

QUEEN
HC
117
.05
S8
1976



Regional
Economic
Expansion

Expansion
Économique
Régionale

INDUSTRY
AND TECHNOLOGY
APR 20 1974
INDUSTRIE, SCIENCES
ET TECHNOLOGIE CANADA

CANADA/ ONTARIO

NORTHWESTERN ONTARIO



MAY 23, 1974

subsidiary agreement

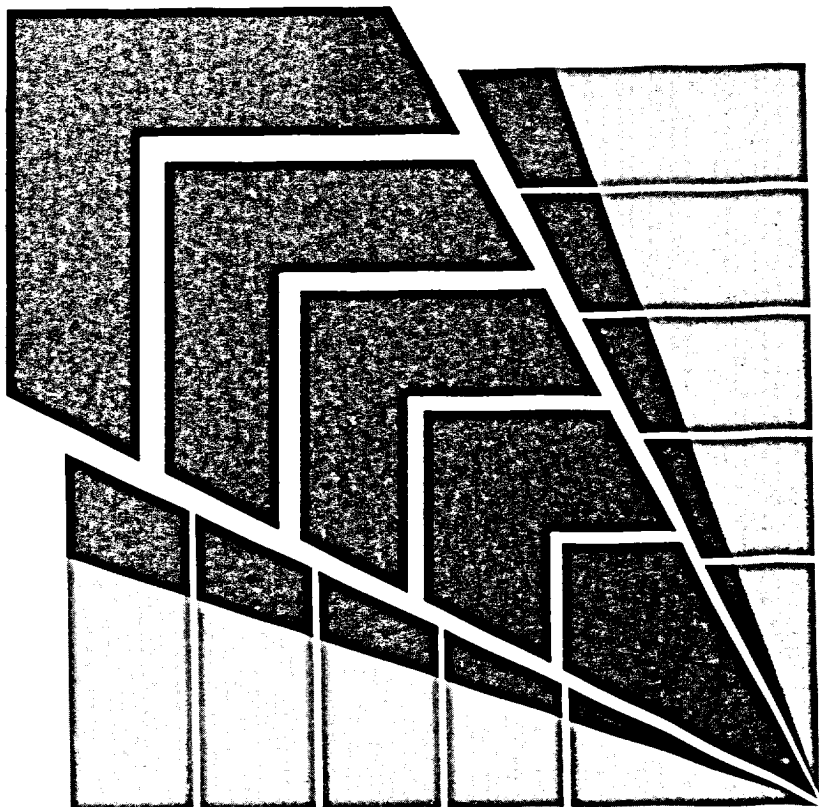


Regional
Economic
Expansion

Expansion
Économique
Régionale

CANADA/ ONTARIO

NORTHWESTERN ONTARIO



MAY 23, 1974

© Minister of Supply and Services Canada 1976

Cat. No.: RE 24-2/1976

ISBN 0-662-00210-5

CANADA-ONTARIO
SUBSIDIARY AGREEMENT
NORTHWESTERN ONTARIO

THIS AGREEMENT made this 23rd day of May, 1974

BETWEEN:

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

OF THE FIRST PART,

AND:

THE GOVERNMENT OF THE PROVINCE OF ONTARIO (hereinafter referred to as "Ontario"), represented herein by the Treasurer of Ontario and Minister of Economics and Intergovernmental Affairs,

OF THE SECOND PART.

