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CANADA QUÉBEC

Canada-Québec
Subsidiary Agreement
on Industrial
Development
1984-1990

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Cat. No. C29-2/1-3E

ISBN 0-662-14209-8

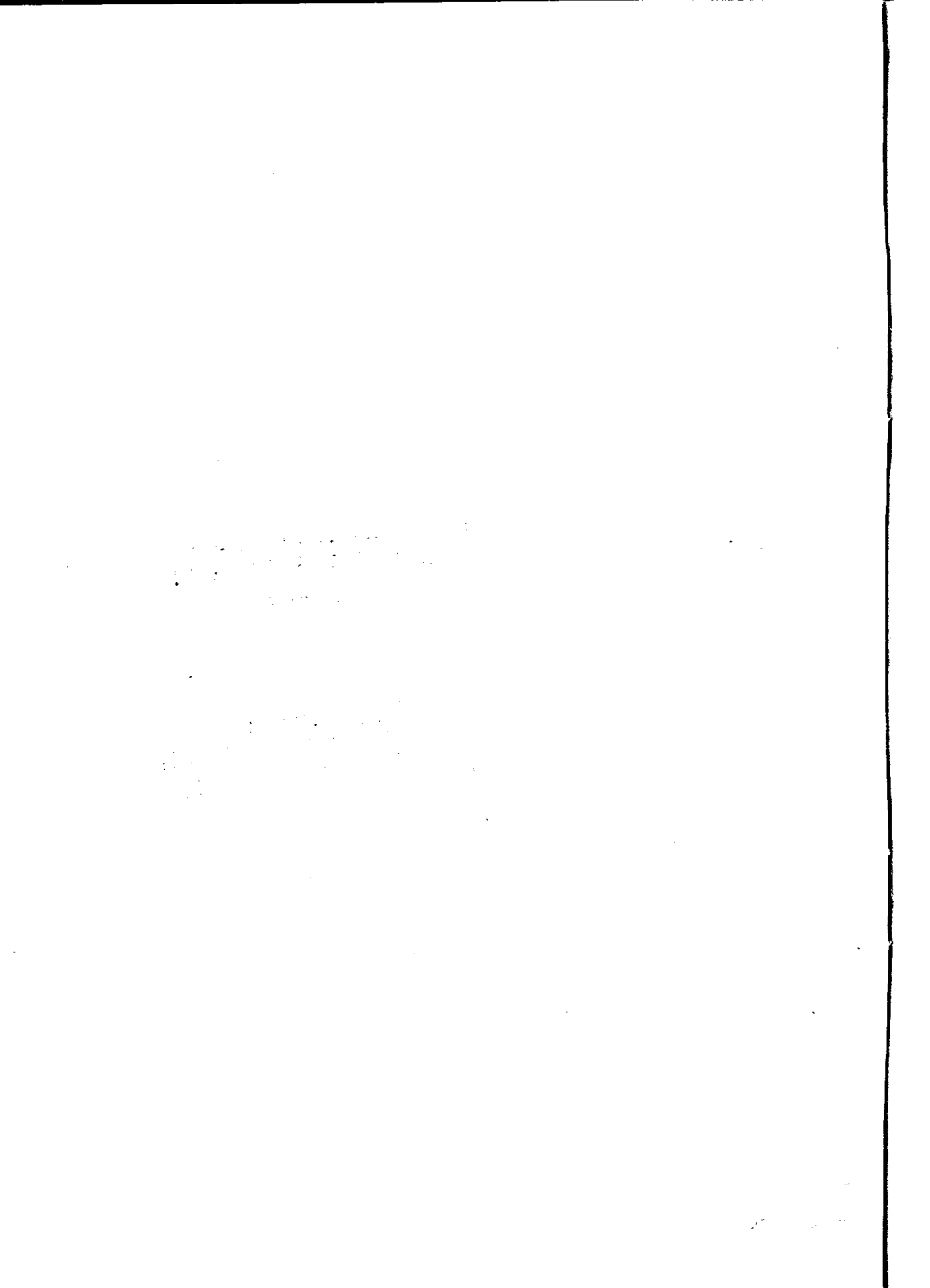
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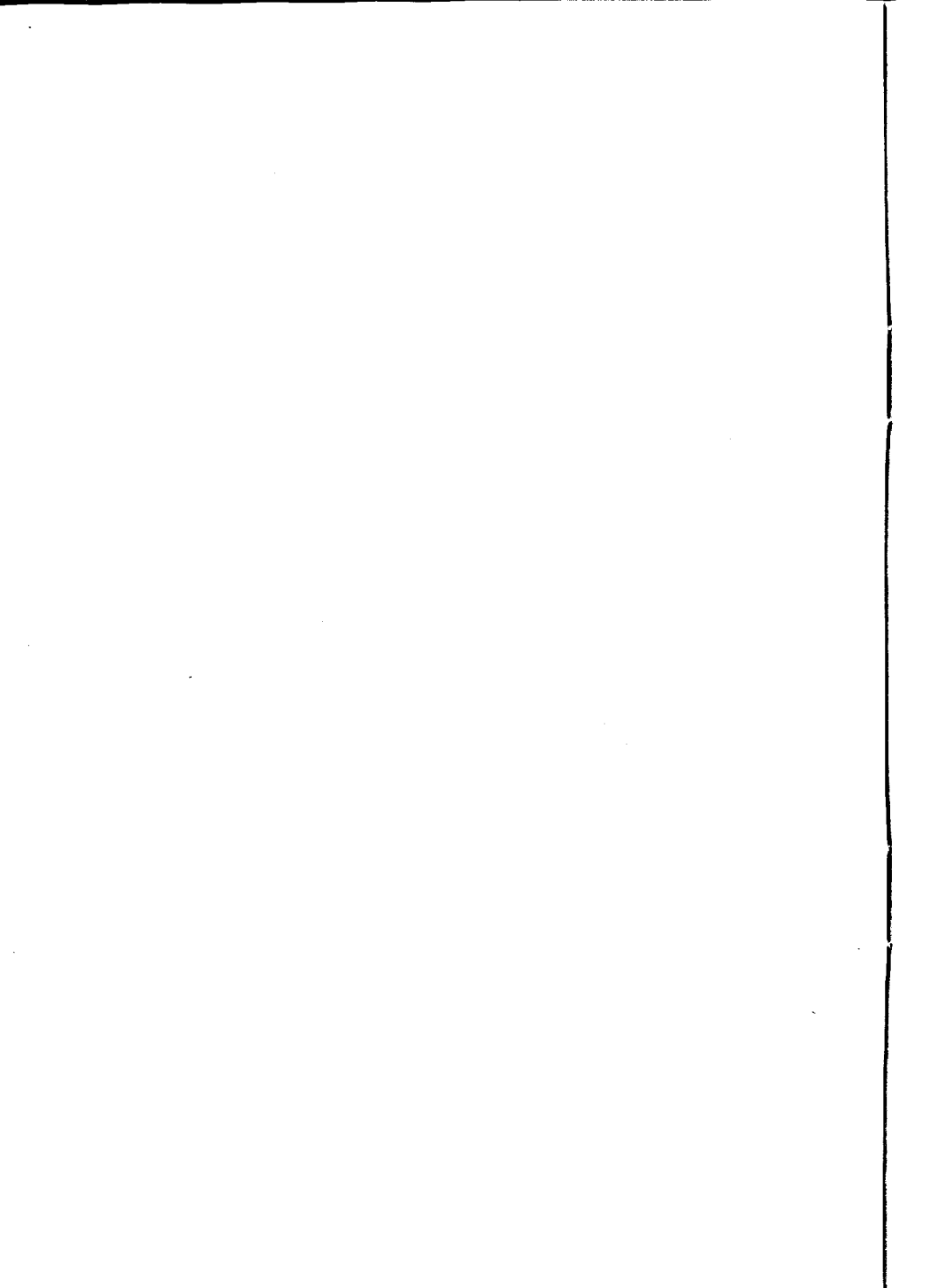
Québec

