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Regional
Economic
Expansion

Expansion
Économique
Régionale

CANADA—QUEBEC
MINERAL DEVELOPMENT
1975—1979



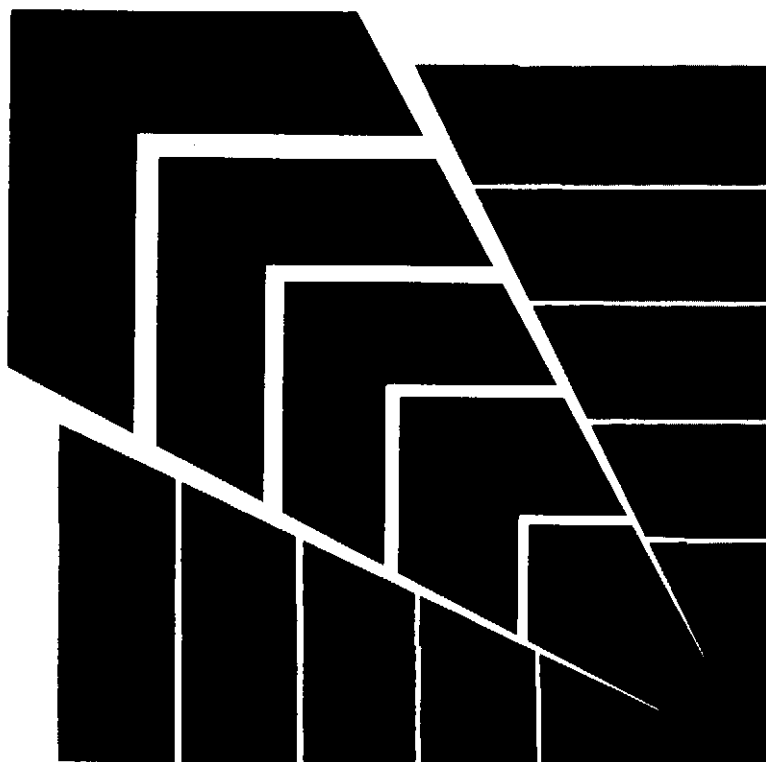
MARCH 29, 1976

subsidiary agreement



Regional
Economic
Expansion

Expansion
Économique
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CANADA-QUEBEC
SUBSIDIARY AGREEMENT
ON MINERAL DEVELOPMENT
1975-1979

THIS AGREEMENT made this 29th day of March, 1976

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 of Quebec and the Minister responsible for the Quebec Planning and Development Bureau,

OF THE SECOND PART.

WHEREAS Canada and Quebec signed a General Development Agreement on March 15, 1974, to attain 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 optimum development of its various regions;
- (d) to promote increased participation by Quebecers in their own development;
- (e) to promote balanced development in Quebec in relation to the various regions of Canada;

AND WHEREAS the development of mineral resources is essential to the development of Quebec and is considered such by the two governments;

AND WHEREAS the Governor in Council, by Order in Council P.C. 1976-719 of the 26th day of March, 1976, 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. 999-76, of the 24th day of March, 1976, has authorized the Minister of Intergovernmental Affairs of Quebec and 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

I. In this Agreement:

- (a) "Agent of Quebec" means a Crown Corporation of Quebec;
- (b) "Schedule A" means the schedule containing the problems and objectives;
- (c) "Schedule B" means the schedule containing a list of costs, the cost distribution and the schedule for completion of the projects;
- (d) "Development Committee" means the Committee established pursuant to subsection 9.1 of the General Agreement;
- (e) "Management Committee" means the Committee established pursuant to subsection 10(2) of this Agreement;
- (f) "termination date" means the date on which a project is completed, as determined by the Management Committee;
- (g) "deadline" means the last date for authorizing eligible work as specified in Schedule B;
- (h) "duration of this Agreement" means the period between the date this Agreement is signed and March 31, 1979;
- (i) "Subsidiary Agreement" means an agreement made pursuant to section 6 of the General Agreement;
- (j) "General Agreement" means the Agreement between Canada and Quebec on the socio-economic development of Quebec, signed on the 15th day of March, 1974;

