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Subsidiary
Agreement



Regional
Economic
Expansion

Expansion
Économique
Régionale

ACCESS TO FOREST
RESOURCES

CANADA/ QUEBEC



MARCH 26, 1975

subsidiary agreement

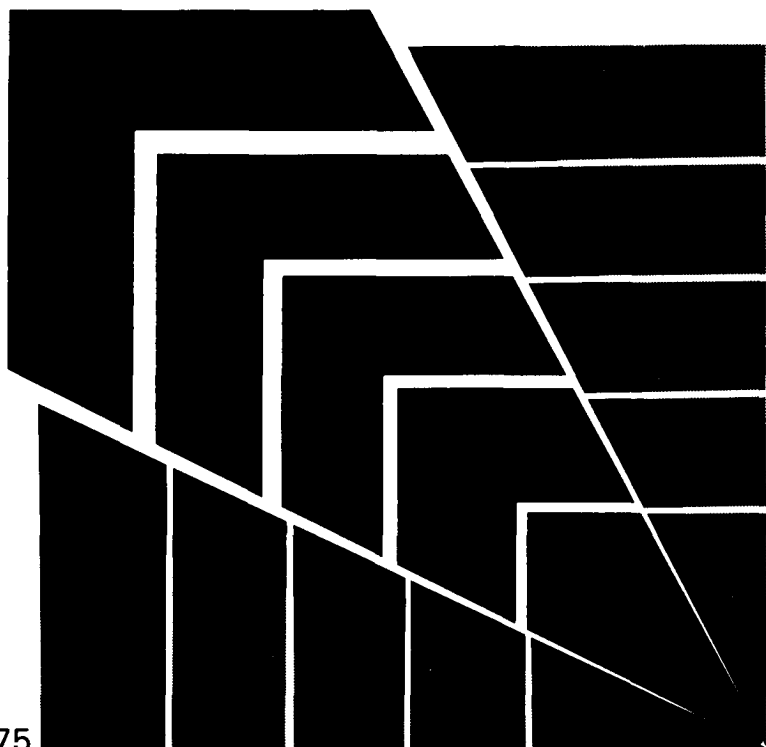


Regional
Economic
Expansion

Expansion
Économique
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ACCESS TO FOREST RESOURCES

CANADA/ QUEBEC



MARCH 26, 1975

CANADA-QUEBEC SUBSIDIARY AGREEMENT
ON ACCESS TO FOREST RESOURCES
1974 - 1978

THIS AGREEMENT made this 26th day of March, 1975

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 QUEBEC (hereinafter referred to as "Quebec"), represented by the Minister of Intergovernmental Affairs and Minister responsible for the Quebec Planning and Development Bureau

OF THE SECOND PART.

WHEREAS Canada and Quebec 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 Quebec and promote the optimal development of the various regions;
- (d) to promote increased participation by Quebecers in their own development; and
- (e) to promote balanced development in Quebec in relation to the various regions of Canada.

AND WHEREAS the development of the forest industry can contribute to the realization of these objectives;

AND WHEREAS a large proportion of Quebec's forest industries depend on the northern forest area for their supply;

AND WHEREAS most of this northern forest area is at present inaccessible;

AND WHEREAS it would be advisable to construct road links to provide access to this resource;

AND WHEREAS the Governor in Council by Order in Council P.C. 1975-6/640 of the 25th day of March, 1975, 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 No. 1165-75 of the 21st day of March, 1975, has authorized the Minister responsible for the Quebec Planning and Development Bureau to sign this Agreement on behalf of Quebec;

NOW THEREFORE the parties hereto mutually agree as follows:

DEFINITIONS

1. In this Agreement:

- (a) "General Agreement" means the Agreement made between Canada and Quebec on the socioeconomic development of Quebec, signed on the 15th day of March, 1974;
- (b) "Federal Minister" means the Minister of Regional Economic Expansion and includes anyone authorized to act on his behalf;
- (c) "Quebec Minister" means the Minister responsible for the Quebec Planning and Development Bureau and includes anyone authorized to act on his behalf;
- (d) "Ministers" means the Federal Minister and the Quebec Minister;
- (e) "Department" means the Department of Regional Economic Expansion;
- (f) "Bureau" means the Quebec Planning and Development Bureau;
- (g) "Development Committee" means the Committee established pursuant to subsection 9.1 of the General Agreement;
- (h) "Management Committee" means the Committee established pursuant to subsection 10(2) of this Agreement;

