may be amended from time to time by the Ministers in writing. It is expressly understood and agreed, however, that any amendment to subsection 4.1 shall require the approval of the Governor in Council and the Lieutenant Governor in Council.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Minister of Regional Economic Expansion and the Minister of the Environment and on behalf of the Province by the Minister of Development and the Minister of Lands and Forests.

IN THE PRESENCE OF

GOVERNMENT OF CANADA

Witness

Minister of Regional
Economic Expansion

Witness

Minister of the
Environment

IN THE PRESENCE OF

GOVERNMENT OF THE PROVINCE
OF NOVA SCOTIA

Witness

Minister of Development

Witness

Minister of
Lands and Forests

CANADA/NOVA SCOTIA
PULP AND PAPER MODERNIZATION
SUBSIDIARY AGREEMENT
SCHEDULE "A" PART I

<u>Project Description</u>	<u>Estimated Total Cost (000's)</u>	<u>DREE Share (000's)</u>	<u>Provincial Share (000's)</u>	<u>Cost-Sharing Ratio (DREE/Province)</u>
1. (a) Mill Modernization Pollution Abatement and Energy Cost Reduction				
(b) Consulting and Professional Services				
(c) Public Information and Evaluation				
TOTALS	<u>\$21,250</u>	<u>\$17,000</u>	<u>\$4,250</u>	80:20

CANADA - NOVA SCOTIA PULP AND PAPER MODERNIZATION

SUBSIDIARY AGREEMENT

SCHEDULE "A" PART II

1. Purpose

This subsidiary agreement commits the governments of Canada and the Province of Nova Scotia to cost sharing a \$21.25 million program of financial incentives to accelerate private sector investment aimed at improving the viability, competitiveness, and environmental impact of the pulp and paper industry in Nova Scotia.

2. Background

The pulp and paper industry has traditionally made a significant contribution to Nova Scotia's economy. Ranked second in terms of the value added for leading manufacturing groupings, pulp and paper dominates a forest industry which directly employs approximately 8,000 people and contributes more to the Province's Gross Domestic Product than any other resource sector. Pulp and paper is also an important sector in the Province's exports, accounting for roughly 30 percent of the total value for export shipments.

The Nova Scotia industry is presently composed of five companies engaged in the manufacture of pulp, newsprint, paperboard, building paper and hardboard.

Prior to 1961, the pulp and paper sector was comprised of three companies operating one major, and two small facilities on mainland Nova Scotia; one of the smaller operations has since closed. Their combined wood requirements were approximately 23 million cubic feet annually or roughly 30 percent of the total harvest. In the Sixties, additional mill capacity came into existence and with further expansion in the Seventies, increased the total wood requirements to over 100 million cubic feet annually or approximately 75 percent of the total harvest. At present, the industry has a combined pulp, newsprint and paperboard capacity of 810,000 tons/year and hardboard capability of 320 million square feet on a 1/8" basis.

The mills are typically located in rural or small urban areas and often represent the major employer in the area. Consequently, their importance, in terms of regional and community input is significant. The existence of the mill communities, in most cases, depends upon maintaining the viability of the pulp and paper mills.

3. Project Details

(a) Mill Modernization, Pollution Abatement and Energy Cost Reduction

In an effort to assist Nova Scotia mills in maintaining their competitive position, and enable the mills to meet current pollution control requirements, the project has provision for incentive grants up to a maximum of 25 percent of the approved capital costs of mill modernization, pollution abatement and energy cost reduction projects.

As a matter of first priority, incentive grants will be contingent upon each mill having met, or having undertaken to meet, pollution control requirements as established by the federal and provincial Departments of Environment.

Mill modernization and energy cost reduction projects may take several forms, including: technological improvements in production processes aimed at reducing manufacturing costs or improving product quality; rationalization or specialization in product lines which are most cost competitive or marketable; changeover to product lines having higher value-added or better profit margins; and more efficient utilization of energy resources, in particular, to reduce overall operating costs and conserve energy. A basic prerequisite for incentive grants will be that the modernization project will make the mill viable for the longer term.

Incentive grants will serve both to reduce the capital costs which companies must bear in mounting mill modernization, pollution abatement and energy cost reduction projects, and to increase the return on investments to acceptable levels.

(b) Consulting and Professional Services

In evaluating applications for assistance under this agreement, outside consulting and professional services may be retained where necessary.

(c) Public Information and Evaluation

Public information will be undertaken in connection with incentive grants made to pulp and paper companies. In addition, the subsidiary agreement will be evaluated.