WHEREAS Canada and Ontario signed a General Development Agreement dated February 26, 1974 (hereinafter referred to as the "GDA") to achieve the objectives stated in section 3 thereof;

AND WHEREAS in pursuit of those objectives, Canada and Ontario have agreed to seek to achieve a co-ordinated application of relevant federal and provincial policies and programs through the process of identifying developmental opportunities and assisting in their realization through the co-ordinated and concentrated application of relevant federal and provincial programs, including the provision of specialized measures required for such realization;

AND WHEREAS Canada and Ontario agree that the objectives of this Agreement shall be consistent with the objectives stated in section 3 of the GDA and those of Ontario as stated in the document entitled "Design for Development: Northwestern Ontario Region - Phase 2: Policy Recommendations";

AND WHEREAS the Governor in Council by Order in Council P.C. 1974-1171 of the 17th day of May, 1974, has authorized the Minister of Regional Economic Expansion to execute this Agreement on behalf of Canada;

AND WHEREAS the Lieutenant Governor in Council by Order in Council O.C. 1351 of the 22nd day of May, 1974, has authorized the Treasurer of Ontario and Minister of Economics and Intergovernmental Affairs to execute this Agreement on behalf of Ontario:

NOW THEREFORE the parties hereto mutually agree as follows:

DEFINITIONS

1. In this Agreement:

- (a) "eligible cost of the project" means those costs defined in section 5;
- (b) "Federal Minister" means the Minister of Regional Economic Expansion of Canada and includes anyone authorized to act on his behalf;
- (c) "fiscal year" means the period commencing on April 1st of any year and terminating on March 31st of the immediately following year;
- (d) "Management Committee" means the committee referred to in section 6;
- (e) "Ministers" means the Federal Minister and the Provincial Minister;
- (f) "project" means a sub-division of a program as set out in Schedule "A";
- (g) "program" means a general development undertaking composed of two or more projects, as listed in Schedule "A";
- (h) "Provincial Minister" means the Treasurer of Ontario and Minister of Economics and Intergovernmental Affairs and includes anyone authorized to act on his behalf; and
- (i) "subsidiary agreement" means an agreement made pursuant to section 6 of the GDA.

BACKGROUND

2. (1) Although Ontario ranks among the most prosperous of the 10 provinces from the standpoint of aggregate indicators of economic wealth, such measures fail to reflect the significant disparities in economic terms among Ontario's five Planning Regions. In fact, a large part of Northern Ontario has not kept

pace with the province as a whole or Canada generally from a development point of view. Unemployment rates and per capita income levels in the Northeastern and Northwestern Planning Regions of the province compare unfavourably with the corresponding provincial and national averages.

- (2) Social and economic development in Northern Ontario is impaired by the long distances separating the communities in the region from each other and from national and international markets and sources of supply. Also, the range of economic activities in the north is comparatively narrow, consisting mainly of the exploitation and export of mineral and forest resources. Despite the prominence of mining, a secondary metal industry has not developed. The relative lack of processing facilities and service operations acts as a serious constraint on the number of income and employment opportunities. In fact, manufacturing employment has actually declined over the past decade.
- (3) World market vagaries and the depletion of non-renewable resources affect adversely the stability of the many communities heavily dependent on one or, at most, a handful of economic pursuits. The purchasing power in many of Northern Ontario's urban centres is often insufficient to attract supporting industries, and distances and linkages within the market area are not conducive to the achievement of minimum costs and economies of scale. Moreover, labour markets tend to be limited to a given community and its immediate vicinity.
- (4) While the region possesses a high potential for tourism, better and faster access from the more populous areas of the continent will be required if this potential is to be realized. Limited capital availability and the relative lack of local entrepreneurial talent continue to act as constraints upon the optimum development of a tourist industry.
- (5) The residents of the many unorganized municipalities are typified by disproportionately low levels of income. Also, these communities suffer from a serious lack of public services.
- (6) The overall consequences of the foregoing conditions are a rate of population growth which is approximately one-fourth the provincial figure, a below-average rate of labour force participation, particularly among women, a high rate of unemployment, and a rate of out-migration almost equivalent to the rate of natural population increase.
- (7) To accelerate economic growth in Northwestern Ontario, it will be necessary to reinforce the intended role of Thunder Bay as the region's "primate centre" by eliminating a critical infra-

structure bottleneck. As an indication of the relative regional significance of the city, slightly less than half of the Northwestern Region's population is concentrated there with the remainder living in widely dispersed smaller centres and remote areas. Other key communities in the Northwest will also require improved urban services in order for them to conform to Ontario's policy of utilizing, wherever possible, existing communities for service and dormitory purposes in connection with the development of new resource-based economic activities. In addition, the socio-economic development of the Northwest will require significant improvements to the region's transport network.