- (i) "fiscal year" means the period commencing on April 1 of any year and terminating on March 31 of the immediately following year;
- (j) "term of this Agreement" means the period from the date of this Agreement until March 31, 1978;
- (k) "deadline" means the last date for authorizing eligible work as specified in Schedule "B";
- (l) "termination date" means the date on which a project is completed, as determined by the Management Committee;
- (m) "Subsidiary Agreement" means an Agreement made pursuant to section 6 of the General Agreement;
- (n) "Schedule "A" means the Schedule containing the problems and objectives;
- (o) "Schedule "B" means the Schedule containing the list, the distribution of costs and the Schedule for completion of the project;
- (p) "prime contractor" means Quebec or its agents; and
- (q) "agent of Quebec" means a Quebec Crown corporation.

SUBJECT MATTER

- 2. The subject matter of this Agreement is the establishment of a network of access roads to the unexploited forests in certain regions of Quebec.
- 3.
 - (1) Quebec shall undertake, either directly or through agents of the Province, the projects listed in Schedule "B" of this Agreement.
 - (2) Quebec shall take over each project on completion and shall accept full responsibility for its operation, maintenance and repair.
 - (3) Quebec or the agent concerned, as the case may be, shall acquire all lands and interests in lands that are required for the projects listed in Schedule "B".
- 4.
 - (1) Canada and Quebec 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 sixty per cent (60%) of the allowable costs of each project and that of Quebec shall be forty per cent (40%) of the allowable costs of each project.
project.
5. Unless written approval is obtained from the Federal Minister following an official request from the Quebec 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 months of the date on which the project is completed.
6. (1) Subject to subsection (2) of this section, the cost to be financed by the Department and the Bureau in respect of the projects or portions thereof listed in Schedule "B" are:
 - (a) all direct costs which in the opinion of the Management Committee are reasonably and properly incurred for the construction of the project by the prime contractor, with the exception of administration, research, survey, engineering, architecture and construction supervision costs; and
 - (b) as compensation for the costs excluded under paragraph (a) above, an amount equal to ten per cent (10%) of the direct costs referred to in paragraph (a) above.
- (2) The costs relating to the acquisition of lands and interests in lands shall be assumed by Quebec and are not chargeable to the shared costs.
7. Notwithstanding any other provision of this Agreement, with the exception of section 15, the Department's financial contribution shall be limited to \$14 520 000 and that of the Bureau shall be limited to \$9 680 000, making \$24 200 000 the total amount to be spent under this Agreement.
8. This Agreement, including the Schedules, may be amended with the agreement of the Ministers expressed in writing, except for section 7 which may be amended only with the approval of the Governor in Council and of the Lieutenant Governor in Council.
9. Eligible expenditures incurred prior to the date of this Agreement, including those relating to contracts awarded and purchases made, may be accepted as complying with the terms of this Agreement if they are approved in writing by the Federal Minister following an official request by the Quebec Minister. However, no expenditure incurred prior to April 1, 1974, shall be deemed eligible.

ADMINISTRATION

10. (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 administration of the projects under this Agreement shall be ensured by a Management Committee comprising an equal number of representatives of Canada and of Quebec.
- (3) The Management Committee is responsible to the Development Committee, and its specific tasks are:
 - (a) to recommend projects in light of the objectives stated in this Agreement;
 - (b) to see to the implementation 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 7 and 8 of this Agreement;
 - (d) to establish, if necessary, such subcommittees as may be required for the execution of its mandate; and
 - (e) to provide information to the communities and agencies affected by this Agreement.
- (4) Canada and Quebec agree to provide the Management Committee, through their respective representatives, with all information necessary for the performance of its functions.
- (5) A request to include or modify a project must be submitted formally by the prime contractor to the Management Committee.

IMPLEMENTATION PROCEDURES

11. The implementation of the projects under this Agreement is subject to the application of the following provisions:
 - (a) the final plans and specifications, the form of invitation to tender and the form of contract shall be approved by Quebec and submitted to the Management Committee which, after examination, will authorize the call to tender or the commencement of government-sponsored construction;
 - (b) 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, agree otherwise;

- (c) any major amendments to a construction or purchase contract shall require the approval of the Management Committee; and
- (d) the Management Committee shall be permitted, at the request of one of its members, or at least quarterly, to inspect the project for the purpose of verifying progress claims and obtaining any other information concerning the project.

