

Agence des partenariats public-privé du Québec



*Partenariats
public-privé*

Québec 

> ANNUAL REPORT 2006-2007

Table of Contents

03	Letter to the President of the National Assembly
05	Letter to the Chair of the Conseil du trésor
06	Message from the Chair of the Board of Directors
08	Message from the Chief Executive Officer
10	Activities of the Board of Directors
13	The Agency
15	Advancement of Projects
25	Information, Best Practices and Availability of Expertise
29	Financial Situation
30	Financial Statements and Report of the Auditor General of Québec
43	APPENDIX 1 <i>Statistics on the Presence of Directors at Meetings of the Board of Directors and its Committees</i>
44	APPENDIX 2 <i>Organization Chart</i>
45	APPENDIX 3 <i>Business Plan, Schematic Table</i>
46	APPENDIX 4 <i>Code of Ethics and Conduct for Members of the Agency's Board of Directors</i>
48	APPENDIX 5 <i>Code of Ethics and Conduct for the Agency's Employees</i>
53	APPENDIX 6 <i>Statement of Values for Québec's Public Administration</i>
54	APPENDIX 7 <i>Declarations Concerning Various Regulations and Acts</i>

Québec City, July 2007

Mr. Michel Bissonnette

President of the National Assembly
Parliament Building
Québec City

Dear Sir,

As Minister responsible for the application of the *Act respecting the Agence des partenariats public-privé du Québec* (R.S.Q., c. A-7.002), and in accordance with section 48 of the said Act, I am delighted to submit the Annual Report and Financial Statements of the Agence des partenariats public-privé du Québec for the 2006-2007 fiscal year, ending on March 31, 2007.

Yours sincerely,



MONIQUE JÉRÔME-FORGET

Minister of Finance,
Minister of Government Services,
Minister Responsible for Government Administration
Chair of the Conseil du trésor

Québec City, July 2007

Ms. Monique Jérôme-Forget

Minister of Finance,
Minister of Government Services,
Minister responsible for Government Administration
and Chair of the Conseil du trésor
Québec City

Dear Madam,

On behalf of the board of directors and personnel, I am pleased and proud to present the second Annual Report of the Agence des partenariats public-privé du Québec.

The Report describes the activities carried out in the year ending on March 31, 2007, and also contains the financial statements and the report of the Auditor General of Québec, as required by the *Act respecting the Agence des partenariats public-privé du Québec* (R.S.Q., c. A-7.002).

Yours sincerely,



CLAUDE A. GARCIA
Chair, Board of Directors



PIERRE LEFEBVRE
Chief Executive Officer

Message from the Chair of the Board of Directors

In recent years we have witnessed a true revolution in corporate governance. The reforms introduced by many industrialized countries were initially confined to State-owned corporations. Today, however, the subject of governance has become a major concern for the entire public sector. Last December, for example, the Québec Government adopted the Act respecting the governance of state-owned enterprises.

Although the new Act does not apply to the Agence des partenariats public-privé du Québec, the board of directors nevertheless believes its governance method should be consistent with the legislator's orientations.

In the course of 2006-2007, the Agency added an important component to its governance framework, in the form of its first business plan, which was approved by the Québec Government in February 2007. The Agency now has a clearly expressed vision and a set of values that reflect its commitment to both its clients and the general public. The board will continue to focus on the achievement of the Agency's goals throughout the period covered by its business plan.

During the last year, the board also documented the roles and responsibilities of its various committees. The activities of the board and its committees are planned and organized.

From an operational standpoint, progress was made with a number of client mandates in the transportation, health and cultural sectors. The board was able to play its role as guardian of the public interest by ensuring, among other things, that the business cases relating to infrastructure projects were fully in compliance with the rules and principles set out in the Québec Government's Framework Policy on Public-Private Partnerships.

One of the Framework Policy's main principles is that a qualitative and quantitative comparison of the PPP approach and the conventional approach is required for all projects, in order to determine which method would provide the best added value for the public funds invested, in terms of cost, quality and sustainability of public services.

“ The Agency now has a clearly expressed vision and a set of values that reflect its commitment to both its clients and the general public. ”



The Agency considers itself in a position to set up a PPP bidding process only after the business case for the project in question has been approved by the Government authorities concerned. Under the bidding process, potential private partners compete with one another, allowing the Agency to select the best overall bid, which then forms the basis for a partnership agreement.

A new form of project governance is therefore gradually gaining ground in the market. If the quality of the bidding firms that have taken part in the PPP process is anything to go by, the industry has responded well. The board of directors salutes this change, which is helps to modernize Québec's Government apparatus by introducing a new method of renewing public infrastructures and improving public services, based on involvement by the private sector.

I would like to emphasize that our board's public-private parity has enriched the discussion by allowing every director to use his or her own personal knowledge to help improve the complex and rigorous decision-making process underlying the Agency's activities.

I would also like to take this opportunity of thanking outgoing board members Nathalie Bourque and Juan Roberto Iglesias for their contribution to our work.

Lastly, in my capacity as Chair, it is my pleasure to reassure the Agency, and especially its personnel, of the commitment and ongoing support of my fellow directors and myself in accomplishing the Agency's mission.

A handwritten signature in black ink, appearing to read 'Claude Garcia', with a stylized flourish at the end.

CLAUDE A. GARCIA

Chair, Board of Directors

Message from the Chief Executive Officer

After two years of operations, it has become clear that the Agency has a key role to play in a number of major public infrastructure projects. In 2006-2007, we were able to make some significant progress with mandates entrusted to us by our clients, preparing business cases and implementing PPP procurement strategies.

During the last year, it has also become clear that the PPP approach to public infrastructure renewal in Québec is of great interest to the private sector. It is appropriate to mention the quality and size of the national and international private-sector partners who took part in the acquisition process for highways 25 and 30 and the new concert hall in Montreal. The involvement of international participants also reflects the fairness and transparency of our processes.

In view of the success obtained so far in implementing the PPP procurement process, we estimate that our clients should be in a position to enter into their initial partnership agreements during 2007-2008.

Another event of significance in 2006-2007 was the publication of the Agency's first business plan, which supports the Agency's governance framework by setting out development guidelines, strategic orientations and goals, along with the means required and the indicators to be used to measure its success in achieving its goals.

We hope to be able to contribute in a meaningful way to the success of our clients' projects by providing the support they need to select the best approach. In addition, we want the Agency to become a reference organization in the PPP field, and also want to increase its availability and work with our international partners to develop best PPP practices by sharing our respective knowledge and expertise.

We remain convinced that Québec, like other public authorities throughout the world, must continue, where appropriate, to use the PPP approach for renewal of its public infrastructures. This new niche will eventually generate a portfolio of potential projects, helping to maintain the private sector's interest in the PPP approach.

“ In addition, we want the Agency to become a reference organization in the PPP field, and also want to increase its availability and work with our international partners to develop best PPP practices by sharing our respective knowledge and expertise. ”



In the course of the next year, I foresee the introduction of better documented processes that will serve as guidelines for project managers within the Agency and from other public organizations. I also believe that infrastructure renewal will continue to be a key concern for the Government, and our Agency will therefore be required to support client departments and organizations as they examine the best solution for their specific projects. It is important for the Agency to ensure that its competencies are available, and that it is in a position to meet the demands and requirements of its clients.

The high quality of the work completed in 2006-2007 is due primarily to the professionalism of the Agency's personnel, who willingly support its vision by

working actively and dynamically on client projects, among other things by applying best PPP practices. I would like to take this opportunity of thanking them most sincerely for their unflagging commitment to the Agency.

I would also like to underline the wonderful collaboration obtained from the representatives of Government departments and public organizations. It has been a key factor in the progress of many projects.

In closing, I would like to thank our board Chair and all the directors for their availability and ongoing support for the Agency's work.

A handwritten signature in black ink, appearing to read 'Pierre Lefebvre', with a stylized flourish extending upwards and to the right.

PIERRE LEFEBVRE

Chief Executive Officer

Activities of the Board of Directors

The affairs of the Agence des partenariats public-privé du Québec are administered by a board of directors composed of its Chief Executive Officer, who is a member of the board by virtue of office, and eight other members appointed by the Government, four from the public sector and four from the private sector.

The following list presents the members of the board of directors and its committees as of March 31, 2007. It is followed by a description of the board's activities in 2006-2007.

It shall be noted that the board has a vacant position pursuant to Ms Nathalie Bourque's departure.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

Claude A. Garcia

Corporation Director

Chair of the Agency's board of directors

Denys Jean

Deputy Minister – Ministère des Transports du Québec

Vice-Chair of the Agency's board of directors

Christiane Barbe

Deputy Minister – Ministère de la Culture et des Communications du Québec

Member of the Agency's board of directors

Marcel Boyer

Professor, Department of Economic Science – Université de Montréal

Member of the Agency's board of directors

Judith Ann Kavanagh

Consultant – Fonds Stratégies

Member of the Agency's board of directors

Pierre Lefebvre

Chief Executive Officer of the Agency

Member of the Agency's board of directors

Roger Paquet

Deputy Minister – Ministère de la Santé et des Services sociaux du Québec

Member of the Agency's board of directors

IN OFFICE SINCE JULY 2006

Nathalie Parenteau

Senior Manager – Direction du financement des organismes publics et de la documentation financière – Ministère des Finances du Québec

Executive Vice-President and Secretary – Financement-Québec

Member of the Agency's board of directors

AUDIT COMMITTEE

> **Judith Ann Kavanagh**, *Chair*

> **Marcel Boyer**

> **Nathalie Parenteau**

HUMAN RESOURCES AND GOVERNANCE COMMITTEE

> **Marcel Boyer**, *Chair*

> **Christiane Barbe**

> **Judith Ann Kavanagh**

OUTGOING BOARD MEMBERS**Nathalie Bourque**

Vice-President, World Communications – CAE Inc.

