



**CANADA**

**QUEBEC**

FINAL AGREEMENT, SIGNED ON NOVEMBER 28, 2005

Respecting the transfer of revenues from a portion of the federal excise tax on gasoline and the provision of additional money pursuant to Act C-66 to provide funding for municipal and local infrastructure, in a sustainable development context,

BETWEEN

**THE GOVERNMENT OF CANADA** (hereinafter, "Canada"), represented by the Minister of State (Infrastructure and Communities)

AND

**THE GOVERNMENT OF QUEBEC** (hereinafter, "Quebec"), represented by the Ministre des Finances 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,

Hereinafter, "the Parties";

## **PREAMBLE**

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

**WHEREAS** Canada, as part of its 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 wishes to support integrated community sustainability planning, as well as provincial and territorial initiatives in this regard;

**WHEREAS** Canada and Quebec agree that modern infrastructure helps improve the quality of life of citizens and contributes to sustainable development and economic vitality;

**WHEREAS** Quebec has significant municipal and local infrastructure needs, which will require major investments over the coming years;

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

**WHEREAS** the Government of Canada's Budget 2005 provides for the transfer to the provinces and territories of an amount equal to a portion of the federal excise tax on gasoline and an additional \$800 million over two years under Act C-66 to contribute to funding environmentally sustainable municipal and local infrastructure, and, for the federal excise tax, the federal contribution in 2009–2010 will be \$2 billion, equivalent to 5 cents per litre of gas tax revenues;

**WHEREAS** Quebec has established the Société de financement des infrastructures locales du Québec ("SOFIL") to contribute to the funding of municipal infrastructure;

**WHEREAS** SOFIL is a legal person and mandatary of the State, whose affairs are administered by a Board of Directors appointed by Quebec, whose books and accounts are audited annually by the Auditor General of Quebec and whose annual report is tabled in the National Assembly of Quebec;

**WHEREAS** the Board of Directors of SOFIL is made up of representatives of Quebec and municipal council members appointed after consultations with municipal representatives, including representatives of the Union des municipalités du Québec and the Fédération québécoise des municipalités;

**WHEREAS** the sole purpose of SOFIL is to contribute financial assistance to municipalities and municipal bodies to assist in the implementation of infrastructure projects involving drinking water, wastewater, local road networks and public transit, and infrastructure projects with urban or regional economic impacts;

**WHEREAS** Quebec agrees with the municipal representatives regarding the importance of an equitable allocation of financial assistance among large and small municipalities in Quebec;

**WHEREAS** on June 21, 2005, Canada and Quebec signed an Agreement in Principle on the transfer of revenue from a portion of the federal excise tax on gasoline and the provision of additional money under Bill C-48;

**AND WHEREAS** this Agreement in Principle states that the Final Agreement shall respect Quebec's exclusive jurisdiction over municipal and local affairs, and that funds provided under the Final Agreement shall be used to benefit urban, rural and remote municipalities in accordance with Quebec's needs and priorities in terms of local and municipal infrastructure.

NOW THEREFORE, the Parties hereby agree as follows:

## 1. INTERPRETATION

### 1.1. Definitions

“Agreement in Principle” means the Agreement in principle on the transfer of revenue from a portion of the federal excise tax on gasoline and the provision of additional money under Bill C-48, concluded between the Government of Canada and the Government of Quebec on June 21, 2005.

“Funds” means the contribution of the Government of Canada, as defined in the Agreement.

“Municipality or municipal body”, for the purposes of this Agreement, shall be defined as follows:

- (a) municipalities, as well as bodies declared by law to be the mandatary or agent of a municipality, bodies whose boards of directors are composed of a majority of members of the council of a municipality, and also bodies whose budgets are adopted by a municipality, or of which more than half of the financing is assumed by a municipality;
- (b) metropolitan communities, regional county municipalities, intermunicipal boards, transit authorities, intermunicipal boards of transport, the Kativik Regional Government and any other bodies whose boards of directors are composed, in the majority, of members of the councils of several municipalities;
- (c) mixed enterprise companies established under the *Act respecting mixed enterprise companies in the municipal sector*, R.S.Q. c. S-25.01;
- (d) a legal person, partnership or body considered to be a municipal body under the *Act respecting the Société de financement des infrastructures locales du Québec*, R.S.Q. c. S-11.0102.

“Act C-48”, for the purposes of this Agreement, means the *Act to authorize the Minister of Finance to make certain payments*, S.C. 2005, c. 36, assented to on July 20, 2005, and amending the federal budget.

“Act C-66”, for the purposes of this Agreement, means the *Act to authorize payments to provide assistance in relation to energy costs, housing energy consumption and public transit infrastructure, and to make consequential amendments to certain Acts*.