RECORDS AND AUDIT AND PAYMENT PROCEDURES

- 12. (1) Subject to section 13, payments by Canada shall be made to Quebec, promptly and according to the proportions agreed upon in subsection 4(2) of this Agreement, for eligible costs actually incurred and paid in respect of a project, augmented by ten per cent (10%) as provided in paragraph 6(1)(b) of this Agreement, upon submission by Quebec, in the form and manner upon, of a claim authenticated by the Chairman/Director-General 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 its share of the expenditures incurred for the said project, augmented by ten per cent (10%) as provided in paragraph 6(1)(b) of this Agreement. These expenditures shall be evaluated and certified by a senior officer of Quebec.
 - (3) Quebec shall maintain an accounting of such interim payments and shall submit to Canada, within one hundred and twenty (120) days of an interim payment, an itemized statement of the expenditures in such manner and form as mutually agreed upon. Any discrepancy between the amounts paid by Canada by way of interim progress payments and the amounts actually payable by the Department shall be promptly adjusted between Canada and Quebec.
- 13. All payments made to Quebec by Canada pursuant to section 12 shall be paid through the Bureau to the consolidated fund of Quebec.
 - 14. Quebec 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.
 - 15. The contribution of Canada and of Quebec 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 Quebec National Assembly.

EVALUATION

16. In accordance with the provisions of subsection 6.5 of the General Agreement, the impact of each of the projects listed in Schedule "B" shall be evaluated, according to the criteria established by the Development Committee, in the year following the signing of this Agreement.

GENERAL

17. (1) All documents inviting tenders related to the projects under this Agreement must specify the following: "This development project is financed by the Department of Regional Economic Expansion of Canada and by the Quebec Planning and Development Bureau and implemented by the Department of Lands and Forests" 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 may be agreed to by the Ministers.
 - (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 17(2).
 - (4) The official opening ceremonies for the projects listed in Schedule "B" shall be arranged jointly by the Ministers.
18. No member of the House of Commons or of the Quebec National Assembly shall be admitted to any share or part of any contract, agreement, commission or benefit relating to or arising out of any subsidiary agreement.
19. The party responsible for the implementation of 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 such project.
20. 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 Quebec.

21. 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.
22. 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 or projects.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Honourable Don C. Jamieson, Minister of Regional Economic Expansion, and on behalf of Quebec by the Honourable Gérard D. Lévesque, Minister of Intergovernmental Affairs and Minister responsible for the Quebec Planning and Development Bureau, on the above-mentioned day and year.

IN THE PRESENCE OF:

GOVERNMENT OF CANADA

Witness

Minister of
Regional Economic Expansion

GOVERNMENT OF THE PROVINCE OF
QUEBEC

Witness

Minister of
Intergovernmental Affairs

1974-1978 SUBSIDIARY AGREEMENT
ON ACCESS TO FOREST RESOURCES

SCHEDULE "A"

PROBLEMS AND OBJECTIVES

INTRODUCTION

The purpose of this Schedule is to describe briefly the problems and objectives which set the terms of this Subsidiary Agreement between the Government of Canada and that of Quebec.

PROBLEMS

Quebec's potential forest yield, under the present system of forest management, is now around 16 million cunits annually, while the total harvest of rough timber for 1973 was 10 million cunits, or 62 per cent of this potential.

It is expected that by the year 2000 the utilization of the forest resource will be 18 million cunits, and that zoning measures favouring utilization of the forest for purposes other than the harvest of growing stock will reduce this potential. By that time, therefore, a way will have to be found to cover a deficit of 2 million cunits.

This deficit is the major problem facing the forest sector.

Historically speaking, the southern Quebec forest regions, those in the Eastern Townships, the Outaouais, the Mauricie, Quebec City, Montreal, the Gaspé and the Lower St. Lawrence were the first to be developed; the network of access roads in those areas is therefore relatively well developed now, and the forests, for all practical purposes, have been exploited in proportion to their potential. In recent years the forest industries in these regions have had to depend on outside sources of supply in order to expand.