Member of the Agency's board of directors

(from May 2005 to March 2007)

Juan Roberto Iglesias

Deputy Minister – Ministère de la Santé et des Services sociaux du Québec

Member of the Agency's board of directors

(from May 2005 to July 2006)

ANNUAL REPORT – BOARD OF DIRECTORS AND COMMITTEES

The board of directors held eight meetings, some by telephone conference. The Human Resources and Governance Committee and the Audit Committee each met three times.

The board draws upon the expertise and experience of its members, who also work through two committees, namely the Audit Committee and the Human Resources and Governance Committee. There is a procedure that allows committee members to call on outside experts for opinions in specific fields. Every time a committee meets, its chair makes a verbal presentation of the subjects on the agenda for the next board meeting.

During the year, the board drew up various charters setting out the roles and responsibilities of the Audit Committee and the Human Resources and Governance Committee.

Also during the year, the board oversaw the Agency's general administration, among other things by approving the Agency's goals and orientations, quarterly financial statements and budget forecasts for the coming year, reviewing the Agency's internal by-laws to ensure that they are in compliance with the Agency's legal obligations, recommending that the Government adopt the Agency's business plan, and presenting the 2006-2007 Annual Report to the Chair of the Conseil du trésor.

The board also examined the business cases prepared under the Agency's supervision for the Highway 30 and Montreal new concert hall projects, and sent the opinions required pursuant to section 9 of its constituting Act to the Secretariat of the Conseil du trésor.

Appendix 1 presents statistics showing the directors' attendance at board and committee meetings.

The Agency was created by the Act respecting the Agence des partenariats public-privé du Québec, which was adopted on December 15, 2004. Its mission is to provide advice and expertise that will contribute to the renewal of public infrastructures and the enhancement of services delivered to citizens through public-private partnerships.

It is important to remember that the Agency's mission is not to promote the use of the PPP approach, but to encourage departments and agencies to adopt the best available practices when the Government authorizes PPP projects as a means of providing services. Among other things, the Agency is mandated to examine PPP projects on behalf of its clients, which are all Québec Government departments and agencies. It also advises the Government on any public-private partnership matter.

Because of its status as a non-budgetary public body, the Agency must be self-funding. It covers most of its operating costs by charging its clients for its services.

The Agency's headquarters are located in Québec City, and it also has an office in Montreal. On March 31, 2007, it employed a total of 27 people, 18 of whom were professionals working specifically on projects and best practices. Appendix 2 presents the Agency's organizational structure.

THE AGENCY'S FIRST BUSINESS PLAN

In accordance with the provisions of the Agency's constituting Act, the Québec Government has now approved the 2006-2009 Business Plan, which sets out the Agency's vision of its mandates, along with its values and the context and issues it faces in its business environment. The Agency has based its strategic orientations and goals on three areas for development. The Plan also presents the means by which the Agency hopes to achieve its goals, and the indicators it will use to measure the results it achieves.

The Agency's Vision

The Agency's efforts are focused on achieving the Government's goal of enhancing the services available to the public through projects carried out via public-private partnerships. These projects rely on public sector contractorship and on competition between private sector partners. The Agency's vision is therefore to:

Commit actively, as a dynamic collaborator, to the advancement of public-private partnership projects contracted by government departments and agencies, by taking full advantage of the competition between private sector partners, combined with public sector contractorship, in order to obtain the best added value for the public funds that are invested, in terms of cost, quality and longevity of public services.

1. The Business Plan can be consulted online at www.ppp.gouv.qc.ca

The Agency's Values

In its capacity as a public agency that provides expertise on public-private partnerships, the Agency must be thorough, transparent and fair when examining and carrying out projects headed by Government departments and agencies. Similarly, its personnel must demonstrate integrity and respect for clients when performing its duties. In addition, the Agency must be action-oriented, assuming the role of catalyst for the PPP approach in Québec.

The Agency has identified six values to which its personnel must adhere. These values reflect the attitudes and behaviours that the Agency wishes to portray as it carries out the activities inherent to its mission. They are: **Thoroughness, Integrity, Equity, Transparency, Respect and Focus on Action.**

Areas for Development

In light of the challenges relating to its mission and operating framework, the Agency has identified three areas for development around which it intends to launch and execute its business plan. They are:

- > PROJECTS
- > BEST PRACTICES AND INFORMATION
- > COMPETENCIES

The first area for development concerns the analysis and advancement of its clients' PPP projects. Because the Agency's mission is based on its ability to provide advice and expertise, the advancement of PPP projects is measured in the following sections through the progress made with the Agency's mandates.

The second area for development concerns the promotion of best PPP practices and the circulation of information to interested parties, while the third and last area concerns the development and maintenance of competencies within the Agency. For the purposes of this document, the principal elements of these two areas have been grouped together under a single heading.

Appendix 3 presents a table showing the Agency's business plan.

In accordance with its mission, the Agency provides public bodies with advice and expertise for the analysis and application of projects based on the PPP approach. As mentioned earlier, the Agency's role is that of a dynamic collaborator committed to playing an active part in the advancement of its clients' PPP projects.

The Agency does not decide beforehand that a project will take the form of a public-private partnership. Initially, a public body as defined in the Public-Private Partnerships Framework Policy identifies a specific project and demonstrates the need for that project in the form of anticipated results. Major infrastructure and service provision projects selected for PPP evaluation generally have the following characteristics:

- > Enhancement of public services;
- > Significant financial commitment on the part of the State;
- > High level of technical complexity and risk;
- > Potential for creativity and innovation through the application of private sector expertise;
- > The existence of a competitive market.

The Agency's role is to work with the client and examine the feasibility of the PPP approach, using a rigorous methodological framework known as the business case. This particular exercise identifies the added value generated on the public funds to be invested, and hence the benefits of the PPP approach for the citizens of Québec.

Once the analysis is complete, the Government decides whether or not to apply the PPP approach for the project. If its decision is affirmative, the Agency is mandated to apply and coordinate the procurement strategy leading to the partnership agreement. This involves ensuring that the public authorities have all the information they need to make an informed decision at every stage of the procurement process.

Because the Agency is mandated by the client, it is the client – in other words, the Government department or agency concerned – that is responsible at all times for the quality of the services provided in PPP projects.

THE AGENCY'S BUSINESS MODEL

To ensure that it is able to provide expertise to its clients, the Agency has designed a business model based on a tried-and-tested methodological framework whose main components are:

- > The Business Case Preparation Guide², published in September 2002;
- > The Public-Private Partnerships Framework Policy², June 2004;
- > The *Act respecting the Agence des partenariats public-privé du Québec*² (R.S.Q., c. A-7.002), assented to in 2004, and the related Orders-in-Council.

The Agency's roles and responsibilities are:

- > To advise the Government on all matters relating to public-private partnerships, including project selection and priority ranking;
- > To help public bodies select PPP projects;
- > To carry out a cost-benefit analysis of PPP projects, in conjunction with public bodies, using the methodology set out in the Business Case Guide;
- > To implement and manage the contract award process in conjunction with public bodies;
- > To support public bodies in PPP contract management.

The Agency follows the procedure set out below when providing consulting services to a client.

Signature of a service agreement

The service agreement describes the mandate entrusted to the Agency, including the obligations of both parties and the deliverables agreed upon by the Agency and the client. It also sets out the operating framework, describing the roles and responsibilities of the parties. The agreement stipulates that the Government department in question is the principal contractor throughout the process, in accordance with the Public-Private Partnership Framework Policy.

Preparation of a business case

Once the service agreement has been signed, the client prepares a business case, with significant input from the Agency. The Agency's involvement focuses mainly on the value analysis, which involves a quantitative and qualitative comparison of conventional implementation approaches and the PPP approach.

Implementation of the procurement strategy

If the business case confirms that the PPP approach would provide the best added value for the public funds invested, and if it is approved by the Government authorities, the Agency then helps its client to implement a procurement strategy. The Agency's role is to propose and manage a structured process aimed at assessing and selecting a private sector partner's bid for the design, production and operation of an infrastructure or public service project.

2. Readers are invited to visit the Agency's website at www.ppp.gouv.qc.ca, where these publications may be consulted.

Properly planned, the process takes full advantage of open market competition and the division of risk between the public and private partners, in order to obtain the best possible price-quality ratio. The PPP approach therefore allows the Government and the public body concerned to retain contractorship at all times and to use the competition between potential private sector partners as a means of obtaining the best value in terms of cost, quality and longevity of public services.

The PPP procurement strategy requires an operational framework that brings together all the expertise required from the Agency, outside consultants and the client. It is important that the roles and responsibilities of the project team members are clearly defined at every step in the procurement process:

- > Request for Interest: Used to gauge the business community's interest in the proposed project and to obtain comments. This step is optional, depending on the nature of the project.

- > Request for Qualification: Used to assess candidate firms' qualifications in terms of their ability to design, build, operate and maintain the infrastructure, finance the work and put together a financing package.
- > Request for Proposals: Candidates who qualified as a result of the Request for Qualifications are asked to present technical and financial proposals.
- > Signature of the agreement: Completes the procurement process with the selected private sector partner through a partnership agreement with the public sector partner. The contract describes the division of risk, sets out specific performance criteria and stipulates the monitoring and accounting mechanisms agreed upon by the parties.

Independent auditing

Each step of the PPP procurement process is audited by an independent external auditor, who examines the rules applicable to the process and states whether or not they have been applied in a fair and equitable way.

THE PPP APPROACH

Each step of the PPP process requires a multidisciplinary team and a specific operational framework. For example, the Highway 25 project is supported by approximately 30 specialists from both the public and private sectors.

