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SUBSIDIARY AGREEMENT

SOCIÉTÉ INTER-PORT DE QUÉBEC

1981-1984

Canada — Québec

July 3, 1981



Gouvernement
du Canada

Expansion
Economique
Régionale

Government
of Canada

Regional
Economic
Expansion



Office de planification
et de développement
du Québec

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September 1981

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SUBSIDIARY AGREEMENT

on the

Société Inter-Port de Québec

1981-1984

AGREEMENT made this third day of July, 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 QUÉBEC,
hereinafter referred to as
"Québec", represented by the
Minister of Intergovernmental
Affairs and the Minister
responsible for the Québec
Planning and Development Bureau
OF THE SECOND PART.

WHEREAS Canada and Québec signed a General Development Agreement on the 15th day of March, 1974, to achieve the following objectives:

- a) to improve opportunities for productive employment and to consolidate employment in the traditional sectors;
- b) to improve the standard of living;
- c) to reinforce the industrial and urban structure of Québec and promote the optimal development of the various regions;
- d) to promote increased participation by Quebecers in their own development;
- e) to promote balanced development in Québec in relation to the various regions of Canada.

AND WHEREAS Canada and Québec have agreed to support efforts to stimulate the economic and industrial development of the metropolitan Québec area.

AND WHEREAS growth in the Québec City region is based largely on a system of port and port-cum-industry infrastructures.

AND WHEREAS the Government of Québec adopted in 1974 an act incorporating the Société Inter-Port de Québec, 60% of the share capital of which is held by the Government of Québec and 40% by the Government of Canada.

AND WHEREAS the duties of Inter-Port are a) to draw up plans and programs for establishing in the Québec City Special Area an industrial complex that will benefit from Québec City's port infrastructure and contribute to its development and b) to carry out the necessary work to implement such plans and programs and carry on industrial, commercial and other activities that will contribute to the growth of the industrial complex.

AND WHEREAS the Governor in Council, by Order in Council P.C. 1980-9/3497 of December 18, 1980, has authorized the Minister of Regional Economic Expansion to sign this Agreement on behalf of Canada.

AND WHEREAS the Lieutenant-Governor in Council, by Order in Council number 1837-80 of June 19, 1980, has authorized the Minister of Intergovernmental Affairs and the Minister responsible for the Québec Planning and Development Bureau to sign this Agreement on behalf of Québec.

NOW THEREFORE, the parties hereto mutually agree as follows:

Definitions

1. In this Agreement:

- a) "Schedule A" means the schedule containing the problems and objectives;
- b) "Schedule B" means the schedule containing the list of projects, the breakdown of costs and the schedule for completion of the projects;
- c) "Development Committee" means the committee established pursuant to subsection 9.1 of the General Agreement;
- d) "Management Committee" means the committee established pursuant to section 12 of this Agreement;
- e) "Termination date" means the date on which a project is completed, as determined by the Management Committee;
- f) "Deadline" means the last date for authorizing eligible work as specified in Schedule B;
- g) "Duration of this Agreement" means the period between the date this Agreement is signed and March 31, 1984;
- h) "Subsidiary Agreement" means an agreement made pursuant to section 6 of the General Agreement;
- i) "General Agreement" means the Agreement between Canada and Québec on the socio-economic development of Canada signed on the 15th day of March 1974;
- j) "Fiscal year" means the period commencing on April 1 of any year and terminating on March 31 of the immediately following year;
- k) "Act" means the act incorporating the Société Inter-Port de Québec;
- l) "Prime contractor" means the Société Inter-Port de Québec;
- m) "Department" means the Department of Regional Economic Expansion;

- n) "Québec Minister" means the Minister responsible for the Québec Planning and Development Bureau and includes anyone authorized to act on his behalf;
- o) "Federal Minister" means the Minister of Regional Economic Expansion and includes anyone authorized to act on his behalf;
- p) "Ministers" means the Federal Minister and the Québec Minister;
- q) "Bureau" means the Québec Planning and Development Bureau;
- r) "Inter-Port" means the Société Inter-Port de Québec.

