

Canada 

Québec 

**AGREEMENT IN PRINCIPLE, CONCLUDED JUNE 21, 2005**

**ON THE TRANSFER OF REVENUE FROM A PORTION OF THE FEDERAL GASOLINE EXCISE TAX ON GAS AND THE PROVISION OF ADDITIONAL MONEY UNDER BILL C-48, TO PROVIDE FUNDING FOR MUNICIPAL AND LOCAL INFRASTRUCTURES, IN A SUSTAINABLE DEVELOPMENT CONTEXT**

**BETWEEN:**

**THE GOVERNMENT OF CANADA** (hereinafter called “Canada”),  
represented by the Prime Minister and the Minister of State (Infrastructure  
and Communities)

**AND:**

**THE GOUVERNEMENT DU QUÉBEC** (hereinafter called  
“Québec”), represented by the Premier ministre and the ministre  
responsable des Affaires intergouvernementales canadiennes, de la  
Francophonie canadienne, de l’Accord sur le commerce intérieur, de la  
Réforme des institutions démocratiques et de l’Accès à l’information

WHEREAS Canada and Québec recognize that prosperous, creative and dynamic municipalities contribute to Québec's development;

WHEREAS Canada, as part of its new New Deal for Cities and Communities, has undertaken to promote prosperity in municipalities throughout Canada in a sustainable development context integrating economic, environmental, social and cultural dimensions;

WHEREAS Canada and Québec agree that modern infrastructure helps improve quality of life and contributes to sustainable development and economic vitality;

WHEREAS Québec has significant municipal and local infrastructure needs, which will require a major investment over the coming years;

WHEREAS Canada wishes to support Québec in maintaining, renewing and developing municipal and local infrastructure in a sustainable development context which aims to reduce greenhouse gases and improve water and air quality;

WHEREAS the Government of Canada's Budget 2005 underscored Canada's intention to provide the provinces and territories with an amount equal to a portion of the federal gasoline excise tax and an additional \$800 million dollars over two years under Bill C-48 to contribute to funding environmentally viable municipal and local infrastructure, and, for the federal excise tax, the federal contribution will be the equivalent of five cents per litre of gasoline in 2009-10;

WHEREAS Québec has established the Société de financement des infrastructures locales du Québec to contribute to the funding of municipal infrastructure;

WHEREAS the Société de financement des infrastructures locales du Québec is a corporate body and mandatary of the State, whose business is administered by a board of directors appointed by the Government, whose books and accounts are audited annually by the Auditor General of Québec and whose annual report is tabled in the Assemblée nationale du Québec;

WHEREAS the Board of Directors of the Société de financement des infrastructures locales du Québec is made up of representatives of the Gouvernement du Québec and municipal council members appointed after consultation among municipal representatives, including the Union des municipalités du Québec and the Fédération québécoise des municipalités;

WHEREAS the sole purpose of the Société de financement des infrastructures locales du Québec is to contribute financial aid to municipalities and municipal organizations to assist in creating infrastructure projects involving drinking water, wastewater, local road networks and public transit, and infrastructure projects with urban or regional economic impacts;

WHEREAS the Gouvernement du Québec agrees with the municipal representatives regarding the importance of an equitable division of financial aid payments to large and small municipalities in Québec.

IN WITNESS WHEREOF the parties agree to the following:

1. Canada and Québec hereby signify their intention to sign a final agreement to transfer revenues from a portion of the federal gasoline excise tax to the Gouvernement du Québec and to contribute additional money under Bill C-48 for the funding of municipal and local infrastructure, in a sustainable development context.
2. Canada and Québec undertake to implement the means required and to collaborate actively to reach said final agreement by October 31, 2005. To that end, Canada and Québec shall, within 10 days of signature of this agreement in principle, notify each other of the composition of the official delegation designated by them to pursue the negotiations.
3. The parties agree that the text of the final agreement shall be approved by their respective competent authorities before it is signed.
4. The purpose of this agreement is to establish a framework for the transfer of monies to provide Québec municipalities and municipal organizations with a stable, reliable, and predictable source of funding for municipal and local infrastructure, within a sustainable development context.
5. The following principles shall govern the implementation of a final agreement:
  - **Principle No. 1 - Respect for areas of jurisdiction**

Canada and Québec agree that the final agreement shall respect Québec's exclusive jurisdiction over municipal and local affairs.
  - **Principle No. 2 – A flexible, equitable approach**

The funds provided under this agreement shall be used to benefit urban, rural and remote municipalities in accordance to Québec's needs and priorities in local and municipal infrastructure.
  - **Principle No. 3 – Accountability and transparency**

Canada and Québec agree to exercise diligence and efficiency to ensure that the money provided under this agreement is made available to the municipalities promptly. Canada and Québec shall publicly report on a regular basis, using their own reporting mechanisms, on the use of the public funds provided under this agreement.
6. The money made available to municipalities and municipal organizations by the Gouvernement du Québec at the conclusion of this agreement shall constitute a new funding support measure; they shall neither include nor replace existing federal and provincial funds for municipal and local infrastructure.