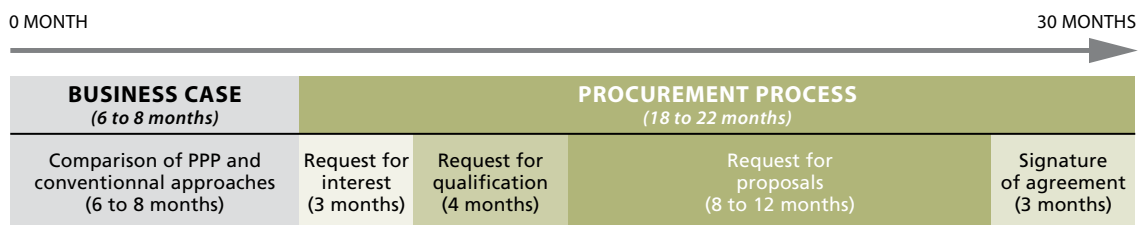
The following diagram shows the average length of time for each activity to be performed rigorously by the Agency during the PPP process.

Advancement of a PPP project, and consequently of the Agency’s mandate, are measured by the number of analysis and evaluation steps completed in the process leading up to the signature of a partnership agreement. Infrastructure construction can begin only when the partnership agreement has been signed, not before.

The pace at which a PPP project advances does not depend solely on the Agency’s level of effort and input; every individual stage is also subject to the Government decision-making process.

Experience has shown that time spent at the process planning and application stage is amply compensated by time saved at the construction and operational stages.

PPP PROCESS



THE AGENCY'S MANDATES

The Agency has received a number of mandates since its inception. In some cases it has been involved in the project throughout its existence, while other projects have been added during the year. The Agency is proud of the progress made in each and every case, in terms of both project advancement and the other responsibilities entrusted to it.

The Ministère des Transports du Québec (MTQ), the Ministère de la Culture et des Communications du Québec (MCC), the Ministère de la Santé et des Services sociaux du Québec (MSSS) and the Secrétariat du Conseil du trésor (SCT) are currently clients of the Agency. The next section presents the present status of all the Agency's projects as of March 31, 2007.

Further, we indicate the progress of each project, measured by the number of PPP process steps that were completed as of March 31, 2007.

MTQ Projects

HIGHWAY 25

Completion of a 7.2-kilometre stretch including a 1.2-kilometre bridge, east of Montreal.

Following a Request for Qualification in 2005-2006, the Agency, in conjunction with the MTQ, continued to manage the procurement strategy by issuing a Request for Proposals and examining the proposals received.

A private sector candidate was selected in June 2007, and the partnership agreement should be signed by the end of September 2007. The Agency's role in this particular project will then be complete, and work will begin on Québec's first-ever true PPP project.

HIGHWAY 30

Completion of a 42-kilometre stretch of highway in Montérégie, to the south-west of Montreal.

The business case was completed last year, and the project was approved this year. The Agency, jointly with the MTQ, was thus able to begin the procurement phase by launching a Request for Qualification. The previous Highway 25 experience and a survey had already shown that the private sector was interested in this type of investment, it was therefore decided that a Request for Interest was not required.

Applications were examined in February, permitting the launch of the Request for Proposals in June 2007.

REST AREAS

Construction of seven rest areas on Québec's highways and roads.

A number of steps were completed in 2006-2007. The Request for Qualification was launched at the beginning of the year, the qualified applicants were selected during the year, and the Request for Proposals was sent out last March. The Agency expects a partnership agreement to be signed by the fall of 2007, at which point its role in the project will be completed.

The following diagram shows the status of the projects entrusted to the Agency by the Ministère des Transports du Québec (MTQ), according to the number of steps completed.

STATUS OF MTQ MANDATES AS OF MARCH 31, 2007



MSSS Projects

LONG-TERM RESIDENTIAL CARE CENTRE (RLCC)

Proposal to purchase 200 long-term care beds in Montérégie.

The MSSS completed its business case in October 2005 and signed a service agreement with the Agency in May 2006. Under the agreement, the Agency is responsible for carrying out the activities and producing the deliverables for a PPP procurement process in respect of the Champlain Health and Social Service Centre's RLCC.

The Agency, in conjunction with the MSSS, launched a Request for Interest in June 2006. Based on the outcome, a Request for Qualification was drafted and is now awaiting Government approval.

CENTRE HOSPITALIER DE L'UNIVERSITÉ DE MONTRÉAL (CHUM)

Construction of a hospital at 1000, Saint-Denis, including the Hôpital Saint-Luc site.

AND

MCGILL UNIVERSITY HEALTH CENTRE (MUHC)

Construction of a hospital complex with sites at the Glen Campus and the Mountain Campus.

The Government, under section 10 of the Agency's constituting Act, asked the Agency to initiate the process for the PPP components of the CHUM and MUHC projects, in collaboration with the Executive Director appointed by the Government, and more specifically to complete the initial business cases for the components in question.

In mid-December, the Agency handed the two business cases to the Executive Director of the Montreal university hospital modernization process (CHUM, MUHC and Sainte-Justine), thereby terminating its role in both projects with diligence and rigour.

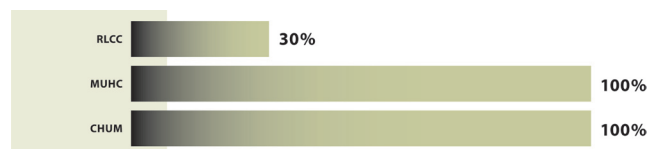
The following diagram shows the status of the projects entrusted to the Agency by the Ministère de la Santé et des Services sociaux du Québec (MSSS), according to the number of steps completed.

In June 2007, the Québec Government announced that it had adopted the conclusions of the business cases submitted by the Agency, with the result that certain components of the CHUM and MUHC modernization projects would be carried out using the PPP approach.

Following this decision, the Agency was asked to set up and oversee the process of awarding contracts for the professional services required. It will work jointly with the two hospitals, which will launch three separate Requests for Qualification for the new CHUM hospital, the new CHUM research centre and the MUHC Glen campus.

The Agency will be working closely with the Executive Project Manager and with the CHUM and MUHC management.

STATUS OF MSSS MANDATES AS OF MARCH 31, 2007



MCC Project

A NEW CONCERT HALL IN MONTREAL (OSM)

Construction of a new concert hall with a capacity of 1,900 spectators, 200 singers and 120 musicians.

Under the terms of a service agreement signed in August 2006, the MCC has asked the Agency to provide the expertise required to examine the feasibility of using a PPP approach, select the private sector partner and negotiate and sign the partnership agreement.

The Agency subsequently worked with the MCC to redefine the project, and was actively involved in updating the business case. The Request for Qualification was launched in December 2006, and applications were received in March. The names of the qualified applicants were announced in May 2007.

The following diagram shows the status of the project entrusted to the Agency by the Ministère de la Culture et des Communications du Québec (MCC), according to the number of steps completed.

STATUS OF MCC MANDATE AS OF MARCH 31, 2007



Mandates from the Ministère de la Justice and the Ministère de la Sécurité publique du Québec

Following a February 2007 decision by the Conseil du trésor, the Ministère de la Justice and the Ministère de la Sécurité publique du Québec were asked to obtain an opinion from the Agency on the relevance of using the PPP approach for renovations and extensions to the Salaberry-de-Valleyfield and Rimouski court houses.

In the coming financial year, the Agency will therefore be assisting in the preparation of business cases for these two projects.

Mandate from the Secrétariat du Conseil du trésor (SCT)

This particular mandate concerns the services the Agency is required to provide to the SCT as part of its mission, rather than an actual PPP project.

The services in question are:

To assist the SCT and the Ministère du Conseil exécutif, among other things by providing opinions relating to the Conseil du trésor analyses or briefs for consideration by the Conseil des ministres.

- > At the request of the SCT, the Agency submitted opinions, prepared briefs and met regularly with public bodies in order to review the feasibility of using the PPP approach for certain projects and to respond to other concerns concerning public-private partnerships.

To provide SCT clients and the general public with a centre of PPP expertise.

- > The Agency has set up, and will be maintaining and developing, a PPP documentation and information centre that is open to the general public.

Informing public bodies, the business community and the general public about PPPs.

- > In the course of 2006-2007, Agency representatives spoke at numerous events, presented training sessions and met with various clients in order to help them develop a better understanding of the PPP approach.