Purpose

- 2. (1) The purpose of this Agreement is to establish the financial contribution to be made by Canada and Québec to Inter-Port's operations and the financial contribution to be made by Inter-Port to the acquisition and development of industrial land and the establishment of industrial projects.
- (2) Without limiting the generality of the foregoing, the purpose of this Agreement is to help Inter-Port to carry out the following mandate:
 - a) draw up plans and projects to stimulate the industrial development of the Québec City Special Area by carrying out industrial pre-selection and feasibility studies and preparing industrial promotion material;
 - b) make available to other interested parties in the region, and the industrial commissioners in particular, the industrial promotion material prepared by Inter-Port;
 - c) acquire and carry out the necessary work to develop industrial sites on both banks of the river and, if necessary, help municipalities to develop other industrial sites in the region;
 - d) promote industrial projects by focussing on those which form part of an industrial complex that is likely to derive benefit from the port infrastructure and co-ordinating its efforts in all other areas with industrial commissioners in the region;
 - e) engage directly in industrial or commercial activities in association with a company or private individual.
- 3. (1) Canada and Québec shall finance the projects listed in Schedule B to the extent and in the manner specified in the said Schedule.
- (2) Canada's contribution shall be no more than 60% of the eligible costs of each project and that of Québec shall be at least 40% of the eligible costs of each project.

4. (1) Eligible costs shall consist of:
 - a) Inter-Port's operating, advertising and research budget;
 - b) the funds to be used for financial participation in industrial expansion and/ or establishment projects;
 - c) the costs of acquiring industrial land;
 - d) the costs of a number of public infrastructures.
- (2) For the purpose of subsection 4(1), "public infrastructures" means water mains, sewers, roads, power, railways and any other facilities deemed necessary for implementing the projects listed in Schedule B to this Agreement.
5. (1) Inter-Port shall, with the approval of the Management Committee, acquire the lands or interests in lands necessary for its operations.
- (2) It is mutually agreed and understood that revenue from the sale of land that is suited to the purposes of this Agreement shall be credited to Inter-Port so that it may become financially independent.
- (3) It is mutually agreed and understood that, if land which has been acquired by Inter-Port is allocated to a use that is incompatible with the aims of this Agreement, Inter-Port shall, if requested to do so by either party, pay Canada and/ or Québec the estimated market value that is put on the land at the time of allocation, the said payment being based on the initial contribution made by each.
6. (1) Canada and Québec are mutually agreed on the desirability of including in Schedule B funds that will enable Inter-Port to be associated with certain industrial projects.
- (2) Inter-Port shall obtain the Management Committee's prior approval of the administrative procedures governing the use of this fund.
- (3) Before Inter-Port may enter into any commitment to be associated with an industrial project, the Management Committee shall ensure that the provisions of subsection 6(2) has been respected.
- (4) It is mutually agreed and understood that any revenue arising out of an association entered into by Inter-Port shall be credited to it so that it may have greater autonomy in carrying out its mandates.
7. Unless written approval is obtained from the Federal Minister following an official request from the Québec Minister, Canada shall not be responsible for any expenditures for work authorized after the deadline specified in Schedule B for the project concerned, nor shall Canada pay any claim that is not received within twelve (12) months of the date on which the project is completed.

8. (1) The costs to be financed by the Department and the Bureau in respect of the projects or portions thereof listed in Schedule B are all eligible costs which in the opinion of the Management Committee are reasonable and properly incurred for the operation of Inter-Port and the implementation of projects.
 - (2) a) For the projects of industrial site development, the eligible costs do not include costs of administration, research, surveying, engineering, architecture or works supervision.
 - b) To compensate for costs excluded by paragraph a) above, an amount equal to 10 per cent (10%) of the eligible costs will be added as indirect costs.
9. Notwithstanding any other provision of this Agreement, with the exception of section 18, the financial contribution of the Department shall be limited to \$5,550,000 and that of the Bureau to \$3,700,000, making \$9,250,000 the total amount to be spent on this Agreement.
10. This Agreement, including the Schedules, may be amended with the written consent of the Ministers, except for subsection 3(2) and section 9, which may be amended only with the approval of the Governor in Council and of the Lieutenant-Governor in Council.
11. Unless written approval is obtained from the Federal Minister following an official request from the Québec Minister, expenditures incurred prior to the date of this Agreement are deemed not to be within its terms.