- (8) Pursuant to Ontario policy, Thunder Bay is expected to perform to a greater degree the role of servicing Northwestern Ontario's primary industries, processing the region's products, acting as a trans-shipment/distribution point, and providing a range of employment opportunities. The strengthening of this multi-faceted role is expected to have a corresponding beneficial effect on the region generally. However, Thunder Bay is severely constrained in the carrying out of its intended functions by the inadequacy of its infrastructure, especially the lack of adequate sewage treatment facilities, sewers, roads, drainage systems and water mains. Because of the city's deficiency in sewage treatment capacity, the Ontario Ministry of the Environment has imposed a freeze on the servicing of new land within the city. One of the effects of this situation has been a pronounced shortage of serviced land for housing and industry, giving rise to a rapid increase in land costs.
- (9) It is estimated that an expenditure of \$143 million would be required to correct the existing situation, and that Thunder Bay's share after normal provincial grants would amount to \$92 million. Based on its existing financial position, the city could not undertake an investment of this magnitude within a short enough time to enable it to assume effectively its assigned role in the socio-economic development of the whole region.
- (10) In the Lake St. Joseph area, a mining concern is proposing to develop an iron ore body. This mineral deposit is estimated to contain 600-700 million tons of ore suitable for the production of iron oxide pellets for use in blast furnaces and sponge iron for use in electric furnaces. Strong world-wide demand for steel, and the rapidly increasing price of steel scrap, indicate that the prospects for this mine are excellent.
- (11) Assuming that the proposed Lake St. Joseph development goes ahead, a sizable area in Northwestern Ontario will be opened up, giving rise to a substantial number of new jobs. In addition to the possible iron mining venture, the beginning of logging operations south of Lake St. Joseph is anticipated in the near

future. Other resources in the area heretofore unexploited may prove feasible for development during the next few years. To house the workers who are expected to be employed by these economic activities, a new town-site will be required. Ontario has hired consultants to make recommendations in this regard.

- (12) Northwestern Ontario contains a number of forest and mineral resources which are either untapped or only partially exploited because of an inadequate road system. With selective improvements to the existing road network, it is expected that resource production can be increased significantly over the present level, thereby lending impetus to further developments within the region. These improvements should also enhance the Northwest's tourism potential.
- (13) A copper-nickel mining project located west of Highway 599 near Pickle Lake is expected to go into operation in 1976. The iron mining site at Lake St. Joseph is also situated near Highway 599. A considerable portion of this highway must be reconstructed in order to accommodate the heavy-duty, ore-carrying trucks which will be used to transport the output from the copper-nickel mine to the main line of the Canadian National Railway at Savant Lake. An improved highway will also benefit the proposed iron mine and make it easier to exploit the forest potential of the Lake St. Joseph area.
- (14) In line with Ontario's policy of minimizing new town-site developments and pursuant to "Design for Development: Northwestern Ontario Region - Phase 2", Ignace is performing the role of the primary dormitory community in the case of an existing base metal mine and a copper-zinc property near Sturgeon Lake where full-scale construction has recently begun. Ignace is experiencing difficulties in funding the expansion of its sewage treatment plant which has become necessary as a result of the town's dormitory role, and has asked for financial assistance. Part of the rationale for this request involves the fact that the mining developments are taking place beyond the community's boundaries and hence outside its taxing authority.
- (15) It is possible that, over the next few years, a number of large industrial projects will materialize in the vicinity of Thunder Bay. It may be desirable from the point of view of municipal services, transportation, the environment, manpower availability, and development generally to group these projects together in an industrial complex. However, a feasibility study is required to assess in detail the various economic, social and environmental implications of this locational concept.
- (16) In many areas of Northwestern Ontario, the harvesting of wild rice is becoming an important economic activity. It might be possible to increase the income of the harvesters from this source. To assess the income potential in connection with wild rice, further investigation is needed.