SUMMARY OF PROGRESS: PPP PROJECTS ENTRUSTED TO THE AGENCY IN THE LAST TWO FISCAL YEARS

MINISTÈRE DES TRANSPORTS DU QUÉBEC

PPP PROJECTS	STATUS AS AT MARCH 31, 2006	PROGRESS MADE ON MARCH 31, 2007
HIGHWAY 25 Completion of a 7.2-km stretch, including a 1.2 km bridge, east of Montreal	Business case completed Request for Qualification complete Process auditor's report in March 2006	Request for Proposals launched in July 2006 Proposals submitted in March 2007 <i>Fairness auditor's second report in June 2007</i> <i>Private partner selection in June 2007</i> <i>Signature of Partnership agreement in Septembre 2007</i>
AUTOROUTE 30 Completion of a 42-km stretch of highway in Montérégie, to the south-west of Montreal	Business case completed	Request for Qualification launched in November 2006 Applications received in January 2007 Process auditor's report received in February 2007 <i>Request for Proposals launch in June 2007</i>
REST AREAS Construction of seven rest areas on Québec's highways and roads	Business case completed Request for Interest completed	Request for Qualification launched in November 2006 Applications received in January 2007 Qualified candidates selected in February 2007 Request for Proposals launched in March 2007 <i>Agreement expected signature in the fall of 2007</i>

MINISTÈRE DE LA SANTÉ ET DES SERVICES SOCIAUX DU QUÉBEC

CENTRE HOSPITALIER DE L'UNIVERSITÉ DE MONTRÉAL (CHUM)

Construction of a hospital at 1000, Saint-Denis, including the site of the Hôpital Saint-Luc

In early April 2006, the Québec Government asked the Agency to prepare the business case for certain components of the project, in collaboration with the Executive Director appointed by the Government

Business case completed and submitted to the Government in mid-December 2006

Request for Qualification launch in June 2007

MCGILL UNIVERSITY HEALTH CENTRE (MUHC)

Construction of a hospital complex including the Glen Campus and the Mountain Campus

State of progress as for the CHUM

Request for Qualification launch in June 2007

LONG-TERM RESIDENTIAL CARE CENTRE (RLCC)

Proposal to purchase 200 long-term care beds in Montérégie

Business case completed

Request for Interest launched in June 2006
Request for Qualification document now drafted

Request for Qualification launch summer of 2007

MINISTÈRE DE LA CULTURE ET DES COMMUNICATIONS DU QUÉBEC

NEW CONCERT HALL IN MONTREAL (OSM)

Construction of a new concert hall with a capacity of 1,900 spectators, 200 singers and 120 musicians

Business case partially completed

Updating of the business case completed in the fall of 2006
Request for Qualification launched in December 2006
Applications received in March 2007

Names of qualified candidates announcement in May 2007

Information, Best Practices and Availability of Expertise

INFORMING PUBLIC AGENCIES, ECONOMIC AGENTS AND THE GENERAL PUBLIC

The Agency's mandate with regard to information, as stipulated in its constituting Act, is:

- > To make available, for use by interested persons, a centre of knowledge and expertise on all issues relating to public-private partnerships;
- > To collect and examine information on public-private partnership experiments carried out in Canada and abroad;
- > To inform public agencies, the business community and the general public about the concept of management in public-private partnership mode.

Creation of an Information and Documentation Centre (IDC)

Since the Agency was first created, information monitoring has been one of the goals of its mission, which includes promoting best practices and ensuring that the general public develops an understanding of the PPP approach.

The Agency continued to develop its Information and Documentation Centre (IDC) in 2006-2007. The Centre contains a broad range of documents including books, periodicals, CD-ROMs, surveys, samples on the subject of PPPs. Among other, the IDC contributes to the Agency's internal resources via the Intranet, enabling research on best PPP practices. As of March 31, 2007, the IDC had 823 records containing a total of more than 5,000 files on public-private partnerships.

Website

The Agency's website³ came online in 2006. It contains a host of information on the Agency: its mandate, organizational structure, current projects and documentation on the various steps in the PPP process, as well as details of events in which Agency representatives are involved. The site also acts as a gateway to the public-private partnership community, and offers approximately 50 links to the world's principal PPP units and agencies.

As of March 31, 2007, the Agency's website had received 18,210 visitors during the fiscal year. Visitor rates have increased significantly since it was first brought into service, and it has been consulted by users from 34 countries scattered across five continents.

The Agency in the Media

The media have maintained their interest in the Agency and the PPP approach. Agency representatives took part in numerous interviews with the general news media and professional magazines. This type of intervention helps promote a better understanding of public-private partnerships. The Chief Executive Officer was a regular contributor to the written press and radio media, reviewing the ins and outs of public-private partnerships and correcting erroneous information.

3. www.ppp.gouv.qc.ca.

Publication of Information on the Concept of Public Management in PPP Mode

In addition to its information monitoring and information technology activities, the Agency is involved in a number of more personalized, targeted activities designed to promote a better understanding of public-private partnerships and advocate the use of best practices.

The Agency's leaders are increasingly solicited as speakers at events dealing with PPPs, major projects and economic development issues. The audiences for this type of event are composed of key players from economic circles and public authorities. The 30 or so activities in which the Agency was involved were organized by stakeholders including the World Bank, the Canadian Council for Public-Private Partnerships in Toronto, the Association québécoise du transport et des routes, Private Financing of Canadian Infrastructure Projects in New York, and the École nationale d'administration publique (ENAP).

The fact that the Agency is solicited for events of this type clearly reflects a growing interest on the part of the business community and the general public for the PPP concept. It also confirms that the Agency is becoming a point of reference for PPP practices.

Representations with Other Public Authorities

The Agency and its business model have attracted considerable interest from governments throughout the world, some of which already have their own PPP units and others that are considering the possibility of creating one. The Agency, at the request of the governments concerned, has already met with representatives from France, Great Britain, Spain, Australia, Wallonia and Cameroon.

In addition, under a France-Québec cooperative agreement on State modernization, the Agency will be playing an important role in forging cooperative contacts with representatives from the French Government's PPP Support Mission. A trip to France in February 2007 confirmed the existence of a mutual interest in sharing our PPP knowledge and expertise. The two organizations agreed to draw up a joint plan of action to consolidate and promote exchanges of expertise.

PROMOTING BEST PPP PRACTICES

For application in the analysis of business cases, the implementation of steps in the procurement strategy and the preparation of partnership agreements, the Agency has surveyed, adopted and developed best PPP practices for the benefit of its clients. Some of the innovative practices applied by Québec to foster better stewardship in the planning, management and monitoring of major projects include the signature of service agreements with public sector clients and the use of auditors to oversee the selection process.

In addition, the Agency has drawn up new bidding documents for public and invitation-based requests for proposals, adjusting them to the specific requirements of the PPP procurement process in general and business cases in particular. This approach, along with the use of new evaluation grids, has helped create a more competitive context, reducing the fees of legal advisors and specialist process and financial consultants.

Excellent results have also been achieved with security, guarantee and insurance consultants, among other things by improving the risk assessment description and allowing for better coordination of the related management tools.

Thanks to the positive and enthusiastic reaction of the Agency's clients, the Agency is well on the way to achieving its goal of being acknowledged as a national point of reference for public-private partnerships. It also notes that its presence and its systemic approach to the mandates with which it is entrusted have helped strengthen the planning and management of major infrastructure projects, regardless of the approach selected.

The Agency's resources have also collaborated with educational institutions including Laval University, the Institut pour le partenariat public-privé and Insight to offer training sessions on PPP issues. In 2006-2007, the Agency was involved and collaborated in eight such activities. A significant part of its contribution was to promote the use of best PPP practices.

ENSURING THE AVAILABILITY AND EXPERTISE OF ITS RESOURCES

The Agency, through its expertise and skill, pools and combines the resources of the public and private sectors in order to renew public infrastructures while obtaining the best possible return on the public funds invested.

The Agency is the Québec Government's centre of expertise on public-private partnerships. To fulfill its mission, the Agency must hire, maintain and develop personnel who are specialized in the field of public-private partnerships. However, the number of PPP specialists in Québec is limited, and those that exist are strongly solicited by the private sector.

In the last year, the Agency has been used extensively by its clients and has been busy with a number of new mandates. As the following section will show, this context, while it will not necessarily be repeated, has nevertheless allowed the Agency to achieve positive financial results. Operationally, however, the resulting pressure on the Agency's personnel has revealed a risk that sufficient specialist resources may not be available to meet developing needs and requirements in the field of public-private partnerships.

The Agency must therefore face the challenge of finding a way to adjust its staffing levels in response to the growing needs of its clients and their respective projects, as well as the demands of the other components of its mission. In addition, because the Agency's expertise basically depends on the expertise of its specialist personnel, it is essential to maintain an experienced team able to offer top quality services and ensure the development of PPP competency.

Accordingly, the Agency intends to focus on creating conditions conducive to transfers of expertise and knowledge between its project teams and best practice specialists. It will encourage continuous training and skill development for its human resources, and will also consider the possibility of encouraging the universities to include public-private partnerships in their project management courses.

The financial provisions applicable to the Agency are set out in Chapter IV of its constituting Act. Among other things, the Act states that the Agency's annual budget estimates must be submitted for approval by the Government*.

The Agency's revenues comprise two elements, namely fees invoiced by the Agency for services rendered to its clients, and the fees of external consultants hired by the Agency for its clients, which are re-invoiced through the Agency to the clients in question. This latter element is therefore shown as an expense.

When presenting its budget estimates for the 2006-2007 fiscal year, the Agency aimed for a balanced budget composed of revenues totalling \$7,150,000: \$4,35 million for its own fees and \$2,8 million for the services of external consultants hired on behalf of its clients.

The estimate included expenses more or less equivalent to revenues, with an anticipated surplus of \$2,354 for the 2006-2007 fiscal year**.

However, actual revenues for 2006-2007 totalled \$8,904,922, some \$1,754,922 above the initial budget estimate. Clearly, the demand from clients required a much greater input from the Agency and its outside consultants than had initially been anticipated, in terms of the number of hours worked.

This pressure on the Agency's services is reflected in an unexpected 13% (\$568,856) increase in the Agency's fees.

Given that the Agency's workforce remained stable during the fiscal year, the additional staffing requirements generated by the increased volume of work resulted in outside consultant fees that were \$1,179,463 (42%) higher than expected.

However, this element did not affect the Agency's surplus, in that it is allocated entirely to expenses. The increase in expenses over the budgeted amount is due to this element.

This situation explains virtually all the 2006-2007 surplus of \$619,575, or 7% of the Agency's turnover. Part of this surplus will be used in 2007-2008 to reimburse an amount of \$258,213 owing to the Government.

The Agency believes its financial situation is a result of the mandates entrusted to it. In 2006-2007, it was able to meet the growing demand for its services while maintaining its workforce at the level initially estimated at the beginning of the year. However, if this trend continues, the Agency will be forced to adjust the size of its workforce to meet the demand from its clients and to be able to continue to provide first-class service.