Management

12. (1) The supervision of the Agreement is entrusted to the Development Committee whose composition and duties are described in subsections 9.1 and 9.2 of the General Agreement.
 - (2) The routine management of the projects under this Agreement shall be ensured by a Management Committee comprising an equal number of representatives of Canada and of Québec. The representatives of the Department and the Bureau shall act as joint chairmen.
 - (3) The Management Committee is responsible to the Development Committee and its specific tasks are:
 - a) to recommend projects to the Development Committee in light of the objectives stated in this Agreement;
 - b) to see to the implementation by the prime contractor of the projects provided for in Schedule B;
 - c) to suggest amendments to be made to this Agreement, including Schedules A and B, subject to sections 9 and 10 of this Agreement;
 - d) to establish, if necessary, such subcommittees as may be required for the execution of its mandate;

- e) to provide information to the communities and agencies affected by this Agreement.
- (4) Canada and Québec agree to provide the Management Committee, through their respective representatives, with all information necessary for the performance of its functions.
- (5) Any inclusion or modification of a project in Schedule B must be submitted formally by the Department of Industry, Commerce and Tourism to the Management Committee.

Implementation Procedures

- 13. The implementation of the projects under this Agreement is subject to the following provisions:
 - (1) The final plans and specifications, the form of invitation to tender and the form of contract shall be approved by Québec and submitted for the Management Committee's approval before the call to tender or the commencement of government-sponsored construction.
 - (2) Subject to subsection 13(1), all construction and purchase contracts shall be let pursuant to tenders invited by public advertisement and shall be awarded to the responsible tenderer who submits the lowest evaluated bid; the Management Committee may, however, decide otherwise.
 - (3) Any major amendment to a construction or purchase contract shall require the approval of the Management Committee.
 - (4) Any member of the Management Committee or his representative shall be permitted to inspect the project for the purpose of verifying progress claims and obtaining any other information concerning the project.
- 14. Inter-Port shall undertake the projects listed in Schedule B of this Agreement, take over each project on completion and accept full responsibility for its operation, maintenance and repair.

Records and audit and payment procedures

- 15. (1) Subject to section 16, payments by Canada shall be made to Québec promptly and according to the proportions agreed upon in subsection 3(2) for eligible costs actually incurred in respect of a project included in Schedule B upon submission by Québec of a claim authenticated by the Chairman of the Bureau or his mandatary.
- (2) Canada may, however, at the request of the Bureau and upon the recommendation of the Management Committee, make interim progress payments during the implementation of a given project corresponding to 90% of its share of the expenditures incurred for the said project. These expenses shall be evaluated and certified by a senior officer of Québec.

- (3) Québec shall maintain an accounting of such interim payments and shall submit to Canada, within 120 days of an interim payment, an itemized statement of expenditures in the manner and form mutually agreed upon and to the satisfaction of the Federal Minister. Any discrepancy between the interim progress payments and the amounts actually payable by the department shall be promptly adjusted between Canada and Québec.
16. All payments made to Québec by Canada pursuant to section 15 of this Agreement shall be paid through the Bureau to the Consolidated Fund of Québec.
17. Québec shall ensure that accurate accounts and records relating to each project are maintained by the Province and undertakes to provide Canada, upon request, with all accounts and records necessary for the auditing of claims relating to each of the projects undertaken under this Agreement.
18. The contribution of Canada and of Québec for each fiscal year is, for the purposes of this Agreement, conditional on funds being made available by the Parliament of Canada and by the Québec National Assembly.