OBJECTIVES

3. (1) This Agreement provides for the joint participation of Canada and Ontario in projects directed towards the attainment of the objectives of the GDA and which are consistent with the goals and recommendations set out in Ontario's policy statement, "Design for Development: Northwestern Ontario Region - Phase 2".
- (2) Canada and Ontario have agreed to co-operate in the launching of measures designed to increase the number and range of viable employment and income opportunities in Northwestern Ontario. These measures consist of selective improvements to the region's infrastructure and the investigation of possible development opportunities. Their pursuit is intended to achieve the following specific objectives:
 - (a) strengthening the region's designated primate and strategic centres, as identified in "Design for Development: Northwestern Ontario Region - Phase 2";
 - (b) increasing the net value of production by the resource-related industries in the Northwest through the processing of additional local raw materials prior to shipment elsewhere;
 - (c) improving the transportation and communication systems within the Northwest; and
 - (d) making optimum use of existing public investments in the region by rationalizing, where possible, its urban structure.

SUBJECT MATTER

4. (1) Schedule "A" attached to and forming part of this Agreement consists of a list of projects that Ontario shall arrange to have carried out under this Agreement. The projects, the costs of which are specified in Schedule "A", can be described briefly as follows:
 - (a) constructing new, and extending existing, sewage lines in Thunder Bay to strengthen the city's intended development role by opening up new industrial and residential areas;
 - (b) providing infrastructure assistance for a new town-site associated with developments in the vicinity of Lake St. Joseph;

- (c) constructing access roads to enable the more effective utilization of natural resources in selected areas of Northwestern Ontario, and enhancing the tourist potential of these areas;
 - (d) reconstructing a major portion of Highway 599 to accommodate the weight of ore-carrying trucks in connection with the copper-nickel mining development near Pickle Lake, and to assist in the realization of other industrial activities;
 - (e) expanding the sewage treatment plant in the community of Ignace to serve the new housing facilities necessary to accommodate a large number of the workers employed at the mining developments located in the vicinity of Sturgeon Lake;
 - (f) engaging in research of a social, economic and environmental nature to determine the feasibility of establishing a complex to accommodate a number of heavy industries contemplating location in the Thunder Bay area; and
 - (g) identifying through research the potential for expanding the wild rice harvest in Northwestern Ontario.
- (2) (a) Ontario shall arrange to have undertaken during the term of this Agreement the projects listed in Schedule "A". Ontario shall arrange to have taken over each infrastructure and road project on completion, and shall arrange for their operation, maintenance and repair.
- (b) Ontario shall arrange for the takeover and acquisition of all lands and interests in lands that are required for the said projects.
- (3) Ontario shall arrange for the undertaking of all projects listed in Schedule "A" during the term of this Agreement and, unless the Federal Minister otherwise agrees, Canada shall not be responsible for any costs incurred after the termination date of this Agreement, nor shall Canada pay any claim which is not received within twelve months after the said termination date.