The present publication has been prepared jointly by the Office of the Federal Economic development coordinator (Department of Regional Industrial Expansion) and le Secrétariat aux Affaires intergouvernementales canadiennes du Québec

Legal deposit — 2nd quarter 1985
Bibliothèque nationale du Québec
National Library of Canada
ISBN-2-550-11892-8
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**CANADA-QUÉBEC
SUBSIDIARY AGREEMENT
ON INDUSTRIAL DEVELOPMENT**

THIS AGREEMENT made this 23rd day of January 1985.

BETWEEN:

THE GOVERNMENT OF CANADA represented by the Minister of Regional Industrial Expansion, and the Minister of State (Small Business)

OF THE FIRST PART

AND:

THE GOVERNMENT OF QUÉBEC represented by the Minister for Canadian Inter-governmental Affairs, and the Minister of Industry and Commerce

OF THE SECOND PART

WHEREAS the Government of Canada and the Government of Québec have entered into an Economic and Regional Development Agreement, dated December 14, 1984, to achieve the following objectives:

- A) to intensify the economic and regional development of Québec and to create an environment in which Québec and its regions can achieve their economic potential through, in particular, the enhancement of their own comparative advantages, the development and strengthening of productive enterprises and by the growth of employment;

- B) to consolidate and improve opportunities for employment and income so that the population of Québec can contribute to the economic and regional development of Québec, and to benefit from it, given that human resource development is an integral element of economic and regional development;
- C) to facilitate consultation on and coordination of the economic and regional development policies, programs and activities of both governments, in order to benefit as much as possible from development opportunities and to reduce constraints to such development.