The 2006-2007 surplus does not mean that the volatile nature of the Agency's financial situation can be ignored. If the volume of client mandates – which is dependent on the Government's decision-making process – should slow down, the Agency would suffer an unexpected decline in its revenues. Because most of its operating costs are fixed, this may result in an operating deficit.

Accordingly, as stated in the 2006-2009 Business Plan, the challenge facing the Agency is to stabilize its revenues while adjusting its staffing levels to the needs of its clients.

* Section 46 of the Act respecting the Agence des partenariats public-privé du Québec.

** Order-in-Council No. 934-2006, concerning approval of the Agency's 2006-2007 budget estimates.

Financial Statements and Report of the Auditor General of Québec

Agence des partenariats
public-privé du Québec
Financial Statements for the
Year Ending March 31, 2007

TABLE OF CONTENTS

33	Management's Report
35	Auditor's Report
36	Statement of Operations and Surplus
37	Balance Sheet
38	Cash Flow
39 à 42	Notes to the Financial Statements

Management's Report

The financial statements of the Agence des partenariats public-privé du Québec were drawn up by its management, which is responsible for all aspects of their preparation and presentation, including the estimates and principal opinions. Management's responsibility extends to the selection of appropriate accounting principles that are generally accepted in Canada. The financial information contained in the remainder of the Annual Report of Activities is consistent with the information presented in the financial statements.

To fulfill its responsibility, management maintains a system of internal accounting controls designed to offer a reasonable guarantee that the assets of the Agency have been adequately protected and that financial operations have been correctly recorded at the appropriate time, duly approved and used as a basis for the preparation of reliable financial statements.

The Agency acknowledges that it is responsible for managing its affairs in accordance with the legislation and regulations governing it.

The board of directors oversees the way in which management fulfills its responsibilities in respect of the financial information, and has approved the financial statements. It is assisted by the Auditing Committee, whose members are not part of the financial team. The committee meets with management and the auditor, examines the financial statements and recommends that the board approve them.

The Auditor General of Québec has audited the financial statements of the Agency, in accordance with generally accepted Canadian auditing principles. The Auditor's Report describes the nature and scope of the audit and sets out the auditor's opinion. The Auditor General has full and free access to the board of directors in order to discuss elements relevant to the audit.



JACQUES DUTIL
Administrative Director



PIERRE LEFEBVRE
Chief Executive Officer

Québec City, June 15, 2007

Auditor's Report

To the National Assembly,

I have audited the consolidated balance sheet of the Agence des partenariats public-privé du Québec as at March 31, 2007, along with the consolidated statement of operations, surplus and cash flows for the year ending on that date. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on them, based on my audit.

I conducted my audit in accordance with generally accepted Canadian auditing standards. Those standards require that I plan and perform an audit in such a way as to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves the testing of evidence supporting the amounts and disclosures in the financial statements. An audit also involves an assessment of the accounting policies used and any significant estimates made by management, as well as an evaluation of the overall presentation of the financial statements.

In my opinion, these consolidated financial statements are a fair reflection, in all material respects, of the financial position of the Agency as at March 31, 2007, and of the results of its operations and its cash flows for the year ending on that date, in accordance with generally accepted Canadian accounting principles. In accordance with the *Auditor General Act* (R.S.Q., c. V-5.01), I hereby state that, in my opinion, these principles were applied in the same way as in the previous year.

For the Auditor General of Québec,



FRANCE ALAIN, CA

Manager, Financial
Certification Service

Québec City, June 15, 2007

AGENCE DES PARTENARIATS PUBLIC-PRIVÉ DU QUÉBEC
STATEMENT OF OPERATIONS AND SURPLUS FOR
THE YEAR ENDING MARCH 31, 2007

	2007	2006
	(12 mths)	(11 mths)
REVENUES		
Contribution from the Gouvernement du Québec	\$ –	\$ 2,467,250
Transfer of Government assistance	6,630	3,978
External consulting fees	3,979,436	157,867
Fees (Agency)	4,918,856	–
	8,904,922	2,629,095
EXPENDITURES		
Salaries and fringe benefits	3,064,747	1,291,607
Professional and administrative services, and external consultants	4,300,918	917,371
Rent	282,362	203,847
Travel and representation	212,158	86,954
Communication	93,696	46,298
Materials and supplies	156,211	52,812
Amortization of fixed assets	134,304	24,619
Amortization of intangible assets	5,425	1,221
Interest on long-term debt	15,948	3,461
Bank charges	19,578	905
	8,285,347	2,629,095
NET PROFIT AND CLOSING SURPLUS (Note 8)	\$ 619,575	\$ –

The notes form an integral part of the financial statements.

AGENCE DES PARTENARIATS PUBLIC-PRIVÉ DU QUÉBEC
BALANCE SHEET AS AT MARCH 31, 2007

	2007	2006
ASSETS		
Short-term		
Cash balance	\$ 819,977	\$ 217,668
Receivables (Note 3)	1,538,217	285,086
Fees paid in advance	41,894	18,590
	2,400,088	521,344
Capital assets (Note 4)	548,747	509,883
	\$ 2,948,835	\$ 1,031,227
LIABILITIES		
Short-term		
Accounts payable and fees incurred	\$ 1,416,910	\$ 190,115
Owing to the Gouvernement du Québec, No interest or repayment terms	258,213	258,213
Short-term portion of long-term debt (Note 6)	88,707	66,822
Provision for vacations (Note 7)	129,571	99,367
	1,893,401	614,517
Provision for sick leave (Note 7)	157,161	116,473
Deferred Government assistance – unamortized cost	13,260	19,890
Long-term debt (Note 6)	265,438	280,347
	2,329,260	1,031,227
SURPLUS	619,575	–
	\$ 2,948,835	\$ 1,031,227

The notes form an integral part of the financial statements.

FOR THE BOARD OF DIRECTORS



CLAUDE A. GARCIA, CHAIR



DENYS JEAN, VICE-CHAIR

AGENCE DES PARTENARIATS PUBLIC-PRIVÉ DU QUÉBEC
STATEMENT OF CASH FLOW FOR THE YEAR
ENDING MARCH 31, 2007

	2007	2006
OPERATING ACTIVITIES	(12 mths)	(11 mths)
Net profit	\$ 619,575	\$ –
Elements with no impact on cash flow		
Transfer of Government assistance	(6,630)	(3,978)
Amortization of fixed assets	134,304	24,619
Amortization of intangible assets	5,425	1,221
	752,674	21,862
Variations in assets and liabilities from operations		
Fees paid in advance	(23,304)	(18,590)
Amounts receivable	(1,253,131)	(285,086)
Amounts payable and fees incurred	1,226,795	187,394
Owing to the Gouvernement du Québec	–	258,213
Provision for vacation	30,204	99,367
Provision for sick leave	40,688	116,473
	21,252	357,771
Cash flow from operating activities	773,926	379,633
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(99,576)	(133,015)
Acquisition of intangible assets	(5,218)	(14,384)
Cash flow from investment activities	(104,794)	(147,399)
FINANCING ACTIVITIES		
Cash flow from financing activities:		
Long-term debt	(66,823)	(14,566)
INCREASE IN CASH BALANCE	602,309	217,668
OPENING CASH BALANCE	217,668	–
CLOSING CASH BALANCE	\$ 819,977	\$ 217,668

Interest paid during the year totalled \$30,830.

The agency acquired assets totalling \$73,798 in return for a long-term loan of an equivalent amount.

The notes form an integral part of the financial statements.

AGENCE DES PARTENARIATS PUBLIC-PRIVÉ DU QUÉBEC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

1. CONSTITUTION AND PURPOSE

The Agence des partenariats public-privé du Québec is a legal person within the meaning of the Civil Code, and was constituted pursuant to section 1 of the *Act respecting the Agence des partenariats public-privé du Québec* (R.S.Q., A-7.002), which came into force on April 18, 2005.

The Agency's mission is to contribute, through its advice and expertise, to the renewal of public infrastructures and the enhancement of services delivered to citizens through public-private partnerships.

Under section 2 of its constituting Act, the Agency is a mandatory of the State, and is therefore not subject to income taxes in Québec or Canada.

When the Agency was created, employees were transferred from the Secretariat of the Conseil du trésor, in accordance with section 60 of its constituting Act.

2. ACCOUNTING POLICIES

Under generally recognized Canadian accounting principles, the Agency's management must use estimates and assumptions as a basis for the Agency's financial statements. The estimates and assumptions have an impact on the entry of assets and liabilities, on the presentation of future assets and liabilities on the date on which the financial statements are prepared and on the entry of revenues and expenditures during the period covered by the financial statements. Actual results may differ from the estimates made by management.

FIXED ASSETS

Fixed assets are entered at cost. They are depreciated over the course of their useful life using the straight line method, for the following depreciation periods:

Improvements to rented premises	5 years
Office furniture and equipment	5 years
Computer equipment	3 years

The Agency regularly examines the book value of its fixed assets by comparing book values with future non-discounted cash flows to be generated by the asset. Any surplus of the book value over the fair value is entered in the statement for the period during which depreciation was calculated.

Subsidies for the acquisition of fixed assets are entered as deferred Government assistance and are transferred to the financial statements using the same method and depreciation rates as for the subsidized fixed assets to which they refer.

INTANGIBLE ASSETS

Intangible assets including software are entered at cost and are depreciated over their useful life (three years) using the straight-line method.

They are subjected to a depreciation test when events or changes of situation suggest that their book value may not be recoverable.

Any surplus of the book value over the fair value is entered in the statements for the period during which depreciation was calculated.