- (k) "fiscal year" means the period commencing on April 1 of any year and terminating on March 31 of the immediately following year;
- (l) "Prime contractor" means Quebec or its agents;
- (m) "Department" means the Department of Regional Economic Expansion;
- (n) "Federal Minister" means the Minister of Regional Economic Expansion and includes anyone authorized to act on his behalf;
- (o) "Ministers" means the Federal Minister and the Quebec Minister;
- (p) "Quebec Minister" means the Minister responsible for the Quebec Planning and Development Bureau and includes anyone authorized to act on his behalf;
- (q) "Bureau" means the Quebec Planning and Development Bureau; and
- (r) "capital project" means any specific project, as determined by the Management Committee, in which construction or activities related to construction are involved.

PURPOSE

- 2. (1) The purpose of this Agreement is to assist Quebec in carrying out activities with a view to encouraging the mineral development of Quebec.
- (2) Without limiting the nature of the projects listed in Schedule B, this Agreement shall provide for the financing of access roads, geoscientific projects and the research and development work carried out by the Mineral Research Centre, Department of Natural Resources.
- 3. (1) Quebec shall undertake, either directly or through agents of the Province, the projects listed in Schedule B of this Agreement.
- (2) Quebec or the agent concerned, as the case may be, 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 all interests in lands that are required for the realization of 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 eligible costs of each project and that of Quebec shall be forty per cent (40%) of the eligible costs of each 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 12 months of the day on which the project is completed.
6. (1) Subject to sections 2 and 3 of this Agreement, the costs to be financed by the Department and the Bureau in respect of the projects or portions thereof listed in Schedule B are:
 - (a) for all capital projects, the direct costs which, in the opinion of the Management Committee, are reasonably and properly incurred for the realization of the project by the prime contractor. These direct costs exclude administration, research, survey, engineering, architecture and construction supervision costs;
 - (b) as compensation for the costs excluded under paragraph (a) and strictly for capital projects, an amount equal to ten per cent (10%) of the direct costs incurred;
 - (c) for all projects which are not capital projects, all direct costs which, in the opinion of the Management Committee, are reasonably and properly incurred for the realization of the projects by the prime contractor. The costs excluded in paragraph (a) are not considered eligible for this type of project;
 - (d) with specific reference to industrial research and development work by the Mineral Research Centre, the following are considered direct costs:
 - salaries paid to casual workers assigned to a research project; and
 - salaries paid to all permanent employees assigned exclusively to a research project having a duration of more than one month.

- (2) The costs relating to the acquisition of lands and interests in lands shall be assumed by the prime contractor and are not chargeable to the shared costs.
7. Notwithstanding any other provision of this Agreement, with the exception of section 15, the financial contribution of the Department shall be limited to \$17 160 000 and that of the Bureau to \$11 440 000, making \$28 600 000 the total amount to be spent under this Agreement.
8. This Agreement, including the Schedules, may be amended with the written consent of the Ministers, except for section 7 which may be amended only with the approval of the Governor in Council and the Lieutenant Governor in Council.
9. Eligible expenditures incurred and paid prior to the signing 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, 1975 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. Representatives of the Department and of the Bureau will act as co-chairmen.
- (3) The Management Committee is responsible to the Development Committee, and its specific tasks are:
- (a) to recommend projects to the Development Committee in light of the objectives stated in this Agreement;
 - (b) to see to the implementation of the projects provided for in Schedule B;
 - (c) to suggest amendments to be made to this Agreement including the Schedules, 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 the 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 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 for approval before the call to tender or the commencement of 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, decide otherwise.
 - (c) Any major amendment to a construction or purchase contract recommended by Quebec shall require the approval of the Management Committee.
 - (d) The Management Committee, at the request of one of its members, or at least quarterly, shall be permitted 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 made by Canada shall be made to Quebec, promptly and according to the proportions agreed upon in subsection 4 (2) 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 agreed 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 ninety per cent (90%) of 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 verified in the manner and form mutually agreed upon and to the satisfaction of the Federal Minister. Any discrepancy between the amounts paid by Canada by way of interim progress payments and the amount actually payable by the Department shall be promptly adjusted by Canada and Quebec.
 - (4) All expenses paid pursuant to subsection 12 (2) in a fiscal year, which prove inadmissible after verification during a subsequent fiscal year, will be considered expenses chargeable to the budget of this agreement.
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 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 criteria established by the Development Committee, in the year following the signing of this Agreement.