WHEREAS the industrial sector in Québec has been identified as a priority sector for development;

WHEREAS the Governor-in-Council, by Order-in-Council No. PC 1984-4193 of the 21st day of December, has authorized the Minister of Regional Industrial Expansion to execute this Agreement on behalf of the Government of Canada;

WHEREAS the Government of Québec, in accordance with the Decree 41-85 dated January 16, 1985, has authorized the Minister responsible for Canadian Intergovernmental Affairs to execute this Agreement on behalf of the Government of Québec;

NOW THEREFORE the parties hereto mutually agree as follows:

1. Definitions

1.1 In this Agreement:

- a) "Federal Minister" means the Minister of Regional Industrial Expansion;
- b) "Federal Minister responsible for the Agreement" means the Minister of Regional Industrial Expansion or any Minister authorized to act on his behalf;

- c) "Québec Minister" means the Minister responsible for Canadian Intergovernmental Affairs or any Minister authorized to act on his behalf;
- d) "Québec Minister responsible for the Agreement" means the Québec Minister of Industry and Commerce;
- e) "Project" means a sub-division of a program which is a principal component of this Agreement as described in Schedule "B";
- f) "Eligible costs" means reasonable and direct costs incurred for the purpose of this Agreement that are:
 - (i) invoiced under an arm's length contract made under this Agreement for goods and services;
 - (ii) any other cost which is expressly described as an eligible cost in Schedule "B";

but, unless expressly permitted by the Management Committee, shall not include costs which are:

- (iii) any salary or benefit paid by either party to any of its employees, or those of one of its agencies;
- (iv) any costs incurred by either party for the use of any fixed assets which are the property of that party, or any overhead or indirect costs which are incurred by that party or those of one of its agencies;
- (v) the costs of land;
- (vi) any of the exceptions numbered 1 to 17 inclusive set out in Department of Supply and Services Costing Memorandum No. 1031, attached hereto for reference as Schedule "D";

- g) "Fiscal Year" means the period commencing on April 1 of any year and terminating on March 31 of the immediately following year;
- h) "Management Committee" means the Committee created as per article 6.3 of the Canada-Québec Economic and Regional Development Agreement to manage and administer this Agreement;
- i) "Term of this Agreement" means the period between the date of signature of this Agreement and March 31, 1990;
- j) "Termination date of this Agreement" means the last date for authorizing a project under this Agreement, namely March 31, 1990;
- k) "Applicant" means the recipient of a governmental contribution from one of the programs described in Schedule "B".

2. Purpose and objectives

- 2.1 The purpose of this Agreement is to promote the coordination of efforts of the Governments of Canada and Québec, in order to stimulate industrial development and to increase the number of productive jobs, mainly through the realization of major projects of strategic importance for Canada and Québec, according to the approach described in Schedule "A" of this Agreement.
- 2.2 The Government of Canada and the Government of Québec have agreed on the following objectives for this Subsidiary Agreement:
 - a) stimulate the growth of private industrial investment, especially in high technology industries in accordance with those priorities determined by the Ministers responsible for the agreement;

- b) foster the realization of strategic industrial projects capable over the medium term of improving the industrial base in Québec, in particular those projects related to a better utilization of the actual comparative advantages;
 - c) improve firms' competitiveness by introducing innovation and increasing utilization of new technologies;
 - d) promote access to new foreign as well as domestic markets.
- 2.3 In implementing this Agreement, all projects shall be reviewed by the Management Committee to ensure consistency with the objectives of this Agreement, of the Economic and Regional Development Agreement and of the course of action. All proposals, from the Management Committee for amendment of this Agreement, shall be reviewed in the context of these objectives when they are presented to the Federal Minister and Québec Minister.
- 2.4 To achieve the objectives of this Agreement, the Government of Canada and the Government of Québec shall undertake and pursue the programs outlined in Schedule "B" of this Agreement.
- 3. Financial provisions**
- 3.1 Notwithstanding anything in this Agreement, the total contribution payable by Canada shall not exceed \$ 175 million, this amount representing its portion for all the programs and projects described in Schedule "C".
- 3.2 Notwithstanding anything in this Agreement, the total contribution of the Government of Québec shall not exceed \$ 175 million, this amount representing its portion for all the programs and projects described in Schedule "C".

4. Amendment

- 4.1 The Federal Minister and Québec Minister may amend the provisions of this Agreement except as is expressly set out in Section 4.2.
- 4.2 Any amendment to the objectives set out in Section 2.1 and 2.2 of this Agreement or to the financial limitations expressed in Sections 3.1 and 3.2, shall require the prior approval of the Governor-in-Council and the Government of Québec.
- 4.3 All projects submitted to one of the governments prior to the date of this Agreement may be accepted as complying with the terms of this Agreement if, following an official request from the Minister responsible for the Agreement for that government, they are approved in writing by the other Minister responsible for the Agreement. However, no expenditure incurred prior to the date of this Agreement, shall be deemed eligible.