FINANCIAL PROVISIONS

5. (1) (a) The eligible costs to be financed or shared under this Agreement by Canada in respect of the infrastructure and road programs outlined in Schedule "A" shall consist of all direct costs, including those relating to public information but excluding administration, survey, engineering and architecture costs, that in the opinion of the Management Committee have been reasonably and properly incurred for the implementation of these programs by Ontario; plus ten per cent (10%) of these costs as an allowance towards the exclusions specified.
- (b) The costs to be financed by Canada do not include any costs relating to the acquisition of lands or interests in lands, or costs arising from the conditions of acquisition.
- (c) With respect to the study program mentioned in Schedule "A", the eligible costs to be financed or shared under this Agreement by Canada shall consist of the costs of any external services obtained pursuant to section 9, and any other specific direct costs approved by the Management Committee.
- (2) (a) Unless otherwise agreed by the Ministers, the eligible costs of each project shall be limited to the estimated costs specified in Schedule "A".
- (b) If, at any stage of a project, it appears to Ontario that the costs thereof will exceed the relevant estimated costs specified in Schedule "A", Ontario shall promptly so inform the Management Committee and state the reasons for such increase.
- (c) Upon being informed, the Management Committee shall consider the circumstances which have contributed to the increase in the estimated costs and shall prepare and present a report and recommendations to the Ministers in respect of the action proposed to be taken. The report of the Management Committee shall include the following:
- (1) a statement of the amount by which the estimated costs are exceeded;
 - (2) a statement of the reasons why the estimated costs are exceeded;
 - (3) a recommendation as to whether or not the amount by which the estimated costs are exceeded should be adjusted between the parties to this Agreement;

- (4) a recommendation as to the costs or the proportion of the costs to be paid by each party where an adjustment is to be made; and
 - (5) such further information or recommendations as may be necessary to determine the action proposed to be taken.
- (3) Notwithstanding anything in this Agreement, the total amount payable by Canada under this Agreement with respect to the projects listed in Schedule "A" shall be fifty per cent (50%) of the total eligible costs up to an amount of \$21 272 000, which amount includes a contingency allowance of fifteen per cent (15%).

ADMINISTRATION AND MANAGEMENT

6. (a) Each of the Ministers shall designate an equal number of senior officials to be responsible for the administration of this Agreement. These officials shall constitute the Management Committee whose function it shall be to establish a definition of each project specified in Schedule "A", oversee the implementation of the projects, and fulfill the responsibilities identified for the Management Committee elsewhere in this Agreement. The Federal Minister and the Provincial Minister shall respectively appoint one Federal and one Provincial official from the members of the Management Committee to act as a co-chairman.
- (b) The Management Committee shall submit for the approval of the Ministers annually, and no later than September 1, an assessment of the progress being made in implementing this Agreement, the effectiveness of the programs listed in Schedule "A" in achieving the specified objectives, the continuing relevance of these objectives, and the budget estimates for the subsequent fiscal year.
- (c) Canada and Ontario agree to provide the Management Committee with all information necessary for the performance of its function.

PAYMENT PROCEDURES

7. (1) Payments by Canada shall be promptly made to Ontario on the basis of progress claims setting out the costs actually incurred and paid for the projects, and submitted in a form and verified in a manner satisfactory to the Federal Minister.

- (2) (a) In order to assist in the interim financing of Canada's share of the projects, Canada shall, if Ontario so requests, make an interim payment for the amount of funds required for the remainder of the quarter of the fiscal year in which a project is approved, based on a forecast of the cash requirements for that quarter prepared by Ontario and approved by the Management Committee in a form satisfactory to the Federal Minister.
- (b) In each subsequent quarter of the fiscal year, further interim payments shall be made to finance Canada's share of expenditures in the quarter in connection with approved projects upon request by Ontario submitted in a form satisfactory to the Federal Minister and approved by the Management Committee, based on a forecast of the cash requirements for the quarter taking into account the status of the previous quarter's interim payment.
- (c) Ontario shall account for each such interim payment by promptly submitting to Canada by no later than the end of the following quarter detailed claims covering the costs actually incurred and paid, verified in a manner satisfactory to the Federal Minister. Any discrepancy between the amounts paid by Canada by way of interim payments and the amounts actually payable by Canada shall be promptly adjusted between Canada and Ontario.
- (d) No interim payment shall be made in a subsequent fiscal year until the interim payments made in the previous fiscal year have been accounted for.
- (3) Payment of claims under section 7 shall be augmented by ten per cent (10%) for infrastructure and road projects as provided for in subsection 5 (1) (a).