Evaluation

19. In accordance with the provisions of subsection 6.5 of the General Agreement, Canada and Québec agree to make, during the term of this Agreement, a joint evaluation, in the light of objectives, of the action taken.

Provisions on Inter-Port

20. The Board of Directors of Inter-Port shall have thirteen (13) members who shall act as the directors of Inter-Port within the meaning of the Companies Act. The Québec Minister, after consultation with the Federal Minister, appoints the members of the Board and selects the chairman from among the Board members. The Director-General of Inter-Port shall be named by the Québec Minister after consultation with the Federal Minister.

General provisions

21. Canada and Québec agree that:
- (1) All documents inviting tenders and public advertisements related to projects under this Agreement must specify the following: "This development project is financed by the Department of Regional Economic Expansion and by the Québec Planning and Development Bureau and implemented by Inter-Port" or such other wording to the like effect as may be agreed to by the Ministers.

- (2) Canada shall supply, erect and maintain during the course of construction of each project a sign or signs specifying that the relevant project is a development project undertaken under this Agreement, or other such wording to the like effect, as set forth in subsection 21(1).
 - (3) Canada reserves the right to supply and erect upon completion of the project, where possible, a permanent sign or plaque bearing an inscription to the effect set forth in subsection 21(1).
 - (4) The official opening ceremonies for the projects listed in Schedule B shall be arranged jointly by the Ministers.
- 22.** No member of the House of Commons or of the Québec National Assembly shall be admitted to any share or part of any contract, agreement, commission or benefit relating to or arising out of this Subsidiary Agreement.
 - 23.** The party responsible for implementing a project shall indemnify and save harmless the other party, its officers and agents against all claims and demands of third parties in any way arising out of the implementation of the said project.
 - 24.** All construction work done during the implementation of the projects under this Agreement shall be subject to and carried out in accordance with labour conditions agreed to by Canada and Québec.
 - 25.** All contracts relating to the implementation of the projects shall be awarded without discrimination by reason of sex, age, marital status, race, ethnic origin, religion or political affiliation. It is agreed, however, that the foregoing shall not prevent the implementation of special measures designed to benefit native people and other disadvantaged groups residing in a region where a project is carried out.
 - 26.** Canadian material, as well as Canadian professional services, shall be used in respect of all projects to the extent to which they are available and consistent with proper economy and the expeditious performance of these programs and projects.
 - 27.** Canada and Québec agree that Canadian and Québec requirements as regards the environment shall be complied with at all times during work carried out under the terms of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed on behalf of Canada by the honourable Pierre De Bané, Minister of Regional Economic Expansion and on behalf of Québec by René Lévesque, premier and Minister responsible for the Québec planning and Development Bureau and Claude Morin, Minister of Intergovernmental Affairs on the above mentioned day and year.

IN THE PRESENCE OF

SIGNED ON BEHALF OF CANADA

Witness

Pierre De Bané
Minister of Regional
Economic Expansion

IN THE PRESENCE OF

SIGNED ON BEHALF OF QUÉBEC

Witness

René Lévesque
Minister responsible for the
Québec Planning and Development
Bureau

Witness

Claude Morin
Minister of Intergovernmental
Affairs of Québec

SCHEDULE A

Problems and objectives

Nature of the Agreement

The Agreement concerns a program for providing Inter-Port with financial assistance with a view to contributing to the economic development of metropolitan Québec City. The Agreement will pay Inter-Port's administrative, research and publicity expenses and also enable it to defray the costs of acquiring industrial land, setting up the necessary infrastructure and making a financial contribution to industrial projects.

Economic situation of metropolitan Québec

Lying on both sides of the St. Lawrence at a distance of 220 km from Montréal, metropolitan Québec is located at the north-east end of the Windsor-Québec corridor, where most of Canada's economic activity and population is concentrated. There were 542,158 people living in the metropolitan Québec region in 1976. Between 1971 and 1976, its population rose by 8.1 per cent, compared with 3.4 per cent for the province and 6.6 per cent for the country as a whole. The main reason for this increase in the metropolitan Québec population since the early 1970s is the growth of the public and para-public sectors.