5. Management and coordination

- 5.1 A Management Committee shall be established. This Committee shall be co-chaired by two senior officers, one of whom to be appointed by the Federal Minister responsible for the Agreement and the other by the Québec Minister; there shall be an equal number of representatives from the Government of Canada and from the Government of Québec, among which one will be the ex-officio member appointed by each Minister signing the Economic and Regional Development Agreement. This Committee shall be responsible for the general administration and management of this Agreement. For the management and administration of projects and programs implemented under this Agreement, the Management Committee shall be guided by terms described in Schedule "B".

- 5.2 A member of the Management Committee may, in writing, authorize a person to attend and to vote at meetings of the Management Committee on his behalf.
- 5.3 A quorum for all meetings of the Management Committee shall be two members of whom one shall be the federal co-chairperson or a designate and one shall be the provincial co-chairperson or a designate.
- 5.4 When there is not a unanimous decision by the Management Committee, the issue shall be referred to the Ministers responsible for the Agreement for resolution and the file will be kept in abeyance until it is resolved.
- 5.5 The Management Committee shall continue to operate until the final payment for the last completed project.
- 5.6 The powers, duties and functions of the Management Committee are:
- a) to approve all procedures in respect of its own meetings, including rules for the conduct of meetings and the making of decisions when the members are not physically present in on place;
 - b) to review submitted projects and recommend, if need be to Ministers responsible for the Agreement, appropriate financial contributions and list in Schedule "C" all projects unanimously approved by the abovementioned Ministers. To this effect, the Management Committee will require that projects will be submitted on Project Authorization Forms as specified in Section 6.1;
 - c) before each fiscal year commencing on April 1, 1985 during the term of this Agreement, to prepare a work plan identifying a schedule of work and the budgeted amounts for projects described in Schedule "C";

- d) to recommend annually to the Ministers responsible for the Agreement estimates of proposed expenditures for each fiscal year;
- e) to submit progress reports to Ministers responsible for the Agreement prior to the annual meeting of Economic and Regional Development Agreement Ministers referred to in Section 5.1 of the Economic and Regional Development Agreement, or as requested;
- f) to prepare financial statements each year on a quarterly basis, an estimate of actual and anticipated cash flows by year and by program for the purposes of Section 6.4 of the Economic and Regional Development Agreement;
- g) to ensure a full and free flow of relevant information between the parties;
- h) to approve the establishment of appropriate project advisory committees, including technical and public information committees as required, and to make the necessary arrangements for the attendance of representatives from other departments, agencies and the private sector at Management Committee meetings when their presence could contribute to the effectiveness of the Management Committee;
- i) where the Management Committee identifies significant human resources implications in respect of any project, to seek advice from appropriate departments and agencies from both levels of governments;
- j) to recommend the addition, amendment, or deletion of any project under this Agreement when the Management Committee considers that the purposes and objectives of this Agreement would be furthered by these measures;

- k) to ensure that all contracts incorporate all relevant provisions of this Agreement;
- l) to meet at least once a year for the purposes of this Agreement;
- m) to carry out any other duties, powers or functions specified elsewhere in this Agreement or such as may be assigned to the Management Committee by the Federal Minister and the Québec Minister or the Ministers responsible for the Agreement;
- n) to propose amendments to the present Agreement to the Federal Minister and the Québec Minister;
- o) to determine the completion date for projects included in the Agreement.

5.7 The Management Committee will see to the establishment of a secretariat to assist him in administering the Agreement's ongoing business. This secretariat will be managed by a person designated by the Québec Minister. A representative of each Minister responsible for the Agreement will participate in the preparation of agendas and minutes of the meetings. The duties and functions for the secretariat will be defined by the Management Committee.

6. Project authorization

6.1 Each project approved under this Agreement shall be described in a suitable Project Authorization Form which, among other things, shall include the following information: the project name and description, the implementing party, the purpose and objectives, a budget of eligible costs, the effective date, an outline of how the project is to be carried out and progress reported, the scheduled completion date, the total funds required and the share to be borne by each of the parties involved, the ownership and responsibility for the operation and maintenance of the project after completion,

arrangements for public information and project evaluation, and such other information as may be required by the Management Committee.