TERMINATION

8. This Agreement shall terminate on March 31, 1977.

TENDERS AND CONTRACT AWARDS

9. (a) Unless the Management Committee otherwise agrees, all construction, purchase and other contracts shall be let pursuant to tenders invited by public advertisement.
- (b) The opening of all tenders shall be public and the Management Committee shall be supplied with copies of each advertisement for tender, together with notice of the time and place for

tender opening, in sufficient time to enable any member of the Management Committee or his representative to be present at all tender openings and to participate in the evaluation of tenders.

- (c) All contracts shall be awarded to the responsible and responsive tenderer who submitted the lowest evaluated bid, unless otherwise agreed by the Management Committee.
- (d) All contracts for professional services shall be supervised in accordance with procedures to be approved by the Management Committee, and reports produced by consultants or resulting from such contracts shall become the property of both parties to this Agreement.
- (e) All announcements of contract awards shall be made jointly by Canada and Ontario.

IMPLEMENTATION

- 10. (1) (a) All substantive amendments to contracts shall require the prior approval of the Management Committee.
- (b) Any member of the Management Committee or his representative shall be permitted to inspect any project at all reasonable times for the purpose of verifying progress claims and obtaining any other information concerning the project which may be required by the Federal Minister or the Provincial Minister.
- (c) Ontario shall forward to the Management Committee a report as to the progress of the work done under this Agreement in such detail and at such time as may be required by the Management Committee.
- (d) Sections 9 and 10 do not apply to contracts that involve only the administration, survey, engineering or architecture costs referred to in subsection 5(1) (a).
- (2) (a) Contracts and purchases made and work done prior to the date of this Agreement in respect of the projects listed in Schedule "A" may be accepted as complying with this section if they are consistent with subsection 8.4 of the GDA and if they are approved in writing by the Federal Minister on the recommendation of the Management Committee.
- (b) In addition to costs allowed under subsection 8.4 of the GDA, commitments made and costs incurred after February 26, 1974 by either party, pertaining to any project covered by this Agreement, are eligible for cost-sharing as provided for in subsection 5(3).

PUBLIC INFORMATION

11. Canada and Ontario agree to cooperate in the development and implementation of a program of public information respecting the implementation of projects under this Agreement, and further agree to supply, erect and maintain:
- (a) during the course of construction of each infrastructure and road project, a sign or signs specifying that the relevant project is a Canada-Ontario Regional Development Project financed by contributions by the Department of Regional Economic Expansion of the Government of Canada (and any other Federal Agency, where relevant) and the Government of the Province of Ontario, or such other wording to the like effect as may be agreed to by the Ministers;
 - (b) upon completion of each construction project, a permanent sign or plaque to the effect set forth in (a); and
 - (c) any public announcement of the measures covered by this Agreement, and any official opening ceremony for a construction project outlined in Schedule "A", shall be arranged jointly by the Ministers.

GENERAL

12. The terms and conditions of the GDA apply to this Agreement.

CONDITIONS OF EMPLOYMENT

13. The following conditions relevant to employment and the award of contracts shall apply in respect of all projects carried out under this Agreement:
- (a) recruiting of labour shall be conducted through the Canada Manpower Centres unless the Management Committee considers that this service cannot reasonably be provided;
 - (b) in the employment of persons on a project, there shall be no discrimination by reason of race, sex, age, marital status, national origin, colour, religion or political affiliation; and
 - (c) the provisions of the Labour Standards Arrangement proposed by the Federal Department of Labour in 1970 shall be applicable to this Agreement, it being understood and agreed that to the extent that there are higher Ontario standards applicable to particular occupations or regions, these higher standards shall apply.

EVALUATION

14. During this Agreement, Canada and Ontario shall jointly effect a continuing assessment of the projects listed in Schedule "A" having regard to the Agreement's stated objectives. A progress report shall be submitted by the Management Committee to the Ministers on or before their annual meeting as prescribed in subsection 9.1 and section 10 of the GDA. The evaluation process shall be completed within twelve months of the termination date specified in section 8.