In 1976, the primary sector of the economy accounted for 1 per cent of employment in the Québec metropolitan region, the secondary (manufacturing and construction) for 21.3 per cent and the tertiary for 77.7 per cent. The manufacturing sector, which provides only 13.7 per cent of the jobs, is diversified but not very dynamic. In the period 1961-1977, Québec had the smallest increase in manufacturing employment of all the metropolitan regions in Canada. Moreover, in 1978, the region attracted only 2 per cent of all manufacturing investments in the province. Traditional sectors such as food and beverages, paper, printing, leather, clothing and transportation equipment provided most of the manufacturing jobs in the region. As regards the transportation equipment sector, attention should be drawn to the fact that the Lauzon shipyard, in spite of its size, experiences periodic difficulties and this affects the level of manufacturing activity in the region.

Growth in the provincial capital's economy depends mainly of the tertiary sector (business and personal services and public administration). These two subsectors employ more than half of the labour force in the region. In the last few years, large sums have been spent on infrastructure, office buildings, shopping centres, hotels, restaurants and tourism in an attempt to stimulate the development of these parts of the tertiary sector which is such a driving force in the economy. However, since about 1977, there has been a slowdown in the expansion of the public service in the region and even some moves toward decentralizing parts of it.

To summarize, the economic prospects for the metropolitan Québec region are somewhat disquieting in view of the stabilization of employment in the provincial public service and, in particular, the current low level of manufacturing investment. However, Québec does possess some assets which might help its economic recovery to some extent. The port of Québec, which is open all year-round and can take ships of more than 100,000 tons, is not without importance as a factor in regional development. The existing electrical power distribution network and the natural gas which will be available shortly will provide the energy to promote the expansion of companies in the region or to attract new ones.

Inter-Port and the possibilities for development

The creation of Inter-Port demonstrated the desire of the moving forces in the community to provide the region with a more dynamic and diversified industrial structure. It was also an indication that there is a growing awareness of the importance of the port of Québec as a factor in attracting industries to the area and that there is a need for greater co-ordination at the metropolitan Québec level of efforts to bring about industrial development. The act incorporating Inter-Port, 60 per cent of the share capital of which is held by the Québec Department of Industry and Commerce and 40 per cent by the federal Department of Regional Economic Expansion, was adopted in December 1974 in an atmosphere of optimism.

The first phase of activities got under way in July 1976. From its beginnings, Inter-Port explored the concept of an industrial complex and, in particular, attempted to identify those industrial sectors that were likely to set up in the Québec region. It has been shown from existing studies and research carried out on Inter-Port's behalf that, as far as industrial complexes are concerned, there are opportunities for metropolitan Québec in the naval, food and agriculture, energy, wood products, chemical and scientific sectors.

More specifically, Inter-Port will look into the possibilities of setting up industrial complexes for electrochemicals (aluminum works), electro-metallurgy (mini-steel plant, ferro-silicon plant) and also natural gas, if a liquefaction plant is built at Pointe-de-la-Martinière in Lauzon.

Inter-Port's most important mandate is still the establishment of an industrial complex in the metropolitan Québec region which will benefit from the Port of Québec's infrastructure and contribute to its development. Inter-Port has also been given a mandate to:

- draw up plans and projects with a view to stimulating the industrial development of metropolitan Québec by carrying out industrial preselection and feasibility studies and preparing industrial promotion material;
- make available to other interested parties in the region, and the industrial commissioners in particular, the industrial promotion material prepared by it;
- acquire and carry out the necessary work to develop industrial sites on both banks of the river and, if necessary, help municipalities to develop other industrial sites in the region;
- promote industrial projects by focussing on those which form part of an industrial complex that is likely to derive benefit from the port infrastructure and co-ordinating its efforts in all other areas with industrial commissioners in the regions;
- engage directly in industrial or commercial activities in association with a company or private individual.