REVENUE RECOGNITION

Revenues from the collection of consulting fees are recognized where there is convincing evidence of the existence of an agreement, the service has been rendered, its price has been or is able to be established, and collection is reasonably certain.

SERVICES RECEIVED AT NO COST

The cost of certain salaries and fringe benefits that were paid out of the budgets of other Government departments and agencies are not presented in the financial statements.

PENSION PLAN

Defined contribution plan accounting is applied to the Government's multi-employer defined benefit plan because the Agency does not have sufficient information to apply defined benefit plan accounting methods.

3. RECEIVABLES

	2007	2006
Ministère de la Santé et des Services sociaux	\$ 472,844	\$ –
Gouvernement du Québec*	–	127,219
Ministère des Transports du Québec	332,055	126,744
Ministère de la Culture et des Communications	583,318	31,123
Secrétariat du Conseil du trésor	150,000	–
	\$ 1,538,217	\$ 285,086

* This amount was transferred to the Agency for the transfer of employees from the Secretariat of the Conseil du trésor (Notes 1 and 7).

4. ASSETS

	As at March 31, 2007		
	Cost	Accrued Amortization	Net
Fixed Assets			
Improvements to rented property	\$ 435,879	\$ 94,030	\$ 341,849
Office furniture and equipment	111,550	22,015	89,535
Computer and office automation equipment*	147,285	42,878	104,407
	694,714	158,923	535,791
Intangible Assets			
Software	19,602	6,646	12,956
Total	\$ 714,316	\$ 165,569	\$ 548,747

	As at March 31, 2006		
	Cost	Accrued Amortization	Net
Fixed Assets			
Improvements to rented property	\$ 361,735	\$ 15,504	\$ 346,231
Office furniture and equipment	87,870	2,073	85,797
Computer and office automation equipment*	71,734	7,042	64,692
	521,339	24,619	496,720
Intangible Assets			
Software	14,384	1,221	13,163
Total	\$ 535,723	\$ 25,840	\$ 509,883

* The "Computer and office automation equipment" item includes computers received at no cost from the Gouvernement du Québec, valued at \$23,868.

5. BANK LOAN

The Gouvernement du Québec, via Order-in-Council 169-2006, authorized the Agency to contract a bank line of credit not exceeding \$3,000,000.

As of March 31, 2007, the Agency had not yet contracted the line of credit.

6. LONG-TERM DEBT

LOAN FROM THE SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC

	2007	2006
Fixed rate of 4.69%, repayable in monthly instalments of \$3,471, maturing on October 31, 2010	\$ 137,146	\$ 171,488
Fixed rate of 4.70%, repayable in monthly instalments of \$3,278, maturing on March 31, 2011	143,201	175,681
Fixed rate of 4.70%, repayable in monthly instalments of \$1,377, maturing on October 31, 2011	73,798	–
	354,145	347,169
Minus: Short-term portion	88,707	66,822
	\$ 265,438	\$ 280,347

The capital instalments to be paid in the next five years are as follows:

	2008	\$ 88,707
	2009	86,909
	2010	91,080
	2011	77,958
	2012	9,491
		\$ 354,145

7. FRINGE BENEFITS

PENSION PLANS

The personnel of the Agency participate in the Government and Public Employees Retirement Plan (RREGOP) or in the Managerial Personnel Retirement Plan (RRPE). These multi-employer plans are defined benefit plans and include guarantees upon retirement and upon death.

The Agency's contributions entered in the financial statements for the year amounted to \$124,287 (\$38,735 in 2006). The Agency's obligations under these Government plans are limited to its employer's contributions.

PROVISION FOR SICK LEAVE AND VACATIONS

	As at March 31, 2007		
	Vacations	Sick Leave	Total
Balance on March 31, 2006	\$ 99,367	\$ 116,473	\$ 215,840
Net variation for the year	30,204	40,688	70,892
	\$ 129,571	\$ 157,161	\$ 286,732

	As at March 31, 2006		
	Vacations	Sick Leave	Total
Increase following the arrival of employees (Note 1)	\$ 37,091	\$ 90,128	\$ 127,219
Net variation for the year	62,276	26,345	88,621
	\$ 99,367	\$ 116,473	\$ 215,840

8. ACCUMULATED SURPLUS

Under the provisions of section 44 of the constituting Act, the amounts received by the Agency must be used to pay its obligations. Any surplus is kept by the Agency, unless the Government decides otherwise.

9. RELATED PARTY TRANSACTIONS

In addition to the related party transactions already disclosed in the financial statements and entered at their exchange value, the Agency is related to all Government departments and special funds, and to all organizations and undertakings controlled directly or indirectly by the Gouvernement du Québec, or subject either to joint control or to a significant joint influence by the Gouvernement du Québec. The Agency has not entered into any commercial transactions with these related parties other than in the normal course of its activities and on the usual commercial conditions. These transactions are not disclosed separately in the financial statements.

10. UNDERTAKINGS

The Agency has signed long-term building rental contracts maturing on different dates between now and October 31, 2011. Under the terms of those contracts, it has undertaken to pay a total amount of \$1,187,002. The minimum instalments payable for the next five years are \$283,324 in 2008, 2009, 2010 and 2011 and \$53,706 in 2012.

11. FINANCIAL INSTRUMENTS

FAIR VALUE

The fair value of the short-term financial instruments is equal to their book value, due to their short-term maturity date.

The fair value of the long-term debt is equal to its book value, because the prevailing market conditions on March 31, 2007, are similar to the prevailing conditions at the time the long-term debt was contracted.

CREDIT RISK

The Agency's exposure to credit risk is equal to the book value of its financial assets.

INTEREST RATE RISK

The volatile nature of interest rates has an impact upon the fair value of the Agency's financial assets and liabilities (market risk related to interest rates).

The long-term debt bears interest at a fixed rate. Because the Agency plans to reimburse these loans in their entirety upon maturity, the risks to which it is exposed as a result of its long-term debt are minimal.

Appendix 1

STATISTICS CONCERNING THE PRESENCE OF DIRECTORS AT MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

FOR THE PERIOD APRIL 1, 2006 TO MARCH 31, 2007

Board of Directors

DIRECTOR	PRESENCE/TOTAL NUMBER OF MEETINGS
Barbe, Christiane	6/7
Bourque, Nathalie	2/8*
Boyer, Marcel	7/8
Garcia, Claude A.	8/8
Iglesias, Juan Roberto	1/2**
Jean, Denys	6/7
Kavanagh, Judith Ann	7/8
Lefebvre, Pierre	8/8
Paquet, Roger	4/5***
Parenteau, Nathalie	7/8

* Resigned in March 2007.

** Resigned in July 2006.

*** Took up office in July 2006.

Audit Committee

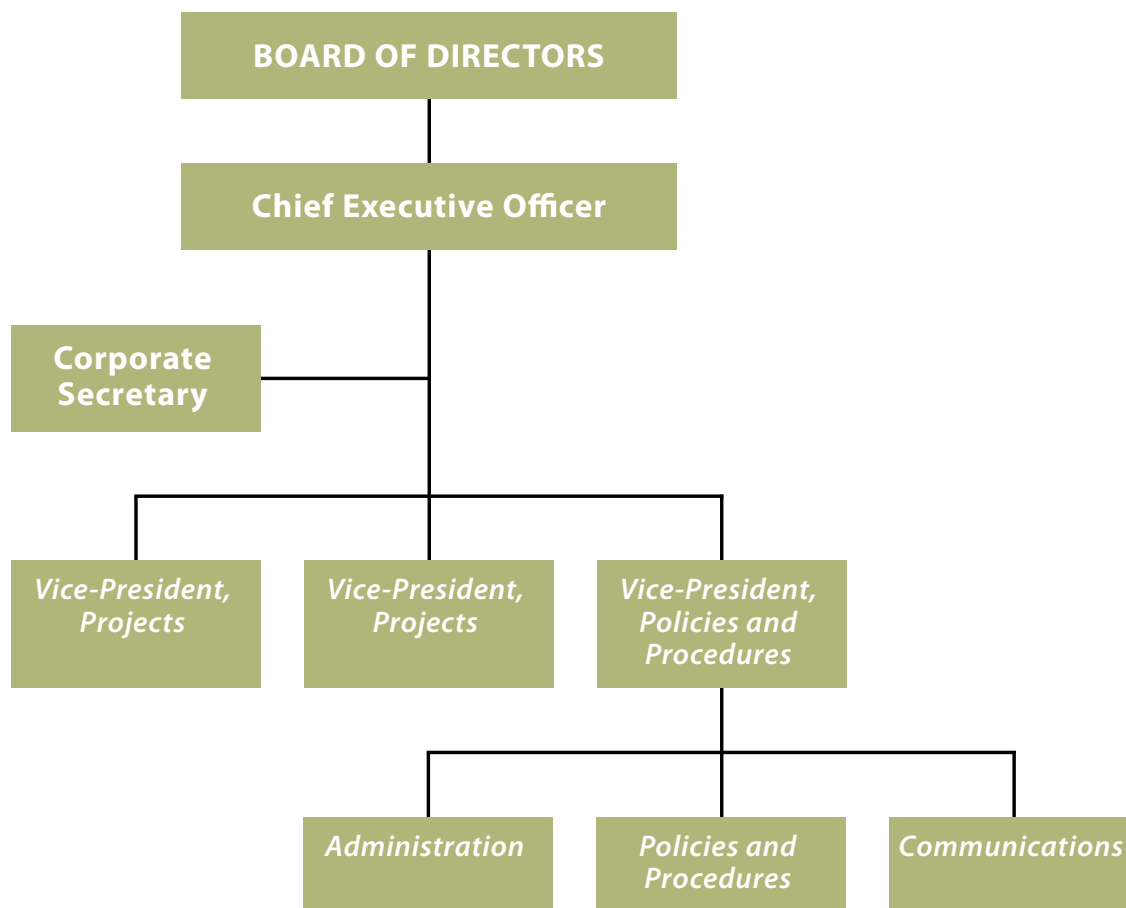
DIRECTOR	PRESENCE/TOTAL NUMBER OF MEETINGS
Boyer, Marcel	2/3
Kavanagh, Judith Ann	3/3
Parenteau, Nathalie	3/3

Human Resources Committee

DIRECTOR	PRESENCE/TOTAL NUMBER OF MEETINGS
Barbe, Christiane	2/3
Boyer, Marcel	3/3
Kavanagh, Judith Ann	3/3

Appendix 2

ORGANIZATION CHART



Appendix 3

BUSINESS PLAN, SCHEMATIC TABLE

MISSION: To contribute, through its advice and expertise, to the renewal of public infrastructures and the enhancement of services delivered to citizens through public-private partnerships (PPP).

