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subsidiary  
agreement



Regional  
Economic  
Expansion

Expansion  
Économique  
Régionale

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FINANCING OF 1974-1978  
SIDBEC EXPANSION PLAN

APR 29 1974

CANADA/ QUEBEC

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MARCH 15, 1974

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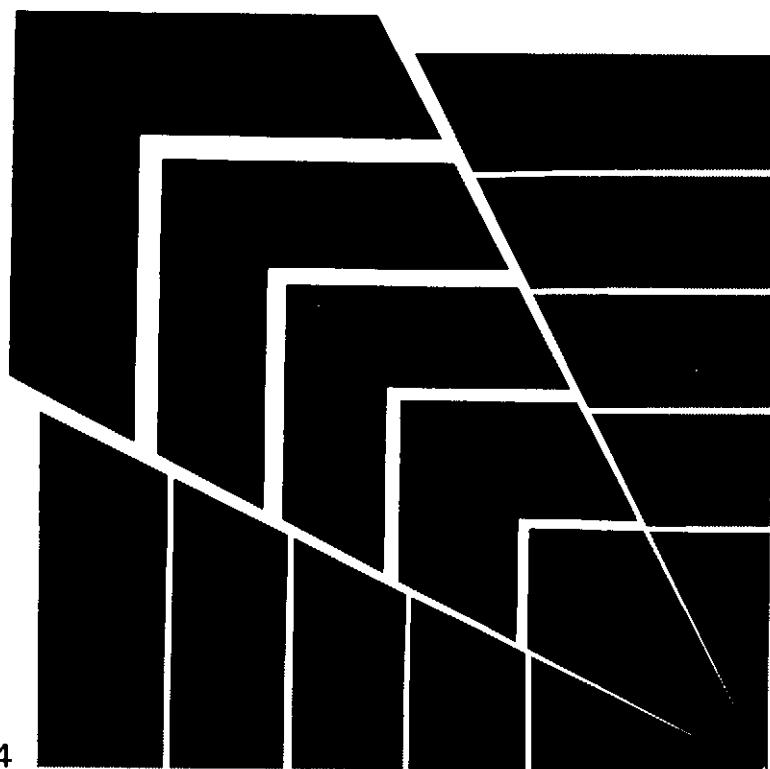


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FINANCING OF 1974-1978  
SIDBEC EXPANSION PLAN

CANADA/ QUEBEC



MARCH 15, 1974

CANADA-QUEBEC SUBSIDIARY AGREEMENT ON THE  
FINANCING OF THE 1974-1978 SIDBEC EXPANSION  
PLAN

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THIS AGREEMENT made this 15th day of March, 1974

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 responsible  
for the Quebec Planning and Development  
Bureau,

OF THE SECOND PART.

WHEREAS Canada and Quebec, in signing the General Development Agreement, have defined the general principles of their cooperation in furthering the social and economic development of Quebec;

AND WHEREAS in Schedule "A" of the General Development Agreement Canada and Quebec have agreed on the general direction that the social and economic development of Quebec will take;

AND WHEREAS one aspect of the industrial strategy agreed on by Canada and Quebec consists of accelerating the transformation of Quebec's industrial structure;

AND WHEREAS steel and allied industries are recognized by Canada and Quebec as constituting a sector of high economic growth;

AND WHEREAS increasing steel production in Quebec, to meet the demands of the Canadian and Quebec markets, is a key factor in the effort to re-organize Quebec's industry;

AND WHEREAS the SIDBEC Corporation, by its 1974-1978 Expansion Plan, will be instrumental in attaining this objective, and in order to carry out its Plan it needs a substantial investment by the Government of Quebec and significant financial assistance from the Government of Canada;

AND WHEREAS Canada and Quebec agree to proceed with their consideration of various development opportunities in the steel and allied industries;

AND WHEREAS the Governor in Council, by Order in Council P.C. 1974-565 of March 12, 1974, 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. 913-74, dated March 13, 1974, has authorized the Minister responsible for the Quebec Planning and Development Bureau to sign this Agreement on behalf of Quebec;