AMENDMENTS

15. This Agreement, and Schedule "A" thereof, may be amended from time to time by the Ministers in writing. It is expressly understood and agreed, however, that any amendment to subsection 5 (3) shall require the approval of the Governor in Council.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Minister of Regional Economic Expansion and the Minister of Manpower and Immigration, and on behalf of the Province by the Treasurer of Ontario and Minister of Economics and Intergovernmental Affairs.

GOVERNMENT OF CANADA

Witness

Minister of
Regional Economic Expansion

Witness

Minister of
Manpower and Immigration

GOVERNMENT OF
THE PROVINCE OF ONTARIO

Witness

Treasurer of Ontario and
Minister of Economics and
Intergovernmental Affairs

CANADA-ONTARIO
SUBSIDIARY AGREEMENT
NORTHWESTERN ONTARIO

SCHEDULE "A"

<u>Project Description</u>	<u>Estimated Total Costs</u> (\$'000)
----------------------------	--

I. COMMUNITY INFRASTRUCTURE PROGRAM

1. Thunder Bay sewage system improvements

- | | |
|--|-------|
| (a) Construction of a 4 400' long
(2 600' x 66" diameter plus
1 800' x 84" diameter) gravity
connector from the North Ward
sewage treatment plant to the
South Ward plant on Atlantic
Avenue | 2 964 |
| (b) Conversion of North Ward plant
to a pumping station | 1 824 |
| (c) Kam interceptor - construction
of 13 800' of sewer (42" to
54" diameter) from Christina
Street to Neebing Avenue | 6 000 |
| (d) Neebing interceptor - construc-
tion of 48 000' (8 000' x 72"
plus 20 000' x 54" plus 20 000'
x 36") of trunk sewer into
vacant lands west of the
Thunder Bay Expressway | 9 050 |

Project Description

Estimated Total Costs
(\$'000)

(e) McLaughlin interceptor-
construction of 2 500' of 24"
diameter trunk sewer from
McTavish and McLeod Streets
to the sewage treatment plant

420

(f) Maureen Street interceptor -
construction of 6 900' (2 600'
x 18" plus 4 300' x 14") of
gravity and force sewer along
Maureen Street to the connector
linking the treatment plants

760

(g) Lillian Street interceptor -
construction of 9 000' of 36"
diameter sewer from Clarke
Street to Lillian Street -
involves solid rock and a
river crossing