- 6.2 The Management Committee will recommend the approval or the rejection of the project to the Ministers responsible for the Agreement.
- 6.3 For industrial infrastructure projects, a letter of understanding signed by the Ministers responsible for the Agreement will confirm the decision to offer a financial contribution or to reject the project. If the project is approved, this letter of understanding engages the two Governments within the limits determined by the Management Committee and shall define the terms and conditions of the contribution. Once accepted by the applicant, the letter of understanding shall serve as a contract between the applicant and the Governments of Canada and Québec.
- 6.4 For feasibility studies and major industrial projects, the parties could jointly signify their decision to the applicant and, where applicable, each one will pay its share according to the terms of Schedule "B".
- 6.5 All revisions and amendments to the original offer shall require the Management Committee's authorization.
- 6.6 For industrial infrastructure projects, the Management Committee shall be informed of all decisions concerning calls for tenders, announcements of contract awards and selection of the successful tenderer.
- 6.7 For all projects, any cost overrun in excess of the eligible costs budgeted or any cost incurred following the project completion date shall not be accepted by the Management Committee unless the Management Committee is informed on time and approves the inclusion of that cost.

7. Payment procedures

- 7.1** No project may be approved after the termination date of this Agreement. No claim shall be paid by the parties unless it is received in the 12 months following the project completion date.
- 7.2** For Industrial infrastructure projects, the federal government, on recommendation of the Management Committee, shall pay to the government of Québec its share of the project approved contribution as provided in Schedule "C".
- 7.3** For projects referred to in section 7.2, the Government of Québec shall submit promptly, as the work evolves, a claim for eligible costs. These costs shall only be reimbursed by the Government of Canada if they were effectively engaged and paid for. These claims shall be presented and audited to the satisfaction of the Management Committee and certified by a representative of the Government of Québec.
- 7.4** For all other projects, each party shall pay directly to the applicant, according to the terms of Schedule "B", its share of the project approved contribution as provided in Schedule "C".
- 7.5** When a reimbursable contribution or a contribution involving the payment of royalties is granted to an applicant, reimbursements or payment of royalties shall be paid directly by the applicant to each of the parties involved, according to the terms specified in the letter(s) of offer.
- 7.6** Each implementing party shall maintain proper and accurate accounts and records relating to the cost of projects undertaken pursuant to this Agreement, and the implementing party shall, upon reasonable notice, make such accounts and records available at all reasonable times for inspection by the other party.

7.7 Any discrepancy indicated by an audit between the amount contributed by each of the parties and the amount payable by them hereunder shall be adjusted forthwith.

7.8 Notwithstanding subsection 1.1 j), this Agreement may be terminated at the end of any fiscal year following the expiration of at least three years from the date of execution hereof, by either party giving to the other at least two clear fiscal years' notice in writing thereof.

8. Public information

8.1 The Government of Canada and the Government of Québec agree to prepare press releases jointly, and to prepare and participate jointly in communication programs related to this Agreement. To this end, the Government of Canada and the Government of Québec agree and accept:

- a) to collaborate in the preparation and implementation of a public information program;
- b) to announce jointly all projects included in this Agreement and authorized by the Management Committee;
- c) that all calls for tenders associated to projects included in this Agreement must contain the following sentence: "This development project is financed by the Department of Regional Industrial Expansion and the Department of Industry and Commerce of Québec";
- d) that all advertisement boards on working sites must mention that the project is a joint realization of both levels of government;
- e) that the Governments of Canada and Québec have the right to provide and install upon completion of

the project, where it is possible, a permanent plaque or board with an inscription respecting the meaning of paragraph d);

- f) to organize jointly, and in concert with recipients of a contribution, the official ceremonies related to projects included in the Agreement.

9. Evaluation

9.1 The information judged necessary by either party to complete an evaluation of the socio-economic impact of this Agreement in terms of its stated objectives shall be furnished on request by the other party pursuant to the evaluation framework specifying the evaluation criteria, which shall be prepared by the Management Committee and appended to the Agreement within the year following the signature of the Agreement. To this end, the Government of Canada and the Government of Québec agree and accept:

- a) to exchange all relevant information and data as may be reasonably required for any evaluation that pertains to this Agreement;
- b) to review, within 12 months prior to the termination date of the Agreement, the evaluation framework and the data and information generated, in order to undertake a comprehensive evaluation of the Agreement.

10. General

- 10.1 No member of the House of Commons of Canada or the National Assembly of Québec shall be admitted to any share or part of this Agreement or to any benefit arising therefrom.
- 10.2 The applicant shall indemnify and save harmless the other parties, their officers, servants and agents, against

all claims and demands of third party in any way arising out of the implementation of such initiative, except to the extent to which such claims or demands relate to the act or negligence of any officer, employee, or agent of the other parties. Where the ongoing responsibility for the operation, maintenance and repair of any project hereunder is to be vested in a third party, the contractual arrangements made between the implementing jurisdiction and the said third party shall contain a clause saving the parties harmless from any claims, demands, actions, and causes of action which may be made against them arising out of the operation, maintenance and repair of any such project by the third party.

- 10.3 The provision of contributions by the Government of Canada and the Government of Québec for the implementation of this agreement is subject to the Parliament of Canada and the National Assembly of Québec having appropriated funds for such financing in the fiscal year in which it is required.
- 10.4 This document and Schedules A, B and C form the entire Agreement.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Minister of Regional Industrial Expansion and the Minister of State (Small Business) and on behalf of the Province of Québec by the Minister of Canadian Intergovernmental Affairs and the Minister of Industry and Commerce.