VISION: To commit actively, as a dynamic collaborator, to the advancement of public-private partnership projects contracted by government departments and agencies, by taking full advantage of the competition between private sector partners, combined with public sector contractorship, in order to obtain the best added value for the public funds that are invested, in terms of cost, quality and longevity of public services.

STAKE: > Introduce a new approach. > Ensure the availability of its competencies.
> Attain cohesion among stakeholders. > Stabilize its revenues.

FOCUS >	PROJECTS	BEST PRACTICES AND INFORMATION	COMPETENCIES
	<p>Orientation <i>To contribute to the success of projects</i></p> <p>Maximize the value of projects with respect to the public funds that are invested. Ensure the transparency and objectivity of the private partner selection process.</p>	<p>Orientation <i>To become a reference tool in the area of PPPs</i></p> <p>Establish a documentation and information centre. Provide interested parties with objective and factual information concerning PPPs.</p>	<p>Orientation <i>To ensure the availability of the Agency</i></p> <p>Develop and maintain competencies within the Agency. Monitor the evolution of projects and respond to clients' demands.</p>
	MEASURES		
	<p>Develop a governance structure for each project. Complete the business case before launching the procurement strategy. Apply a procurement strategy that promotes competition between the private partners. Promote the transparency of the private partner selection process. Ensure that the main steps in the procurement strategy are verified.</p>	<p>Develop a PPP surveillance policy. Structure an information and documentation centre to compile and disseminate information and best practices pertaining to PPPs. Ensure the ongoing improvement of the website. Participate in conferences, symposiums and other existing forums. Contribute to improving understanding of the PPP method.</p>	<p>Encourage training of human resources. Ensure the transfer of expertise and know-how between projects. Introduce conditions that are conducive to the development of competencies. Adapt the Agency's resources to clients' requirements. Develop a pool of PPP applicants and consultants.</p>
	INDICATORS		
	<p>Number of service agreements that include a governance structure. Number of business cases seen to completion. Number of private partners that are interested and selected under the terms of the procurement strategy. Determination of added value relative to the public funds invested for each project. Scope and nature of the information that is made accessible to the public. Reports from external process auditors.</p>	<p>Introduce a PPP surveillance policy. Number of consultations. Requests for information received and processed. Number of publications pertaining to practices. Visits to the website, user profiles, etc. Number of activities involving the various types of client groups and the general public. Number of publications and types of target client groups. Level of awareness about the Agency.</p>	<p>Number of training days. Number of people working on more than one project. Staff turnover rate. Development of an internal knowledge management strategy. Evaluation of client satisfaction. Introduction of a pool of PPP applicants and consultants.</p>

Appendix 4

CODE OF ETHICS AND CONDUCT FOR MEMBERS OF THE AGENCY'S BOARD OF DIRECTORS

SECTION I

PURPOSE AND FIELD OF APPLICATION

01. This Code of Ethics and Conduct (hereinafter referred to as the Code) sets out the standards of ethics and professional conduct applicable to the directors of the Agence des partenariats public-privé du Québec (hereinafter referred to as the Agency).
02. The Code applies to members of the Agency's board of directors (hereinafter referred to as the Directors).

SECTION II

STANDARDS OF ETHICS AND PROFESSIONAL CONDUCT

03. The Directors and experts appointed to work at the Agency, as part of their mandate, shall assist the Agency in carrying out its mission and achieving its objectives.

Where applicable, the Directors shall also contribute to the proper administration of the public property entrusted to them.

The Directors shall function with due respect for the law, with honesty, loyalty, prudence, diligence, efficiency, attentiveness and fairness.

04. When performing their duties, Directors shall comply with the standards of ethics and professional conduct set out in the Act respecting the Ministère du Conseil exécutif and the Regulation respecting the ethics and professional conduct of public office holders (R.S.Q., c. M-30, ss. 3.0.1. and 3.0.2), and with the rules set out in this Code. Where there is divergence between the two, the most stringent standards and rules shall apply.

When in doubt, Directors shall act in accordance with the spirit of the standards and rules. In addition, they shall organize their personal affairs so as to ensure that they do not hinder the performance of their duties.

05. Directors shall exhibit discretion in respect of the information they obtain in the performance of their duties, and shall at all times respect the confidential nature of such information.
06. When performing their duties, Directors shall make their decisions independently of partisan political considerations.
07. Directors shall avoid placing themselves in situations where their personal interest conflicts with the requirements of their position. They shall disclose to the Agency any direct or indirect interest they may have in an agency, enterprise or association that may place them in a situation of conflict of interest, and shall also disclose any rights that may be set up against the Agency, indicating the nature and value of such rights where applicable.

-
08. A Director who has a direct or indirect interest in an agency, enterprise or association that brings his or her personal interest into conflict with the Agency's interest shall, upon pain of revocation of office, disclose that interest in writing to the Chair of the Board of Directors, and where applicable shall abstain from taking part in any deliberations and decisions relating to the agency, enterprise or association in which he or she has an interest. The Director shall also withdraw from the session for the duration of the deliberations and for the vote on the issue in question.
 09. Directors shall not mingle the property of the Agency with their own property, and shall not use the property of the Agency for their own benefit or for the benefit of a third party.
 10. Directors shall not use information obtained in the performance of their duties for their own benefit or the benefit of a third party.
 11. Directors shall not accept gifts, hospitality or other benefits, other than those that are customary and of modest value. Any other gift, hospitality or benefit received shall be returned to the giver or be handed to the Agency.
 12. Directors shall not directly or indirectly grant, solicit or accept favours or undue advantages for themselves or for a third party.
 13. When performing their duties, Directors shall not be influenced by offers of employment.
 14. A Director who has ceased to perform his or her duties shall behave in such a way as to avoid obtaining undue advantage from his or her previous position with the Agency.
 15. A Director who has ceased to perform his or her duties shall not disclose confidential information obtained while he or she was a Director, or provide advice to any person whatsoever based on information not available to the general public and relating to the Agency or another organization or enterprise with which he or she had significant direct contact during the years preceding the end of his or her term of office.
 16. The Chair of the Board of Directors shall ensure that directors comply with the standards of ethics and conduct.
 17. The Agency shall take the steps required to ensure that information provided by Directors pursuant to these rules remains confidential.

Appendix 5

CODE OF ETHICS AND CONDUCT FOR THE AGENCY'S EMPLOYEES

PREAMBLE

Under its constituting Act, the Agence des partenariats public-privé du Québec must establish standards of ethics and conduct for its personnel. The standards must contain provisions covering the requirements set out for civil servants in the Public Service Act (R.S.Q., chapter F-3.1.1).

Sections 4 to 12 of the Regulation respecting ethics and discipline in the public service (G.O.Q. II, 6 November 2002, p. 7639), sections 1 to 14 and the schedules, and the *Déclaration de valeurs de l'administration publique québécoise* form the basis of ethical standards in the public service.

Most of these documents can be found in the brochure entitled *L'éthique dans la fonction publique québécoise*. The document, published by the Ministère du Conseil exécutif in 2003, is intended as a reference for the general values and rules of ethics applicable to Québec's civil service. It served as a basis for this Code.

SECTION I

PURPOSE AND FIELD OF APPLICATION

01. This Code of Ethics and Conduct (hereinafter referred to as the Code) sets out the standards of ethics and professional conduct applicable to the employees of the Agence des partenariats public-privé du Québec (hereinafter referred to as the Agency) in the performance of their duties.
02. This Code applies to all employees of the Agency and of its subsidiaries.

SECTION II

PRINCIPLES

03. Ethics must be based on more than rules. If in doubt about the rules, employees should refer to the standards on which the rules are based. It was for this reason that the *Déclaration de valeurs de l'administration publique québécoise* was officially tabled in the National Assembly on November 21, 2002. The values it promotes are competency, impartiality, integrity, loyalty and respect.
04. The rules applicable to the civil service, which served as a basis for this Code, have been adjusted to suit the particular mission and functions of the Agency.

The Agency's client base is composed of Québec government departments and agencies, and the Agency does not offer direct service to the general public. This Code therefore deals with service to customers or clients, and not with service to the general public. The Agency's services involve numerous business relationships with the private sector, and this aspect requires a more specifically targeted set of rules governing all the Agency's business relationships.

SECTION III

OBLIGATIONS OF EMPLOYEES

05. The obligations of employees have been grouped together under five headings:

- > Work performance;
- > Relationship with the organization;
- > Exclusivity of service;
- > Services to government departments and public agencies;
- > Conduct.

WORK PERFORMANCE

06. Work performance includes two types of obligations, namely the obligation of application and the obligation of competency.

The obligation of application means that employees must be present at work, perform their duties diligently, respect their working hours, organize their work so as to minimize travel and time-wasting, and not be absent without good reason or prior authorization.