However, the northern regions - Saguenay-Lac St-Jean, the North West and the North Shore - whose resources were utilized to a lesser extent in the past, are now experiencing considerable expansion of their forest industry, particularly their lumber industry. The road network is therefore in an early stage of development, which explains why only a very small part of these territories is accessible at the present time. The current trend shows that a large percentage of the wood felled in these areas is initially processed by the lumber industry and that the residues (shavings, sawdust, chips) are sent to the regional pulp and paper mills to make up the deficit in the more southern regions.

In this situation, therefore, it seems essential to provide access to these northern Quebec territories which contain the better part of 6 million cunits of potential forest harvest that have not yet been exploited.

Thus, in order to promote the supply, profitability and expansion of existing mills and to build new complexes without causing a serious shortage in the undersupplied regions, it has become a vital necessity to construct a network of high-quality forest roads that will:

- give access to the immense forest areas that have so far not been exploited;
- facilitate optimal utilization of all species and facilitate the integration of cutting activities;
- permit economies of scale in transportation through the use of bigger and faster equipment capable of carrying heavier loads, and through the decrease in the cost of repairs and the risk of accidents;
- make possible a reduction in mill inventory costs by lengthening the transportation period to 11 months of the year;
- make it possible for mill owners to balance operating costs. To avoid having the cutting areas near the mills for only the first few years, after which they would be farther and farther away, the volumes will be divided between the nearby and distant sectors so as to obtain an acceptable average operating cost in both the short-term and the long-term. When conditions are favourable the mill owner will have to obtain most of his wood supplies from the areas farthest from the mill, whereas during a less favourable period the supply will be taken from the closer areas, at a lower cost.
- lastly, make it possible to reduce the prime cost of converted products and maintain the competitive position of Quebec's wood industry.

OBJECTIVES

The purpose of this Subsidiary Agreement is to enable Quebec to improve its forest-road network, by financing the construction of key forest-road links mainly in the Crown forests of the Saguenay-Lac St-Jean, North Shore and North West regions of Quebec.

This Agreement will promote optimal exploitation of forest resources, will eliminate the danger of shortages of wood in the short and medium-terms, and will provide opportunities for the expansion of existing mills. This Subsidiary Agreement fits in perfectly with the development strategy outlined in Schedule "A" of the General Agreement, since optimal exploitation of the forest resource will enable the regions with an oversupply to better realize their development potential, to consolidate and create employment in the forests, in the sawmills and in the pulp and paper mills, and will enable Quebeckers, who control 85 per cent of the lumber industry, to participate more fully in their own development.

IMPACT

A network of good forest roads will have a direct impact on wood production and consequently on employment in the forests and in the sawmills and pulp and paper mills.

This Agreement will therefore create a short-term potential forest yield of approximately 4 million cunits of wood per year, and will guarantee supplies of wood for industrial complexes employing some 15 thousand forestry and mill workers. Moreover, the residue from lumbering operations will supply the regional pulp and paper mills as well as those in the undersupplied regions. In this connection, the annual production of oven-dried chips will be approximately 2 million tons, ensuring over two thousand jobs in the pulp and paper mills.

CANADA-QUEBEC SUBSIDIARY AGREEMENT
ON ACCESS TO FOREST RESOURCES
1974 - 1978

SCHEDULE "B"

1974 - 78 PROGRAM
(in thousands of dollars)