IN THE PRESENCE OF:

**GOVERNMENT
OF CANADA**

**GOVERNMENT
OF QUÉBEC**

**Minister of Regional
Industrial Expansion**

**Minister Responsible for
Canadian
Intergovernmental Affairs**

**Minister of State
(Small Business)**

**Minister of Industry and
Commerce**

SCHEDULE "A"

REVIEW OF INDUSTRIAL DEVELOPMENT PROBLEMS IN QUÉBEC

Present situation

The analysis of the evolution of Québec manufacturing industry over the last fifteen years is indicative of a number of problems. From a structural point of view, there is a large proportion of mature industries which are highly labor intensive. At the regional level, manufacturing activity is far from being evenly distributed. Therefore, a certain number of sub-regions whose economic development was based on natural resources are now facing serious problems in restructuring their economy.

On the employment side, the number of persons working in the manufacturing sector in Québec has not improved significantly between 1970 and 1984. In fact, industrial employment has decreased by about one percent between those years, whereas it increased notably from coast to coast during the same period.

As far as investment is concerned, the interesting performance during the last two years in Québec cannot conceal the less favourable long term tendencies, particularly evident since the beginning of the 1970's. In fact, with the exception of the most recent years, during which the Québec relative share reached as much as 31.4%, the provincial contribution to total manufacturing investment in Canada has never exceeded 20% since 1970. Furthermore, the share held by the private sector in total Québec investment has been about 60% in the last ten years as compared to 70% for Canada.

Similarly, with regard to competitiveness, Québec industry is facing serious problems. Labour productivity in Québec is in fact 14% lower than in Ontario and affects, at the same time, the export capacity of its industries.

The important role played by SME's (Small and Medium Enterprises) in the Québec industrial structure can be considered both as an asset and a weakness. It is in this category of enterprises that the largest number of jobs are created, but at the same time, the numerous SME's are one of the main factors in the perpetuation of technological lags, in management weaknesses and in the narrow exporting industrial base.

In other respects, the Québec industry is evolving within the context of a world scale industrial revolution. First, the emergence of new industrial nations, with low labor-costs, has endangered the survival of many manufacturing sectors in Québec. Also the significant reduction in custom tariffs, paired with lower economic growth rates in many industrial countries, have generated fierce competition on international markets. Finally, the emergence of new technologies accelerates the obsolescence of industrial equipment and consequently quickly renders uncompetitive those enterprises which cannot adapt to change.

Therefore, the specific situation of Québec's manufacturing industry as well as the new economic and technological conditions worldwide require particular efforts to prompt new investments and to ensure a durable strength in Québec's industrial development.

Enhancement of favorable factors

A certain number of favorable factors, which could contribute to diversifying and reinforcing Québec's industrial base, have appeared progressively. Fully supported by Québec's population, the considerable efforts to achieve a modern education system have resulted in the emergence of a manpower increasingly better equipped to meet the needs of complex industries and to generate technical and entrepreneurial skills required to address the challenges of industrialization in high-technology sectors.

Similarly, the harnessing of many waterways has allowed Québec to have hydro-electric energy reserves of an extent that

the impact on industrial development no longer needs to be demonstrated. Moreover the Government of Québec has formulated an explicit policy for more intensive utilization of this important localization factor, in order to stimulate the establishment on its territory of major electricity-consuming firms.

The recent creation of several research centers, as well as others planned by both levels of government in fields such as biotechnology, electrochemistry, bureautics and transport equipment represent major instruments for industrial development in the medium term, to the extent that their research activities are explicitly oriented towards private sector needs.

These new research units will contribute to reinforcing the network already in place and will have important links with research efforts in the fields of aeronautics, pharmaceutical products, energy equipment and telecommunications.

Pursued goals

It is in this context that the Governments of Canada and Québec agree to foster the development of Québec industrial activity, the enhancement of its advantages and resources, particularly its human, technological and entrepreneurial ones.

More specifically, the goal of this Agreement is to promote the coordination of efforts by the Governments of Canada and Québec, in view of stimulating industrial development in the province and of increasing the number of productive jobs, particularly by seeking major industrial projects that are strategic for Canada and Québec.

The Governments of Canada and Québec have agreed to the following objectives for this present Subsidiary Agreement:

- a) stimulate the growth of private industrial investment, mainly in high-technology industries, in the context of priorities determined by Ministers responsible for this Agreement;

- b) encourage the realization of strategic industrial projects capable, over the medium-term, of improving the industrial base in Québec, in particular, those which best exploit the specific advantages of Québec;
- c) improve the competitiveness of firms by introducing innovation and utilization of new technologies;
- d) facilitate access to new markets, both domestic and foreign.