2 200

23 218

2. Establishment of a new town-site in
the Lake St. Joseph area

3 000

3. Ignace sewage treatment plant
expansion

342

II. ROAD CONSTRUCTION PROGRAM

1. Resource Access Roads

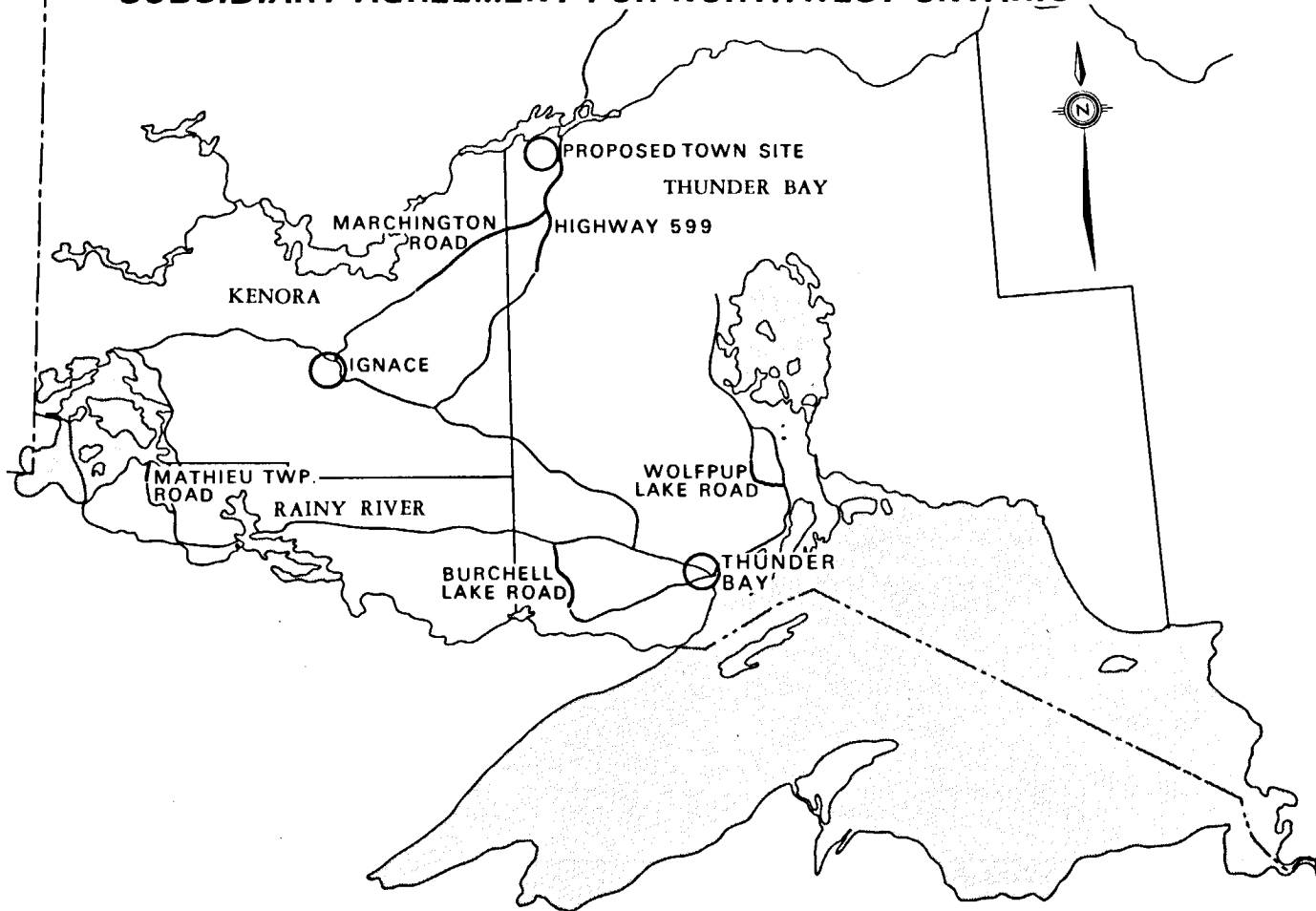
(a) Marchington Road - northeast
of Sioux Lookout to junction
with Highway 599 (grading-
approximately 40 miles,
upgrading-approximately
25 miles)

2 250

Project Description		Estimated Total Costs	
		(\$'000)	
b)	Mathieu Township Road - for Highway 600 northward (grading-approximately 10 miles)	350	
c)	Burchell Lake Road - from Burchell Lake southward (grading-approximately 34 miles)	1 530	
d)	Wolfpup Lake Road - from Wolfe River Road to Black Sturgeon Road (upgrading- approximately 15 miles)	105	4 235
17	2. Highway 599 - from Savant Lake to Pickle Lake (upgrading-approximately 103 miles)		6 000
III.	STUDY PROGRAM		
	1. Study to identify the infrastructure elements needed to service the industrial developments being contemplated for joint accommodation in a proposed industrial area near Thunder Bay		150
	2. Study related to the harvesting of wild rice		50
			36 995 ¹

¹This amount does not provide for any contingency allowance as reflected in subsection 5 (3) of this Agreement.

**PROJECTS INCLUDED IN CANADA / ONTARIO
SUBSIDIARY AGREEMENT FOR NORTHWEST ONTARIO**



Thunder Bay projects included in Canada/Ontario Northwest Ontario Subsidiary Agreement