GENERAL

17. Canada and Quebec undertake to co-operate on the development and implementation of a public information program on the projects covered by this subsidiary agreement and furthermore agree that:
 - (1) All documents inviting tenders and public advertisements related to projects under this Agreement must specify the following: "This development project is financed by the Department of Regional Economic Expansion of Canada and by the Quebec Planning and Development Bureau and implemented by the Quebec Department of Natural Resources" or other such 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 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 this 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 carried out within the framework of the implementation of programs or projects will be undertaken in accordance with the labour standards agreed upon 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 materials and Canadian professional services shall be used in respect of all projects to the extent that 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 Marcel Lessard, Minister of Regional Economic Expansion, and on behalf of Quebec by the Honourable François Cloutier, Minister of Intergovernmental Affairs and the Honourable Gérard D. Lévesque, Minister responsible for the Quebec Planning and Development Bureau, on the above-mentioned day and year.

IN THE PRESENCE OF:

SIGNED ON BEHALF OF CANADA

Witness

Minister of
Regional Economic Expansion

IN THE PRESENCE OF:

SIGNED ON BEHALF OF QUEBEC

Witness

Minister of
Intergovernmental Affairs, Quebec

Witness

Minister responsible for the Quebec
Planning and Development Bureau

CANADA-QUEBEC
SUBSIDIARY AGREEMENT
ON MINERAL DEVELOPMENT
1975-1979

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 in the Mining Sector

Despite the vastness of Quebec's potential underground wealth, exploitable mineral resources are unevenly distributed among the various regions. Mineral resources are found mainly in Abitibi-Témiscamingue, Saguenay-Lac St-Jean-Chibougamau, the North Shore, New Quebec, the Eastern Townships and the Gaspé.

Research and development of mineral deposits depend on several factors including:

- the presence of favourable geological formations;
- ready access to promising zones;
- awareness of these high-potential areas by economic interests;
- exploration costs;
- mining costs;
- available technology;
- taxing of mining operations;
- national and international markets.

These factors, which range from purely scientific considerations to political and economic restraints, affect the growth of mining in Quebec to varying degrees reflected in four basic economic limits:

- the volume of mineral production;
- the value of this production;
- the number of jobs created by the sector;
- the amounts spent on exploration.

Volume of Production

Because of the fundamental differences in mineral substances (gold is measured in ounces, copper in pounds, iron in tons), it is impossible to furnish an overall figure for the volume of mining production in Quebec; each substance must be analysed separately.

On the basis 1960 = 100, copper production had declined to 98.7, gold to 46.5 and silver to 72.2 by 1973. During that period, the only important minerals to show progress were iron, asbestos and zinc, indexed at 198.6, 156.4 and 312.9 respectively. Obviously, these trends affected economic growth in the various regions; while the North Shore developed rapidly because its iron production doubled between 1960 and 1973, the Northwest experienced only slight growth because its mining economy is founded mainly on base and precious metals.

Value of Production

Conversely, the value of mining production grew steadily during the same period, increasing from \$359 million in 1960 to \$589 million in 1965, \$681 million in 1970, and \$950 million in 1973. In current dollars, this represents an increase of 165 per cent while in constant dollars it represents only 75 per cent. In terms of real growth, the value of production increased at an annual rate of only 4.4 per cent over the last 13 years.