NOW THEREFORE the parties hereto have agreed as follows:

#### DEFINITIONS

1. In this Agreement:
  - (a) "General Development Agreement" means the General Development Agreement on social and economic development concluded on March 15, 1974 by Canada and Quebec;
  - (b) "Federal Minister" means the Minister of Regional Economic Expansion of Canada and includes anyone authorized to act on his behalf;
  - (c) "Minister of Quebec" means the Minister responsible for the Quebec Planning and Development Bureau and includes any person authorized to act on his behalf;
  - (d) "Ministers" means the Federal Minister and the Minister of Quebec;
  - (e) "Department" means the Department of Regional Economic Expansion;
  - (f) "Bureau" means the Quebec Planning and Development Bureau;
  - (g) "Corporation" means the SIDBEC Corporation;
  - (h) "Development Committee" means the committee established by subsection 9(1) of the General Development Agreement;
  - (i) "Management Committee" means the committee established by section 4 of this Agreement;

- (j) "fiscal year" means the period commencing on April 1st of any year and terminating on March 31st of the immediately following year;
- (k) "duration of this Agreement" means the period commencing on March 15, 1974 and terminating on March 31, 1978;
- (l) "deadline" means the latest date on which eligible construction work can be completed;
- (m) "Schedule "A"" means the program of construction work in the 1974-1978 SIDBEC Expansion Plan;
- (n) "Schedule "B"" means the arrangements for financing work contemplated by Schedule "A".

#### OBJECTIVE

- 2. (1) The objective of this Agreement is to enable the Corporation to carry out its 1974-1978 Plan, so that it can meet the increasing demand for steel.
- (2) Without limiting the generality of the foregoing, the objective of this Agreement is in particular to enable the Corporation:
  - (a) To increase its production capacity so that it can secure a greater share of the present market, and of the expected growth in that market;
  - (b) to further rationalize its production methods so that it can increase productivity and benefit from the new technology it has adopted;
  - (c) to diversify its products in order to achieve a substantial increase in profits;
  - (d) to receive substantial financial support from Canada and Quebec in the form of grants, investments and loans, thereby facilitating the carrying out of the Expansion Plan described in Schedule "A".

#### MANAGEMENT

- 3. This agreement shall be supervised by the Development Committee the composition and duties of which are set out in section 9 of the General Development Agreement.
- 4. (1) A Management Committee shall be established to supervise the implementation of this Agreement and provide routine

management; this Committee will consist of an equal number of representatives of Canada and of Quebec, appointed by each Minister.

- (2) The Committee shall perform the duties assigned to it by this Agreement, and report to the Development Committee.
- (3) Canada and Quebec undertake to provide the Management Committee, through their respective representatives, with all the information necessary for it to carry out its functions.

#### FINANCIAL AND ADMINISTRATIVE PROCEDURES

5. Canada and Quebec shall participate in financing the work indicated in Schedule "A", in accordance with the financing arrangements set out in Schedule "B", to the extent that the said work is performed while this Agreement is in effect.
6. Notwithstanding any other provision of this Agreement, the total amount of expenditure by Canada under this Agreement shall not exceed the sum of \$30 million in grants.
7. In the event that the Corporation makes any major alteration in performance of the work indicated in Schedule "A", Canada and Quebec reserve the right to alter their financial obligations under this Agreement.
8. (1) In each fiscal year the contribution of Canada in accordance with this Agreement is conditional on allocation of funds for this purpose by the Parliament of Canada.  
  
(2) In each fiscal year the contribution of Quebec in accordance with this Agreement is conditional on allocation of funds for this purpose by the Quebec National Assembly.
9. (1) All payments made to Quebec by Canada in accordance with section 10 of this Agreement shall be made to the Consolidated Fund of Quebec through the Bureau;  
  
(2) All payments made by Canada in accordance with the provisions of the foregoing paragraph shall be paid to the Corporation by Quebec as soon as possible.
10. (1) Subject to section 9, Canada shall pay Quebec, after the signing of this Agreement and before March 31, 1974, the sum of \$10 million as a progress payment.