“SOFIL” means the Société de financement des infrastructures locales du Québec, established pursuant to the *Act respecting the Société de financement des infrastructures locales du Québec*, R.S.Q. c. S-11.0102.

“Responsible Ministers”, in the case of Quebec, means the Ministre des Finances, the Ministre des Affaires municipales et des Régions, the Ministre des Transports et ministre responsable de la région de la Capitale-Nationale, 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. In the case of Canada, the minister responsible for the Agreement is the Minister of State (Infrastructure and Communities).

### 1.2. Schedules

Schedule A, “Communications Protocol”, and Schedule B, “Agreement Monitoring Committee”, form integral parts of this Agreement.

Schedule C, “Investment Objectives of the Government of Quebec”, is included for information purposes.

## 2. PURPOSE

### 2.1. Purpose of the Agreement

This Agreement defines the terms and conditions governing the implementation of the Agreement in principle on the transfer of revenue from a portion of the federal excise tax on gasoline and the provision of additional money under Bill C-48, reached between the Government of Canada and the Government of Quebec on June 21, 2005.

Notwithstanding any provision in this Agreement, Canada's payments shall be made subject to the appropriation by the Parliament of Canada of the funds in the fiscal years in which they are required.

### 2.2. Commitments of the Parties

#### 2.2.1. Commitments by Canada

Canada agrees that it shall:

- (a) pay to Quebec an allocation of \$1,339,872,385 over five years, including \$188,886,385 under Act C-66, in accordance with the following payment schedule:

Year	Amount
2005-2006	\$232 561 193 (including \$94,443,193 under Bill C-66)
2006-2007	\$232 561 192 (including \$94,443,192 under Bill C-66)
2007-2008	\$184 158 000
2008-2009	\$230 197 000
2009-2010	\$460 395 000
<b>Total</b>	<b>\$1 339 872 385</b>

- (b) make every effort to ensure that all payments promised to Quebec are paid in full;

- (c) pay revenues from a portion of the federal excise tax on gasoline as follows:

with the exception of the payment for 2005–2006, Canada shall pay the amounts owed to Quebec in two equal semi-annual instalments, one on July 1 and the other no later than November 30 of each year;

for 2005–2006, payment shall be made to Quebec within 30 days of signing this Agreement;

- (d) pay additional money under Act C-66 as follows:

the payments under Act C-66, totalling \$188,886,385 for 2005–2006 and 2006–2007, shall be made according to the following terms and conditions:

the 2005–2006 payment shall be made to Quebec once the funds are available pursuant to Act C-66. The 2006–2007 instalment shall be paid to Quebec in two equal semi-annual instalments, one on July 1, 2006, and the other no later than November 30, 2006.

- (e) ensure that the funding provided for under this Agreement is independent of federal funds set aside for Quebec under the Municipal Rural Infrastructure Fund, the Canada Strategic Infrastructure Fund and the Border Infrastructure Fund; and

- (f) honour all the agreements on municipal and local infrastructure signed with Quebec.

### **2.2.2. Commitments by Quebec**

Quebec agrees that it shall:

- (a) ensure that Canada's contribution is paid to SOFIL;
- (b) ensure that this funding is added to provincial funds currently available to municipalities and municipal bodies for financing municipal and local infrastructure;
- (c) ensure that this funding is added to municipal spending on municipal and local infrastructure;
- (d) ensure that this funding is reserved for the use of municipalities and municipal bodies in maintaining, renewing and developing municipal and local infrastructure, notably for drinking water, wastewater, local road networks and public transit, with the intention of reducing greenhouse gases and improving air and water quality;
- (e) carry out the Agreement with due diligence and efficiency to ensure that the funds provided under the Agreement are made available to the municipalities and municipal bodies promptly;
- (f) provide Canada with the order in council adopted by Quebec with respect to the payment terms and conditions for SOFIL's financial assistance;
- (g) provide Canada with data, information and reports prepared by SOFIL concerning the use of Agreement funds flowing through SOFIL, and permit Canada to disseminate them and make them available to other provincial and territorial governments;
- (h) continue the current practice by which Quebec has for several years now been sharing its information, expertise and best practices with other governments in Canada, which will contribute to the development of comparable indicators, among others with respect to air and water quality, and the reduction of greenhouse gas emissions.

## **3. GENERAL TERMS AND CONDITIONS**

### **3.1. Term of the Agreement and renewal**

The Agreement shall expire on March 31, 2010. If, upon the expiry of the Agreement, SOFIL has not completely distributed the funds provided for under the Agreement, Quebec's commitments to provide Canada with information in the manner prescribed in Sections 2.2.2(f), 2.2.2(g) and 4 of this Agreement shall remain in effect so as to allow the municipalities to complete the stipulated investments with Agreement funds flowing through SOFIL.