Number of Jobs

Despite the steady rise in the value of production and some upward fluctuations in output, the number of jobs decreased between 1963 and 1972. In 1972, there were 20 203 jobs, compared with 23 677 in 1963. The regions of Gaspé, Saguenay - Lac St-Jean, the Northwest and the North Shore (including New Quebec) employed respectively 1 458, 2 111, 4 281 and 2 242 persons in 1972, compared with 993, 2 172, 6 669 and 3 170 persons in 1963. (Source: Quebec Bureau of Statistics).

Amounts Spent on Exploration

Each year, private industry invests between \$10 and \$15 million in mineral exploration in Quebec. An annual growth rate of about 7.5 to 8 per cent in Quebec's metallic mineral sector would call for an investment of somewhere between \$25 and \$30 million, or 6 per cent of the value of metallic mineral production.

The Main Problems in the Mining Sector

There are three main problem areas: regional economic conditions, processing of raw materials and mineral research.

Regional Problems

The economy of Quebec's Northwest is to a great extent founded on the mining of base metals such as copper and zinc. This region has been hard hit by declining production and by the closing of a number of mines. To a lesser extent the Gaspé also relies heavily on the mining industry (Gaspé Copper Mines, Madeleine Mines). At present, only the North Shore has a thriving economy, based on iron mining in New Quebec. However, that region's spectacular progress rests on the precarious foundation of a single ore, subject to the hazards of a market and decision centres over which Quebec has no control. Finally, the Eastern Townships suffers from a lack of diversification in its mining industry.

The Processing Sector

The processing industry has not kept pace with primary production and is characterized by a lack of diversification. The amount of processing can be measured with reference to building materials, industrial minerals and metals, three sectors which accounted for 17.53 per cent, 27.1 per cent and 55.6 per cent respectively of the value of Quebec's mineral production in 1972. More than 90 per cent of building materials derived from mining were either processed or used in the raw state in Quebec. Among the industrial minerals, processing also compared favourably with production, except in the case of asbestos. For metals, the picture is not as bright. Efforts to increase Quebec processing should be concentrated on iron, asbestos and other minerals with promising economic potential.

Particular attention should be given to copper processing, which is becoming increasingly dependent on outside sources to supply its smelters and refineries. If processing plants are built in source provinces such as Ontario and Newfoundland, Quebec's copper processing industry may well find itself in difficult straits.

Furthermore, despite increased costs and increasing distances from promising sites, exploration expenditures have not advanced since 1960, while present copper and zinc reserves will last only about eight to ten years. Quebec's ability to improve its present standing in the processing sector depends to a large extent on whether new finds are made.

Industrial Research and Development

The exploitation of low-grade ores and complex mineralization deposits poses many problems related to extraction and refining. In order to ensure economic growth of Quebec's mining sector, it will be necessary to encourage exploitation of these known but undeveloped resources by solving the technical and technological problems that stand in the way of mining and mineral processing.

The problems of conserving and processing resources and, in the case of certain metals such as aluminum, copper and zinc, of increasing production, can only be solved by the development of research units and centres specializing in minerals and metals.

Through its Mineral Research Centre, the Government of Quebec intends to develop new treatment and processing techniques and equipment and to discover new applications for mineral resources.

The various projects of the Mineral Research Centre require sizable investments in equipment, laboratories and pilot plants. A new pilot plant with the latest equipment is required for April 1978, while new laboratories will be needed by 1976 and after. The development of the Mineral Research Centre is necessary, in order to create a truly competent team of researchers and to ensure that the processes adopted have a large domestic content.

Problems in the Hydrocarbons Sector

Most of Quebec's energy consumption (78 per cent) is accounted for by hydrocarbons. All the oil and gas used in Quebec are imported from various producing countries, or, in the case of gas, from Alberta. In view of the international oil situation, this total dependence causes uncertainty and may even result in actual energy shortages in Quebec.

It is therefore important that the federal and provincial governments provide the oil companies with additional incentives for hydrocarbon exploration in the main sediment basins in Quebec. Exploration by the private sector will increase only to the extent that the Department of Natural Resources acquires and makes available basic geological, geophysical and geochemical data.