- (2) Quebec shall keep accounts of the progress payment provided for in subsection (1), and shall submit to Canada before March 31, 1975 a detailed statement of expenditures, submitted in the form and verified in the manner agreed on. Any discrepancy between the amount paid by Canada as a progress payment and the amount in fact payable shall be adjusted by Canada and Quebec as soon as possible.
  - (3) Other annual payments up to the amount specified in Schedule "B" shall be made by Canada as work progresses and expenditures are actually incurred in the year in question; they shall be made on the recommendation of the Management Committee, and on presentation by Quebec in the form and manner provided in subsection (2) of a request approved by the President of the Bureau or his agent.
  - (4) Quebec shall keep account of the payments specified in subsection (3) and submit to Canada, within one hundred and twenty days following the payment, a detailed statement of expenditures, submitted in the form and verified in the manner agreed on. Any discrepancy between the amounts paid by Canada and the amounts in fact payable shall be adjusted by Canada and Quebec as soon as possible.
11. Quebec undertakes that the Corporation shall maintain a current, detailed record concerning its 1974-1978 Expansion Plan, and furnish Canada on request with all accounting information necessary for verification of claims regarding work performed under this Agreement.
12. (1) Quebec undertakes in respect of Canada to provide by June 1, 1974 at the latest a copy of the protocol it shall sign with the Corporation to give effect to this Agreement.
- (2) This protocol shall contain provisions, agreed beforehand between the Ministers, dealing with the following points:
- (a) The critical path for completion of work specified in Schedule "A";
  - (b) the nature and frequency of reports to be submitted to the Management Committee;
  - (c) general provisions relating to progress of work and expenditures, by the presentation of accounting

information and documentation to the Management Committee;

- (d) provisions relating to inspection of the work by any member of the Management Committee or his agent, and the appointment of a representative of the Company to the said Committee;
  - (e) general provisions relating to working conditions, employment, awarding of contracts, selection of materials and professional services, in accordance with sections 15, 16 and 17 of the General Development Agreement.
13. This Agreement, including Schedules "A" and "B", may be amended with the written consent of the Ministers, with the exception of section 6, which may only be amended with the consent of the Governor in Council.

#### EVALUATION

14. In accordance with the provisions of subsection 6(5) of the General Development Agreement, the 1974-1978 Expansion Plan of the Corporation will be assessed in terms of standards defined by the Development Committee in the year following signature of this Agreement.

#### GENERAL PROVISIONS

15. No member of the Senate, the House of Commons or the Quebec National Assembly shall receive any share in any contract, agreement, commission or benefit relating to work performed under this Agreement.
16. Quebec shall save harmless Canada, its employees and representatives, against any claim submitted by third parties and resulting from the performance of work done under this Agreement.
17. (1) Canada shall provide, install on site and maintain throughout the period when work is in progress, one or more signboards indicating that the work concerned is undertaken and financed in accordance with this Agreement, or bearing any other statement having the same meaning approved by the Ministers.
- (2) Canada reserves the right to provide and install, wherever suitable, on completion of the work, a permanent plaque or signboard bearing an inscription to the effect indicated in subsection (1).



18. Any official inauguration ceremonies shall be organized by the Ministers jointly.

IN WITNESS WHEREOF, the Hon. Donald C. Jamieson, Minister of Regional Economic Expansion, has affixed his signature on behalf of Canada, and The Hon. Gérard-D. Lévésque, Minister responsible for the Quebec Planning and Development Bureau, has affixed his signature on behalf of Quebec, on the day and in the year above stated.

