

HIGHLIGHTS OF THE AGREEMENT

This agreement defines the general framework and principles that govern the business model between the government of Québec and la Caisse for the planning, financing, execution and operation of major public infrastructure projects. Notwithstanding this agreement, the government retains its responsibility for managing the Québec Infrastructure Plan (QIP), which defines its program of investments, orientations, priorities and the mode of realization of public infrastructure projects over a 10-year period.

The agreement seeks to determine the main roles and responsibilities of the government and of la Caisse, the governance structure, the financing mode, and the process applicable to the completion of the various stages of project execution. This framework agreement will form the basis of specific agreements relating to each project the government chooses to entrust to la Caisse.

This agreement is commercial in nature. Its main objective is to ensure the efficient and successful execution of major public infrastructure projects while generating commercial returns for la Caisse and its clients. The agreement also seeks to limit the impact of such projects on the government's debt and deficit.

The business model announced today allows the Québec government to green-light the execution of critical infrastructure while leaving budget space for the pursuit of other important projects. Under the agreement, the government remains in charge of defining the public-interest needs and orientations of infrastructure projects, while transferring responsibility to la Caisse for planning, financing, execution and operation. This integrated responsibility will increase the efficiency of the planning and execution process and ensure that all work is completed according to global best practices, on schedule and on budget.

The arrangement gives la Caisse an opportunity to use its world-class expertise for the benefit of Québec and to invest in assets that meet its clients' objectives:

- Stable, predictable returns that match their obligations;
- Low risk of capital loss; and
- Tangible, long-lasting and inflation-resistant assets.

La Caisse's oft-repeated goal of increasing its infrastructure investments thus finds a firm anchor in Québec. The new model also offers a promising and readily exportable solution that la Caisse is keen to replicate elsewhere in North America and beyond.

Under the agreement, and subject to the approval of legislative amendments, la Caisse will incorporate a new subsidiary, CDPQ Infra, to assume leadership of the planning, financing, execution and operation of selected projects. The agreement preserves the government's responsibility to identify projects to be executed pursuant to the model, to set the public-interest needs and orientations to be met, and to approve the solution based on options presented by la Caisse.

Key provisions of the agreement

Commercial agreement

The agreement targets projects with the potential to generate commercial returns for la Caisse and its clients.

Under the agreement, la Caisse determines an appropriate financing structure and economic model for each project. Financing will consist of equity investments by la Caisse and its partners, as well as long-term debt. The rates of interest and of return on equity will be consistent with market practices and reviewed by an independent auditor.

Any government contribution to a project will be in the form of equity and determined before the construction phase. The value of any such contribution will be lower than the capital investments of la Caisse and its partners, and will not give the government any voting rights.

The agreement grants the government an option to purchase assets at their fair market value, as well as a right of first offer should la Caisse consider transferring ownership or control of the projects to third parties. As with its other infrastructure investments, la Caisse is committing to the present agreement with a long-term perspective.

Calls for tender and transparency

Assuming the satisfaction of all prior conditions and subject to the approval of the National Assembly, including the creation of a new Caisse subsidiary and the government's decision to go ahead with a proposed solution, the agreement provides that all calls for tender will comply with global best practices and standards for transparency, competition and efficiency. The integrity of the tender process will be asserted by an independent auditor.

As controlling shareholder, and in the interest of its clients who seek a return commensurate with the risk assumed, la Caisse will encourage vigorous competition to control costs and access optimal technical and technological solutions.

The agreement also provides that bidders for service and construction contracts worth \$5 million or more will require standard authorizations from the *Autorité des marchés financiers*.

Responsibilities of la Caisse and the government

The agreement maintains the government's responsibility to plan infrastructure development, exercise regulatory power and enforce applicable laws, while entrusting la Caisse with responsibility for the planning, financing, execution and operation of selected projects.

The resulting business model differs from existing arrangements, including public-private partnerships (PPP), in a number of ways:

- development and operation of projects are entrusted to an independent public institution;
- the works have a limited impact on the government's debt and deficit;
- la Caisse assumes all risks associated with the execution and operation of projects.

More specifically, responsibilities are shared as described in Table 1 on page 4.

Limited impact on public finances

Insofar as la Caisse assumes ownership and control of projects, they will have a limited impact on the government's finances. To qualify for this treatment, the agreement must preserve la Caisse's full independence and must not attribute ownership, risks or effective control of the projects to the government.

Governance framework

Legislative amendments and new Caisse subsidiary

Subject to the adoption of the necessary legislative amendments by the National Assembly, la Caisse will incorporate CDPQ Infra, a new subsidiary responsible for the planning, financing, execution and operation of public infrastructure projects.

Governance Committee

During a project's planning and construction phases, the government will establish a Governance Committee made up of representatives from the Ministère du Conseil exécutif, the Ministère des Finances, the Société québécoise des infrastructures and the government department responsible for the infrastructure in question. The Governance Committee will act as the government's main representative to the Executive Committee during the planning and construction phases.

Executive Committee

The Executive Committee acts as a co-ordinating body between la Caisse and the Governance Committee. It is made up of five members, three of whom are appointed by la Caisse and two by the government.

Two priority projects

The first projects targeted by the agreement are a public transit system on the new Champlain Bridge and a public transit system linking downtown Montréal to the Montréal-Trudeau International Airport and the West Island. Subject to final studies and analyses, the two projects represent total investments of approximately CA\$5 billion.

Table 1
Responsibilities and process

PLANNING AND SOLUTIONS

Government	<ul style="list-style-type: none"> • The Québec Infrastructure Plan (QIP) defines the program of investments, orientations, priorities and the mode of realization of public infrastructures projects over a 10-year period, in consultation with stakeholders. • Based on the QIP, identification of a project that may be of interest to la Caisse.
Caisse	<ul style="list-style-type: none"> • Confirms interest in taking on project execution.
Government	<ul style="list-style-type: none"> • Decides to entrust project execution to la Caisse. • Determines needs, public-interest objectives and main parameters.
Caisse	<ul style="list-style-type: none"> • Proposes project specifications with the co-operation of relevant public bodies. Specifications validate technological choices and identify required studies.
Government	<ul style="list-style-type: none"> • Governance committee approves specifications.
Caisse	<ul style="list-style-type: none"> • Conducts technical, environmental, economic and financial studies. • Consults relevant public bodies to validate expectations and technical constraints. • Proposes one or more solutions.

DECISION TO PROCEED

Government	<ul style="list-style-type: none"> • The Conseil des ministres selects and approves a solution. • Authorizes la Caisse to execute the project.
Government and Caisse	<ul style="list-style-type: none"> • Signature of definitive project agreement.

EXECUTION

Caisse	<ul style="list-style-type: none"> • Launches calls for tender. • Executes and operates the project.
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