The Parties agree that the terms and conditions of the Agreement shall be reviewed in the fourth year following the signing of the Agreement.

### **3.2. Applicable legislation**

Notwithstanding anything in this Agreement, all obligations contracted by Canada pursuant to this Agreement shall be subject to Canada's *Financial Administration Act*.

Notwithstanding anything in this Agreement, all of the obligations contracted by Quebec pursuant to this Agreement shall be subject to Quebec's *Financial Administration Act*, the *Act respecting the Société de financement des infrastructures locales du Québec*, the *Act respecting public transit authorities*, the *Act respecting land use planning and development* and any other related Quebec legislation.

### **3.3. Prevention of disputes**

An Agreement Monitoring Committee consisting of three representatives of Quebec and two representatives of Canada (see Schedule B for details) shall endeavour to prevent disputes over this Agreement through the pooling of information among governments, prior notices, timely consultations, and discussions and clarifications to resolve issues as they arise.

If the members of the Monitoring Committee cannot reach a consensus, the dispute shall be referred to the Ministers responsible for the Agreement.

### **3.4. Waiver**

Canada and Quebec may not waive any commitment or legal condition provided for under this Agreement without providing written notice. Any tolerance or indulgence demonstrated by the Parties shall not constitute waiver of said commitment or condition and, until the commitment or condition is performed or waived in writing, they have the right to exercise any remedy available to them under this Agreement or the law, regardless of any tolerance or indulgence demonstrated.

### **3.5. Amendments and termination**

This Agreement shall not be amended, unless the amendments are made jointly and in writing by the Parties.

Either Party may terminate the Agreement by giving two fiscal years' notice to the other Party.

## **4. INFORMATION MANAGEMENT**

Within ten (10) days following the signing of the Agreement, the responsible Ministers shall inform each other of the members appointed to sit on the Agreement Monitoring Committee. The Committee's make-up and terms of reference are defined in Schedule B.

In accordance with the *Act respecting the Société de financement des infrastructures locales du Québec*, the annual financial statements and activity reports produced by SOFIL, along with the report of the Auditor General of Quebec, shall be forwarded to Canada at the same time as they are tabled before the National Assembly of Quebec.

Canada may include, with appropriate references, all or part of the annual activity report produced by SOFIL in any report prepared for its own purposes, including published reports.

Quebec agrees to provide Canada with all reports of evaluations it carries out with regard to investments funded under this Agreement by March 31, 2009.

## **5. COMMUNICATIONS**

Any communications respecting this Agreement shall be carried out as provided under Schedule A (Communications Protocol).

## 6. GENERAL

Each Party hereby declares to the other that the signing of this Agreement was duly authorised and is valid, and that each of the Parties undertakes a valid legal obligation pursuant to the terms and conditions of the Agreement.

The Agreement shall be interpreted and governed in accordance with the laws of Quebec and Canada.

Quebec shall continue to ensure that the information on expenditures presented in SOFIL's annual report have been audited in compliance with the current practices of Quebec in order to confirm the report's comprehensiveness and accuracy.

No member of the House of Commons, Senate of Canada or Member of the National Assembly of Quebec shall be admitted to any share or part of a contract, agreement or commission under this Agreement, or any benefit to arise therefrom.

This Agreement constitutes the entire Agreement entered into by Canada and Quebec. No other collateral representations or warranties concerning this Agreement have been made by Canada or Quebec.

If, for any reason, a provision of this Agreement that is not a fundamental term is found by a court of competent jurisdiction to be or to have become invalid or unenforceable, in whole or in part, it will be deemed to be severable and will be deleted from this Agreement, but all the other provisions of this Agreement will continue to be valid and enforceable.

Third parties benefiting from funds under this Agreement shall be solely responsible and indemnify and save harmless Canada, Quebec and their ministers, officers, employees and agents/mandataries from all claims, demands, losses, damages and costs of any kind with respect to the injury or death of a person or to damage to or loss of property attributable to a deliberate or negligent act arising directly or indirectly from investments made with these funds.

## 7. NOTICE

Any notice, information or document provided for under this Agreement shall be deemed effectively given if sent by letter, postage or other fees paid, by facsimile or by electronic mail (e-mail). Any notice shall be deemed to have been received on delivery and, except in periods of postal disruption, any notice mailed shall be deemed to have been received eight (8) working days after being mailed.