IN THE PRESENCE OF:

SIGNED ON BEHALF OF CANADA

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Minister of  
Regional Economic Expansion

SIGNED ON BEHALF OF QUEBEC

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Minister Responsible for the  
Quebec Planning and Development  
Bureau

SCHEDULE A  
SIDBEC  
1974-1978 EXPANSION PLAN  
CAPITAL EXPENDITURE (\$000)

DESCRIPTION		TOTAL 1974-1978	1974	1975	1976	1977	1978
Raw materials	Scrap yard (1-1-74)	1,450	1,450				
	Upgrading and Pelletizing plant (1-1-77)	27,000	1,000	10,000	16,000		
	Subtotal	28,450	2,450	10,000	16,000		
Contrecoeur	Unloading, stocking and handling of iron ore (1-10-1976)	2,200	300	800	1,100		
	Reduction (1-1-1976)	24,800	12,800	12,000			
	Steel plant - furnaces and continuous casting (1-7-1976)	45,530	9,440	25,190	10,700	100	100
	Sheet galvanizing (1-1-1977)	12,000	1,000	5,000	6,000		
	General	2,500	300	1,600	200	200	200
	Subtotal	87,030	23,840	44,590	18,000	300	300
SIDBEC - TOTAL		115,480	26,290	54,590	34,000	300	300
	Hot rolling mill	9,800	800	1,850	2,150	2,900	2,100
	Cold rolling mill	4,800	4,200	100	200	100	200
	Rod and Bar mill	18,150	2,150	10,850	4,050	550	550
	General	2,800	300	1,500	600	200	200
	Subtotal	35,550	7,450	14,300	7,000	3,750	3,050
	Montreal	Electric Steel Plant	550	350	50	50	50
Wire Mill		20,000	6,700	7,500	2,800	2,000	1,000
10" and 18" Mills		1,360	740	500	40	40	40
Pipe Mill		2,100	500	300	800	300	200
General		1,500	300	300	300	300	300
Subtotal		25,510	8,590	8,650	3,990	2,690	1,590
Other plants	5,280	1,040	1,120	1,140	1,020	960	
Executive Offices	3,450	420	1,220	670	720	420	
SIDBEC-DOSCO-TOTAL		69,790	17,500	25,290	12,800	8,180	6,020
GRAND TOTAL FOR THE COMPANY		185,270	43,790	79,880	46,800	8,480	6,320

SCHEDULE B  
FINANCING ARRANGEMENT FOR STDBEC PROJECT (\$000)

	TOTAL 1974-1976	1974	1975	1976		
Capital expenditures (in 1973 dollars)	170,470	43,790	79,880	46,800		
Price increases (7% per annum on capital expenditures)	25,172	3,065	11,575	10,532		
Contingencies (10%)	19,565	4,686	9,146	5,733		
Total capital investment	215,207	51,541	100,601	63,065		
Repayment - debts contracted prior to 1974	27,299	15,901	7,049	4,349		
Increase in working capital	3,585	(3,918)	(5,632)	13,135		
Miscellaneous expenditures	504	168	168	168		
REQUIREMENTS	246,595	63,692	102,186	80,717		
Cash flow from operations	49,736	12,766	15,005	21,965		
Payments on capital stock subscribed in 1970	15,000	12,000	3,000	-		
Disposal of assets	651	175	462	14		
INTERNAL SOURCES	65,387	24,941	18,467	21,979		
REQUIRED FINANCING 1974-1976	181,208	38,751	83,719	58,738		
Additional capital stock	60,000	6,000	6,000	15,000	18,000	15,000
Paid-in surplus - QIDC	6,046	185	1,919	3,942		
Federal grants <sup>1</sup>	30,000	10,000	10,000	10,000		
Loans - Quebec Deposit and Investment Fund	60,000	20,000	20,000	20,000		
Other long term loans	20,000		10,000	10,000		
Government of Quebec	5,162			5,162		
Bank		2,566	35,800	(5,366)	(18,000)	(15,000)
FINANCING SUPPLIED	181,208	38,751	83,719	58,738	-	-

<sup>1</sup>Payments made in the course of each calendar year.