SCHEDULE "B"

CANADA-QUÉBEC SUBSIDIARY AGREEMENT ON INDUSTRIAL DEVELOPMENT

Programs

In response to the industrial development needs of Québec as described in Schedule "A" of this Agreement, the Government of Canada and the Government of Québec agree to cooperate in assisting the implementation of new development opportunities in order to increase private sector industrial investments in Québec. To this effect, the two governments will introduce new measures of assistance, when necessary, to major industrial projects and to the installation of industrial infrastructure. Furthermore, both governments agree to harmonize the implementation of their development plans and of their regular programs with a view to making them more effective and simplify their access.

A. Assistance program to industrial infrastructures

Purpose

An industrial project may be so large that providing the required infrastructure imposes a heavy financial burden on the host municipality.

To ensure that a lack of suitable infrastructure does not stand in the way of industrial projects implementation, the two governments may grant Québec municipalities joint financial assistance to cover the cost of infrastructure needed by large scale industrial projects that could not locate in a specific area because of inadequate facilities.

Implementation

The Government of Québec will act as prime contractor for the purpose of implementing industrial infrastructure projects covered by this Agreement.

Selection criteria

- a) All Québec municipalities, as well as Crown Corporations for whom the main mandate or one of the main mandates consists in acquiring, keeping, managing, administering and exploiting industrial parks, are eligible for assistance under the agreement. Contributions may not be less than 50% or exceed 90% of the eligible cost of infrastructure, the percentage of the contribution being based on the relative financial capability of the municipality in question. The Management Committee will draw up criteria of financial capability.
- b) Eligibility for assistance is restricted to the required infrastructure for industrial projects involving an investment of at least \$1 million in municipalities with limited financial capability and at least \$10 million in financially strong municipalities.
- c) For the purpose of this Agreement, "infrastructure" means infrastructure related to water mains, sewers, roads, power and other such public utilities as are required for an industrial project.
- d) For the purpose of this part of the Agreement "Industrial project" is defined as the establishment, expansion or modernization of a manufacturing enterprise, a research center, an industrial laboratory, an industrial design center or a new product development major project.
- e) The municipality requesting assistance must acquire all land and/or all rights to land that are required for the projects listed in Schedule "C".
- f) Eligible costs include the cost of the infrastructure for connecting an important industrial project to basic services, and the cost of restructuring basic services that are chargeable thereto.

- g) The costs financed by the Agreement are all direct costs which, in the opinion of the Management Committee, are reasonably and properly incurred for the construction of the project with the exception of administration, research, survey, engineering, architecture and construction supervision costs. As a compensation for these excluded costs, an amount equal to 10% of the eligible direct costs will be paid to the municipality.
- h) Contributions to infrastructure projects under the Agreement may not exceed 50% of the capital cost of the project.
- i) Construction work done on land occupied by an industry either as owner or lessee does not qualify as industrial infrastructure.
- j) The financial participation of each of the two parties shall be limited to 50% of the contribution made under the Agreement for each of the projects listed in Schedule "C".
- k) If anyone of the parties to this Agreement is of the opinion that an industrial project requiring infrastructure would not generate economic benefits to Canada and Québec, no assistance under this Agreement will be provided to such project.

B. Assistance program to major industrial projects

For the purpose of section B of Schedule "B",

"State Corporation" includes:

- a) Federal, Provincial and Territorial Governments;
- b) Ministries and Departments of Federal, Provincial and Territorial Governments;

- c) Federal, Provincial and Territorial Crown Corporations as defined by their enabling act;
- d) Any entity in which one or more Federal, Provincial or Territorial Governments, one or more Federal, Provincial or Territorial Departments or Ministries or one or more Federal Provincial or Territorial Crown Corporations hold directly or indirectly more than 50% of its assets or of its equity, or hold directly or indirectly more than 50% of its voting interests;
- e) Any agency created by Federal, Provincial or Territorial Governments or by Federal, Provincial or Territorial Ministries or Departments for the purpose of administering programs.

“Entity” means a corporation, partnership, trust or joint venture.

In view of Québec's needs in the area of industrial development and given the possible strain that assistance to major projects could place on regular budgets of the departments concerned, the two governments agree to deploy additional efforts by setting up an equally shared special fund for the purpose of generating major industrial projects. This section of the agreement includes two major components, one dealing with the funding of feasibility studies and the other with financial assistance measures to major industrial projects.

1. Feasibility studies

Purpose

To help businesses in their investment decisions, the Management Committee may recommend to the Ministers responsible for the Agreement financing for part of the cost of feasibility studies related with a large investment project. Such studies could be undertaken to examine the overall feasibility of the proposed project, including assessment

of markets and of technical factors, and could be used to determine its commercial viability.