Objectives and facets of the Agreement

This Agreement has two general aims:

A. To diversify and strengthen the economic structure of the metropolitan Québec area

The establishment and expansion of manufacturing companies and the development of new port activities are ways of strengthening the economic structure of metropolitan Québec, which is the second largest urban centre in the province. The Agreement will encourage the private sector to make new investments of the kind that will have a major impact on the region's economy, and support it in its efforts to do so.

B. To improve opportunities for permanent employment

In the present economic climate, it is essential to create permanent jobs. The development of new port and industrial activities would help to consolidate existing employment and open up new opportunities for workers in the region.

The Agreement has three facets:

A. Inter-Port management

This facet will make it possible to defray Inter-Port's operating costs and to carry out some publicity projects. A number of studies directly related to industrial projects (market and feasibility studies) may also be carried out.

B. Acquisition and development of industrial land

As a first step, Inter-Port wants to acquire 312 acres of land at Pointe-de-la Martinière in Lauzon. The site is in a strategic location and has certain advantages, particularly a water depth of between 15 and 20 metres, a high voltage (735 K V) transmission line, two railroads and the Trans-Canada Highway in the vicinity, and ground that is, on the whole, flat and of good bearing capacity. In addition, the land selected may make it possible to concentrate port infrastructure in one area, which would mean a considerable reduction in marine traffic in the sector. It should be emphasized that when Inter-Port acquires this land, it will have a clearly defined purpose and will not compete with other industrial parks in the metropolitan Québec region. On the contrary, it could have a multiplier effect on their economic development. As for environmental considerations, studies have shown that the Lauzon site does not constitute a major detriment to the local ecology and there is little risk that the infrastructure for heavy industry will destroy the relationship between people and animals, and their natural environment.

Moreover, the industrial park will be developed for specific purposes. The host infrastructure for companies may include water supply, drains and sewage facilities, streets and access roads and other related services. The Agreement will make a financial contribution to the work of developing the park so as to meet needs that exist now, not ones that may arise sometime in the future. As a complement to the provisions in the Subsidiary Agreement on Industrial Infrastructure, Inter-Port may also, if necessary, help to set up the services needed by companies locating in the metropolitan Québec region.

C. Financial participation in industrial projects

Last, this Agreement will provide Inter-Port with a fund to enable it to make a contribution, in the form of share capital, to the establishment of certain industrial operations. This contribution will be based on a number of criteria, one of which is the multiplier effect that the establishment of such operations will have on other economic activities that are of benefit to the region.

In conclusion, this Agreement will enable Inter-Port to promote the coordination of the main agencies involved in the economic development of metropolitan Québec as a whole. Moreover, Inter-Port will attempt to become more financially independent by the time the Agreement expires in March 1984.

SCHEDULE B

Summary table

(in \$ '000)

PROJECT DESCRIPTION	TOTAL ESTIMATED COSTS	BREAKDOWN OF COSTS	
		DREE 60%	QUÉBEC 40%
INTER-PORT MANAGEMENT			
— Administrative costs	\$1,300	\$ 780	\$ 520
— Research	350	210	140
— Publicity	250	150	100
ACQUISITION AND DEVELOPMENT OF INDUSTRIAL LAND			
— Acquisition of "Pointe-de-la-Martinière"	3,200	1,920	1,280
— Development of industrial sites	1,500*	900	600
FINANCIAL PARTICIPATION IN INDUSTRIAL PROJECTS	1,500	900	600
TOTAL	8,100	4,860	3,240
RESERVE	1,150	690	460
GRAND TOTAL	9,250	5,550	3,700

*Including 10% indirect costs

APPROVED BY THE DEVELOPMENT COMMITTEE OF
THE CANADA/QUÉBEC GENERAL AGREEMENT

FOR CANADA _____ DATE July 3, 1981

Pierre De Bané
Minister of Regional
Economic Expansion

FOR QUÉBEC _____ DATE July 3, 1981

René Lévesque
Minister responsible
for the Québec Planning
and Development Bureau