REGIONS	PROJECTS	1974-75	I	C	B	1975-76	I	C	B	1976-77	I	C	B	1977-78	I	C	B	TOTAL
Saguenay	L-209 Chapais	-	-	-	-	400.0	-	10	-	460.0	-	10	-	515.0	-	10	-	1 375.0
Lac	L-200 Ste-Marguerite	200.0	4	1	-	400.0	10	-	-	460.0	12	-	-	485.0	8	-	-	1 545.0
St-Jean	L-208 Lacs Frotet & Waconichi Lake	100.0	2	1	-	340.0	6	7	-	337.0	3	5	-	362.0	3	5	-	1 139.0
(2)	L-201 Bras Nord	-	-	-	-	120.0	4	-	-	215.0	14	-	-	245.0	8	-	-	580.0
	L-203 Lac Bourgat	500.0	-	-	-	13	-	-	-	-	-	-	-	-	-	-	-	500.0
	Lac Margome	-	-	-	-	120.0	-	3	-	220.0	-	5	-	258.0	-	5	-	598.0
	Road signs	-	-	-	-	35.0	-	-	-	20.0	-	-	-	20.0	-	-	-	75.0
		890.0	6	15	-	1 415.0	20	20	-	1 712.0	29	20	-	1 885.0	19	20	-	5 812.0
North West	N-800 Quevillon-Matagami	-	-	-	-	400.0	-	3	1	150.0	-	2	-	780.0	-	8	1	1 330.0
(08)	N-801 Fonteneau Township	-	-	-	-	100.0	-	2	-	375.0	-	4	1	150.0	-	2	-	625.0
	N-805 Canica Island	800.0	4	10	-	-	-	-	-	-	-	-	-	-	-	-	-	800.0
	N-808 Lac Valets	-	-	-	-	-	-	-	-	320.0	8	-	-	570.0	6	6	-	890.0
	N-809 Mazarin Township	-	-	-	-	240.0	-	4	-	110.0	-	2	-	120.0	-	2	-	470.0
	N-810 Villebois Township	-	-	-	-	-	-	-	-	400.0	-	7	-	400.0	-	6	-	800.0
	N-811 Bourque Township	-	-	-	-	-	-	-	-	145.0	-	2	-	-	-	-	-	145.0
	N-813 Lanoue Township	-	-	-	-	-	-	-	-	-	-	-	-	270.0	-	5	-	270.0
	N-816 Val d'Or - Laforce	700.0	12	8	1	650.0	-	17	-	200.0	-	3	-	-	-	-	-	1 550.0
	Lac Alfred - Rapide Sept	-	-	-	-	350.0	12	-	-	100.0	-	-	-	-	-	-	-	450.0
	Lac Alfred - Temiscamingue	-	-	-	-	-	-	-	-	300.0	25	12	-	1 600.0	15	16	-	2 900.0
	Waswanipi Lake	-	-	-	-	-	-	-	-	500.0	-	10	-	300.0	-	6	-	800.0
	Lac Kokomis	-	-	-	-	-	-	-	-	-	-	-	-	350.0	-	5	-	350.0
	Caire Township	-	-	-	-	30.0	-	-	-	850.0	7	14	-	400.0	7	4	-	1 250.0
	Road signs	-	-	-	-	-	-	-	-	18.0	-	-	-	25.0	-	-	-	73.0
		1 500.0	16	18	1	1 770.0	12	26	1	4 468.0	40	56	1	4 965.0	28	60	1	12 703.0
North Shore	C-900 Sacré-Coeur	175.0	-	2	1	200.0	-	2	-	280.0	12	2	-	170.0	-	2	-	825.0
(09)	C-901 F.D. Outardes	430.0	-	4	-	510.0	6	-	-	800.0	10	6	-	450.0	-	5	-	2 190.0
	C-902 Rivière-au-Tonnerre	50.0	6	-	-	50.0	-	1	-	100.0	-	2	-	50.0	-	1	-	250.0
	C-903 Rivière-St-Jean	15.0	-	1	-	100.0	-	2	-	50.0	-	1	-	50.0	-	1	-	215.0
	C-904 Natashouan	30.0	4	-	-	245.0	12	1	-	50.0	-	1	-	170.0	-	2	-	435.0
	Quebec North Shore	-	-	-	-	-	-	-	-	425.0	-	5	-	450.0	-	5	-	875.0
	Labrieville	-	-	-	-	-	-	-	-	-	-	-	-	860.0	-	3	1	860.0
	Road signs	-	-	-	-	10.0	-	-	-	15.0	-	-	-	10.0	-	-	-	35.0
		700.0	10	7	1	1 115.0	18	6	-	1 720.0	22	17	-	2 150.0	-	19	1	5 685.0
	TOTAL NORTHERN REGIONS:	3 000.0	32	40	2	4 300.0	50	52	1	7 900.0	91	93	1	9 000.0	47	99	2	24 200.0

I = miles of improvement

C = miles of construction

B = principal bridge

DISTRIBUTION OF COSTS
(in thousands of dollars)

ESTIMATED
COST OF
PROGRAM
24 200*

CANADA
DREE
14 520

QUEBEC
9 680

*Includes 10 per cent of indirect costs and a reserve of 15 per cent.

Approved by the Development Committee

FOR CANADA

FOR QUEBEC

Minister of Regional
Economic Expansion

Date

Minister of Intergovernmental
Affairs and Minister responsible
for the Quebec Planning and
Development Bureau

Date

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