Implementation

For feasibility study proposals to qualify for assistance, eligible applicants must submit proposals meeting eligibility criteria specified under the next section "Financial assistance".

Any one of the parties interested in providing financial assistance for a feasibility study under this Agreement, must submit the project to the Management Committee who will ensure that it meets the priorities jointly determined by the Ministers responsible for the Agreement. Projects will be analyzed jointly or by one of the parties, as determined by the Management Committee. The results will be submitted to the Management Committee who will make a recommendation to the Ministers responsible for the Agreement.

The Management Committee will inform the applicant in writing of the offer of government contributions, and each party will pay its share directly to the applicant, which shall be 50% of the total contribution, as specified in Schedule "C".

The maximum contribution made to such study projects by the Agreement may not exceed 75% of total study costs.

2. Financial assistance

Purpose

With respect to this component of the Agreement, the governments of Canada and Québec agree to undertake financial efforts in order to increase private investments in Québec, by supporting major industrial projects likely to contribute to the redeployment of the provincial industrial base and of its regions.

Implementation

Any one of the parties interested in providing financial assistance for an industrial project under this Agreement, must submit the project to the Management Committee who will ensure that it meets the priorities jointly determined by the Ministers responsible for the Agreement. One of the two parties will be designated as the applicant's main contact. The project will be analyzed by both parties, preferably jointly in order to avoid duplication of efforts. The results will be submitted to the Management Committee who will make a recommendation to the Ministers responsible for the Agreement. This recommendation will mean, where applicable, a letter of offer to the applicant, which will specify the nature of the assistance and other conditions deemed appropriate. Each party will assume 50 per cent of the total contribution, as specified in Schedule "C".

The financial assistance offered under this component of the program could take the form of repayable or non-repayable contributions, interest rebates or any other form of assistance. The determination of the level of assistance will take into account the net present value, as established in the project budget forecast, of any other government assistance received or to come, such as tax credits, cost of infrastructures and energy rebates. In addition, the financial assistance offered should not exceed the minimum amount required to ensure the undertaking of the project.

Selection criteria

For major industrial projects, as well as related feasibility studies to qualify for assistance under this Agreement, the following criteria will have to be met:

- a) the project must be presented by an eligible applicant, i.e. an individual or an association of individuals, excluding State Corporations;

- b) projects must consist in the establishment, expansion or modernization of a manufacturing or advanced processing facility, an applied industrial research center, an industrial laboratory, an industrial design center or a new product development major project;
- c) investment projects must involve a capital cost of a minimum of \$10 million and meet the usual requirements for commercial viability. The analysis of the project will also have to establish clearly the incrementality of the required assistance;
- d) proposed projects will have to generate economic benefits for Canada and Québec;
- e) if any commitment has been made by the applicant to the effect of implementing the project prior to submitting it for assistance, such assistance will not be provided;
- f) with regard to feasibility studies, the request for assistance should establish that the proposed project carry reasonable possibility of resulting in industrial investment and that the requested assistance will be incremental.

C. Harmonization and co-ordination of federal and provincial industrial development assistance programs

1. This section of the Agreement shows the intention of both governments to manage in a consultative framework and in a better coordinated fashion their respective programs in order to make them more consistent with the development objectives of the ERDA and of this Agreement. To that end, the Management Committee may, at the request of either party, convene working meetings of federal and provincial program managers to promote program harmonization and to examine means of simplifying access to programs. However, it is understood that this commitment will not impinge upon the decision-making authority

vested with either government with respect to its own programs.

2. Harmonization and coordination of development plans

To establish the nature of feasibility studies and the types of major industrial projects that may be accepted by the Management Committee, the Ministers responsible for the Agreement will adjust, before March 31 of each year, and as proposed by the Management Committee, their development plans or their priorities for this Agreement. The submitted projects shall conform to the established priorities.

SCHEDULE "C"

Canada-Québec Subsidiary Agreement on Industrial Development

Code	Projects and programs description	Breakdown of costs (\$000)		Breakdown of expenditures (\$000)			
		Total estimated costs	Canada	Québec	1985-1986	1986-1987	Balance
Facet I :	Industrial infrastructures	\$ 50,000	\$ 25,000	\$ 25,000			
Facet II :	Major Industrial Projects						
	a) Feasibility studies	\$ 4,000	\$ 2,000	\$ 2,000			
	b) Financial assistance	\$296,000	\$148,000	\$148,000			
	Total	\$350,000	\$175,000	\$175,000			

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APPROVED BY THE FEDERAL MINISTER AND THE QUÉBEC MINISTER

For Canada: _____ Date: _____

Sinclair M. Stevens
Minister of Regional
Industrial Expansion

For Québec: _____ Date: _____

Pierre-Marc Johnson
Minister responsible for
Canadian Intergovernmental Affairs

André Bissonnette
Minister of State
(Small Business)

Rodrigue Biron
Minister of Industry and
Commerce