Proposed Objectives and Programs

The purpose of this subsidiary agreement is to encourage mining and utilization of Quebec's natural resources for the benefit of Quebecers, by financing an integrated program of mineral and oil exploration, research and national resource use. These programs are divided into four main areas:

- mining access roads;
- geoscientific mineral studies;
- geoscientific hydrocarbon studies;
- industrial research and development projects.

Mining Access Roads

A favourable geological zone cannot be rapidly and economically developed unless access roads are built. It is unrealistic to think that mining companies would be interested in carrying out exploration work in a territory that could be reached only by air. If heavy equipment had to be transported to the site by air, operating costs would be far too high to make exploration worth while. A decline in exploration activity would reduce the likelihood of making new finds.

This subsidiary agreement will therefore provide for the building of access roads to the most promising geological zones with a view to maximizing exploration by the private sector. Experience shows that the building of roads to resources leads to the discovery of profitable mineral deposits. Furthermore, this agreement will facilitate the exploitation of known deposits through the building of permanent roads.

Geoscientific Mineral Studies

The goal of the geoscientific mineral program proposed for the next three fiscal years is to stimulate the mining industry's interest in economically disadvantaged regions, in which the exploitation of the mining potential is likely to have a major economic impact.

The projects financed under this Agreement will increase geological knowledge through auxiliary geoscientific methods such as aerial geophysics, drilling-assisted geochemistry and geophysics. The various projects will identify new geological zones of high exploitable potential and later provide prospecting companies with incentives to carry out activities in those zones.

Geoscientific Hydrocarbon Studies

The goal of the geoscientific program on hydrocarbons is to further knowledge in this field through geological, geophysical and geochemical projects aimed at stimulating petroleum and gas exploration and identifying the best sites for underground hydrocarbons storage. The program will enable the Department of Natural Resources to furnish a complete range of reliable geoscientific data that interested companies will do well to consult when planning exploration programs.

Industrial Research and Development Projects

Quebec now possesses a number of complex mineral deposits of great value that cannot be exploited for economic reasons.

The research and development program will focus on techniques for exploiting and processing complex ores that cannot at present be reduced to concentrates that meet the current specifications of processing plants. This program will help solve pollution-related problems and will make it possible for the mining industry to maintain and even increase the volume of mineral processing.

The objectives of the industrial research and development program may be expressed as follows:

- (a) to encourage greater exploitation and processing of mineral resources in Quebec;
- (b) to ensure conservation and rational use of Quebec's resources;
- (c) to protect public health and avoid environmental deterioration;
- (d) to encourage the formation of metallurgical research teams composed of Quebecers.

CANADA-QUEBEC
SUBSIDIARY AGREEMENT
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SCHEDULE B

| <u>CODE</u> | <u>PROJECT DESCRIPTION</u> | <u>DISTRIBUTION OF COSTS</u> <u>(Canada 60%/Quebec 40%)</u> | | | <u>DEADLINE</u> |
|-------------|--|--|---------------|---------------|-----------------|
| | | <u>TOTAL ESTIMATED*</u> | <u>CANADA</u> | <u>QUEBEC</u> | |
| | | <u>COST</u> | <u>DREE</u> | | |
| | Access to mineral resources | 10 700 | 6 420 | 4 280 | 31/3/79 |
| | Geoscientific studies and oil exploration | 6 200 | 3 720 | 2 480 | |
| | Industrial research and development projects | 7 400 | 4 440 | 2 960 | |
| | Total | 24 300 | 14 580 | 9 720 | |
| | Reserve capital (15%) | 4 300 | 2 580 | 1 720 | |
| | <u>GRAND TOTAL</u> | <u>28 600</u> | <u>17 160</u> | <u>11 440</u> | |

* including 10% for indirect costs

APPROVED BY THE CANADA-QUEBEC GENERAL AGREEMENT DEVELOPMENT COMMITTEE

FOR CANADA

FOR QUEBEC

for The Honourable Marcel Lessard

DATE _____

for The Honourable Gérard-D. Lévesque

DATE _____

Minister of
Regional Economic Expansion

Minister responsible for the Quebec Planning
and Development Bureau

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