7. The parties agree to the following:

a. Canada undertakes to:

- honour the local and municipal infrastructure agreements signed with Québec;
- ensure that funding provided within the framework of this agreement\_ is added to federal monies allocated to Québec under the Municipal Rural Infrastructure Fund, the Canada Strategic Infrastructure Fund and the Border Infrastructure Fund; and
- pay to Québec, subject to there being an appropriation by the Parliament of Canada for the fiscal year during which it is required, a total contribution of \$1,339,886,185. This payment shall be made according to the following timetable, subject to the terms and conditions of the *Budget Implementation Act, 2005-06* , and Bill C-48 :

<u>Fiscal Year</u>	<u>Canada's Contribution</u>
2005-06	\$232.6 M
2006-07	\$232.6 M
2007-08	\$184.2M
2008-09	\$230.2M
2009-10	\$460.4M

b. Québec undertakes to:

- ensure that Canada's contribution is paid to the Société de financement des infrastructures locales du Québec.
- ensure, subject to the terms and conditions set out in the final agreement, that this funding\_ is incremental to the provincial funds currently available to the municipalities and municipal organizations for the funding of municipal and local infrastructure;
- ensure that this funding\_ adds to the municipal expenditures for municipal and local infrastructure;
- ensure that this funding is reserved for the use of municipalities and municipal organizations in maintaining, renewing and developing municipal and local infrastructure, especially drinking water, wastewater, local road networks\_ and public transit with the intention of reducing greenhouse gases and improving air and water quality;
- ensure that the Société de financement des infrastructures locales du Québec submits reports on the use of its funds.

8. For the purposes of this agreement, a municipality or a municipal organization shall be defined as follows:
  - municipalities, bodies declared by law to be the mandatary or agent of a municipality, bodies whose board of directors is made up of a majority of members of the council of a municipality, as well as bodies whose budget is adopted by a municipality or more than half of the financing of which is assumed by a municipality;
  - metropolitan communities, regional county municipalities, intermunicipal boards, transit authorities, intermunicipal boards of transport, the Kativik Regional Administration and any other bodies whose board of directors is made up, in the majority, of members of the councils of several municipalities;
  - mixed enterprise companies established under the *Act Respecting Mixed Enterprise Companies in the Municipal Sector* (Chapter S-25.01);
  - a corporate body likened to a municipal organization by virtue of the *Act respecting the Société de financement des infrastructures locales du Québec* (Chapter S-11.0102).
9. The annual report produced by the Société de financement des infrastructures locales du Québec, in accordance with the *Act respecting the Société de financement des infrastructures locales du Québec*, shall be sent to Canada when it is tabled before the Assemblée nationale du Québec.
10. Canada may include, with appropriate references, all or part of the annual report produced by the Société de financement des infrastructures locales du Québec, in any report prepared for its own purposes, including published reports.
11. The annual report prepared by the Auditor General of Québec pursuant to the audit of the books and accounts of the Société de financement des infrastructures locales du Québec shall be sent to the Government of Canada.
12. The Gouvernement du Québec agrees to send to Canada any evaluation report prepared concerning projects funded under this agreement.
13. The parties agree that the final agreement shall provide for the joint preparation and implementation for its full duration of a communication plan designed to promote the exchange of information concerning activities set out in the agreement.

GOUVERNEMENT DU QUÉBEC

Original signed by:

Premier ministre

Le ministre responsable des Affaires  
intergouvernementales canadiennes, de la  
Francophonie canadienne, de l'Accord sur  
le commerce intérieur, de la Réforme des  
institutions démocratiques et de l'Accès à  
l'information

GOVERNMENT OF CANADA

Original signed by:

Prime Minister

Minister of State  
(Infrastructure and Communities)

**ADDENDUM**  
(for information purposes)

**INVESTMENT OBJECTIVES OF THE GOUVERNEMENT DU QUÉBEC**

In accordance with this agreement, the Gouvernement du Québec has decided on the following directives for use of funds transferred by the Government of Canada to the Société de financement des infrastructures locales du Québec (SOFIL):

- a. These funds shall be paid by SOFIL to municipalities and municipal bodies to help create infrastructure projects including drinking water, wastewater, local road networks and public transit;
- b. More than a quarter of the funds (assuming that the total amount provided in the agreement is transferred by the federal government) shall be used for public transit infrastructure over the next five years and will be distributed on a ridership basis.
- c. Slightly more than 20% of the funds shall be provided to small communities over the next five years, representing a slightly larger proportion in comparison to Québec's rural residents.