***Notices or communications addressed to Canada shall be sent to the following address:***

Assistant Deputy Minister, Cities and Communities  
Infrastructure Canada  
90 Sparks Street  
Ottawa, Ontario  
K1P 5B4  
Facsimile: (613) 941-7930  
E-mail: laroche.yazmine@infrastructure.gc.ca

Notices or communications addressed to Quebec shall be sent to the following address:

General Secretary  
Ministère des Finances  
12 Saint Louis Street  
Quebec City, Quebec  
G1R 5L3  
Facsimile: (418) 528-5549  
E-mail: christyne.tremblay@finances.gouv.qc.ca

## 8. SIGNATURE

In witness whereof, this Agreement was signed on behalf of Canada by the Minister of State (Infrastructure and Communities) and, on behalf of Quebec, by the Ministre des Finances 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.

GOVERNMENT OF QUEBEC  
Original signed by:

Michel Audet  
Ministre des Finances

Benoît Pelletier  
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:

John Ferguson Godfrey  
Minister of State (Infrastructure and Communities)



## **SCHEDULE A – COMMUNICATIONS PROTOCOL**

### **1.1 General**

This Communications Protocol sets out the principles and practices guiding any announcement or event related to this Agreement.

Canada and Quebec agree on the importance of communicating in an open, transparent, effective and proactive manner with citizens through appropriate public information activities. To this end, the Parties give the Agreement Monitoring Committee a mandate to develop, implement and review on an annual basis a communications plan aimed at maximizing opportunities for publicizing activities under the Agreement.

### **1.2 Announcements related to investments partially financed by Canada under this Agreement**

Canada and Quebec acknowledge the legitimacy of each government in receiving appropriate credit and visibility when investments financed through funds granted under this Agreement are publicly announced. To facilitate the implementation of the Communications Protocol in a manner in keeping with this principle, the Parties agree that the Agreement Monitoring Committee (see Schedule B for details) shall be informed of communications activities at least ten (10) days in advance.

### **1.3 Signage**

Where circumstances permit and as agreed to by the Agreement Monitoring Committee, fixed signs or billboards shall be installed on the sites of projects financed under this Agreement so as to highlight the contributions of each of the partners. All signs or billboards shall be placed so that they are easily visible to users, visitors and passers-by throughout the period of work.

Communications activities for investments in public transit shall be agreed upon by the Agreement Monitoring Committee, on the understanding that no signage shall be installed on vehicles or rolling stock.

### **1.4 General**

1.4.1 The set dates for joint public events shall allow both Parties to plan their participation. The Parties shall give at least ten (10) days' notice before making an announcement or holding a joint event.

1.4.2 All information relating to public communications events of one Party concerning the distribution of funds from the federal excise tax on gasoline shall be shared with the other Party at least ten (10) days in advance so as to allow the other party to hold its own public communications events.

1.4.3 Unless the Parties decide otherwise, each shall pay for the portion of expenses related to their communications activities.

1.4.4 All joint communications regarding investments financed under this Agreement shall clearly indicate the respective financial contributions of the Parties and, if applicable, those of the municipalities and municipal bodies.

1.4.5 Joint communication documents, posters, signs, billboards and plaques shall reflect the communications policies of both Parties.

### **1.5 Evaluation**

As part of its activities, the Agreement Monitoring Committee shall evaluate the results of communications.

## **SCHEDULE B – AGREEMENT MONITORING COMMITTEE**

1. The Committee shall be the official forum for discussing the implementation of the Agreement, particularly with respect to the Communications Protocol and dispute resolution.
2. The Committee shall consist of three representatives for Quebec (one for the Ministre des Transports, one for the Ministre des Affaires municipales et des Régions, and one for the Ministre des Finances) and two representatives for Canada who shall be appointed by the responsible Ministers.
3. The decisions of the Committee shall be made on a consensus basis.
4. The Committee shall set its operating procedures and priorities.

**SCHEDULE C – INVESTMENT OBJECTIVES OF THE GOVERNMENT OF QUEBEC  
(FOR INFORMATION PURPOSES)**

The Government of Quebec has set the following directions with respect to how funds transferred from the federal government to the Société de financement des infrastructures locales du Québec (SOFIL) under this Agreement from 2005–2006 to 2009–2010 will be used:

- (a) SOFIL shall disburse the funds to municipalities and municipal bodies to contribute to infrastructure projects related to drinking water, wastewater, local roads and public transit;
- (b) At least a quarter of these funds (assuming that all of the monies provided for under the Agreement are transferred by the federal government) shall be devoted to public transit infrastructure over the next five years, and public transit use in the municipalities shall be taken into account when the funds are disbursed;
- (c) Slightly over 20% of these funds shall be devoted to small communities over the next five years, so as to give rural residents of Quebec a slightly larger than proportional share.