The obligation of competency means that employees must perform the tasks assigned to them by providing the service required within the time allowed, in an appropriate and effective manner, to the satisfaction of the client.

Lastly, employees must update their knowledge in order to maintain the level of competency required to perform their duties effectively.

RELATIONSHIP WITH THE ORGANIZATION

07. To carry out its mission, the Agency must call upon a range of resources that are required to work as part of a team. Employees therefore do not work alone; they maintain contacts with all the Agency's other employees in order to provide top quality services to clients in accordance with the Agency's goals.

Employees must respect and obey their line superiors, and owe loyalty and allegiance to the constituted authority. The constituted authority can then coordinate the effort and resources required to carry out the Agency's mission and achieve its goals.

The obligation to respect and obey line superiors means that employees must perform the tasks assigned to them. They must perform not only the duties inherent to their position, but also any other duties entrusted to them by their superior. An employee who believes a request is unfair or unreasonable may discuss it with his or her superior and then, if necessary, refer it to the competent authorities.

The obligation of loyalty and allegiance to the constituted authority means above all that employees must adhere to the democratic standards governing our society. They must defend the interests of their employers, the Agency and the Government, and avoid causing them prejudice, for example by using inappropriate language, behaving inappropriately, or disclosing confidential information.

EXCLUSIVITY OF SERVICE

08. The obligation to provide exclusivity of service means that employees must, at the very least, come to work in a state that allows them to perform their duties effectively, and must also, during working hours, devote all their time to the performance of the duties entrusted to them.

An employee who is involved, or is considering the possibility of becoming involved in a position outside the Agency, whether remunerated or not, must ensure that the other position does not or will not have an impact on his or her application or performance, or on the quality of his or her work for the Agency, and does nor or will not result in a situation of conflict of interest.

All employees who hold positions outside the Agency must notify their superiors thereof. Like all other employees, they are required to act honestly, as defined earlier. More explicitly, the obligation to provide exclusivity of service means that employees are forbidden, on Agency premises, to perform work of any kind deriving from a position or function outside the Agency, and are also forbidden to use Agency resources for that purpose (personnel, material and equipment).

SERVICES TO GOVERNMENT

DEPARTMENTS AND PUBLIC AGENCIES

09. The provision of service to government departments and public agencies is a core element of the Agency's mission. The organization must therefore focus on client satisfaction, and this involves treating clients with due respect and diligence.

The obligation to treat clients with respect means that employees must be polite and courteous, and must not engage in discrimination or harassment. Employees must listen to clients, provide expertise and advice for their projects, help them to formulate their needs, advise them about potential solutions and inform them about the impact of their decisions.

The obligation of diligence means that employees must process the files entrusted to them in a timely manner, transparently and fairly, within the legislative and administrative framework governing the operations of the Agency and of the Government.

CONDUCT

10. There are numerous obligations relating to conduct, touching upon several different aspects including honesty, impartiality, and avoidance of conflicts of interest. These obligations are inherent to all organizations. However, the particular status of the Agency means that there are also some additional obligations relating to discretion, political neutrality and reserve.

a) Discretion

The obligation of discretion means that employees must keep secret any fact or information of a confidential nature that comes to their attention in the performance of their duties. This obligation also means that employees must be discreet about facts and information that, if disclosed, may be prejudicial to the public interest, the constituted authority, a government department, an agency or a supplier, or may breach the privacy of individuals or hinder the private activities of enterprises.

The obligation of discretion also means that employees must abstain from accessing or attempting to access confidential information that is not required for the performance of their duties, even if they do not intend to disclose it.

Accordingly, any employee who plans to publish a document or give an interview on a subject related to his or her duties or to the activities of the Agency must obtain prior authorization from his or her superior.

b) Political Neutrality and Reserve

The obligation of political neutrality binds employees in the performance of their duties. The obligation of reserve applies equally to the employee's public and professional lives.

The obligation of political neutrality means that employees, when performing their duties, must abstain from all partisan work. It also means that they must set aside their personal opinions in order to perform their work as objectively as possible.

The obligation of reserve applies to public demonstrations of an employee's political opinions, and is more general in scope in that it applies to the employee's actions inside and outside the Agency. It does not, however, mean that the employee must remain silent, give up his or her freedom of expression or forego the exercise of his or her political rights; on the contrary, the employee is a full citizen and is entitled to enjoy the privileges of that status.

There is nothing to prevent an employee from joining a political party, attending a political meeting or paying a contribution to a political party, a local branch of a political party or a candidate in an election, in accordance with law.

The specific situation of each employee is an important factor in respecting the obligation of reserve. For example, employees holding management positions are required to exhibit greater reserve, since any statement or action of a political nature on their part may have a significant impact. At the same time, certain employees may acquire a level of prestige and credibility in their region or professional community, and this, too requires a high level of reserve. The circumstances surrounding a statement or action of a political nature must also be taken into consideration.

c) Honesty

The obligation to act honestly means that employees must never be involved in theft, fraud or breach of trust.

The obligation to act honestly also means that employees must avoid all forms of corruption or attempted corruption. For example, they must not accept sums of money or other consideration, over and above the remuneration to which they are entitled, in connection with the performance of their duties. Similarly, they must not grant, solicit or accept favours or undue advantages for themselves or for another person, nor use the information or property of the Agency for their own advantage.

The obligation to act honestly also means that employees must demonstrate intellectual honesty in respect of the mandates entrusted to them.

d) Impartiality

Employees must perform their duties impartially and objectively. They must avoid all preference or bias that is incompatible with the notions of justice and fairness.

The obligation to act impartially means that employees must avoid making decisions based on prejudice, in particular prejudice relating to a person's gender, race, colour, sexual orientation, disability, religion or political convictions. It also means that employees, when performing their duties (e.g. selecting personnel, selecting professional contractors, selecting suppliers, etc.), must act in accordance with the Agency's interests. To do this, they must give priority to merit, allow for competition and avoid all favouritism. They must also avoid making decisions based on their own personal interests or to please relatives, friends, acquaintances or specific enterprises.

e) Absence of conflicts of interest

The notion of conflict of interest should be taken in its broadest sense. For a conflict of interest to exist, it is sufficient for there to be a potential situation or apparent conflict of interest – that is, a possibility that a personal interest, whether pecuniary or not, would be placed ahead of the organization's interest. For a conflict of interest to exist, it is therefore not necessary for an employee actually to have benefited from his or her position to serve his or her personal interests, or to have gone against the Agency's interests. The risk alone is sufficient to call the Agency's credibility into question.

The obligation to avoid conflicts of interest means that employees must renounce any direct or indirect interest in an enterprise that brings their personal interest into conflict with the duties of their position.

It also means that an employee who observes a real, potential or apparent conflict of interest must immediately inform his or her superiors, so that they can decide on the measures to be taken.

SECTION IV

RESPONSIBILITIES

11. Every employee must be familiar with the content of this Code, and with any other policies, directives or procedures that may clarify the scope and application of the Code.

The obligations of honesty, impartiality, avoidance of conflicts of interest and exclusivity of service mean that employees must advise their superiors if they hold an interest in or are not at arm's length with an enterprise that does business directly or indirectly with the Agency or with the Government, or if they find themselves in a situation that involves a real, potential or apparent conflict of interest. An employee who holds a position outside the Agency must notify his or her superiors thereof, in order to agree upon the line of conduct required.

12. Failure to comply with these rules shall lead to the imposition of administrative and disciplinary measures, up to and including dismissal.

13. In addition to complying with this code of ethics, employees who are members of a professional corporation contemplated in the Professional Code shall also comply with the code of ethics of their profession.

Appendix 6

STATEMENT OF VALUES FOR QUÉBEC'S PUBLIC ADMINISTRATION

The public administration is entrusted with a mission of public interest due to the important services it provides for the population of Québec, and the fact that those services are financed by the community as a whole.

In pursuing its mission, the public administration must not only demonstrate efficiency, but must also uphold certain fundamental values. The Public Service Act reflects these values by enacting standards of conduct including application, competency, loyalty, respect, integrity, impartiality, neutrality, discretion and reserve. The Act respecting the Ministère du Conseil exécutif also provides for the imposition of standards of ethics and conduct for public administrators.

These fundamental values are all the more important in view of the independence of action, accountability and transparency required of the public administration pursuant to the Public Service Act, and the priority given to serving the public.

All members of Québec's public administration, whether they are managers, civil servants or employees, have an impact on the quality of the services available to the public and the pursuit of the public interest. They determine how the relationship between the public administration and the citizens of Québec is perceived.

The basis for all this is a set of ethical values that serve as a foundation for the actions of members of the public administration. The most important of these values are set out below.

Competency

All members of the public administration shall perform their tasks in a professional manner. They shall apply their knowledge, skills and experience with a view to achieving the anticipated results. They are responsible for their own decisions and actions, and for making proper use of the resources and information at their disposal.

Impartiality

All members of the public administration shall exhibit neutrality and objectivity. They shall make decisions in accordance with the applicable rules, giving fair treatment to everyone. They shall perform their duties without partisan considerations.

Integrity

All members of the public administration shall conduct themselves in a fair and honest way. They shall avoid placing themselves in situations of indebtedness to another person, who may then influence them unduly in the performance of their duties.

Loyalty

All members of Québec's public administration shall be aware that they are its representatives in dealings with the general public. They shall perform their duties with due respect for the democratic will freely expressed by the citizens of Québec.

Respect

All members of the public administration shall show consideration to the persons with whom they interact when performing their duties. They shall exhibit courtesy and discretion and shall listen to the persons with whom they come into contact in the course of their duties. They shall also exhibit diligence and avoid all forms of discrimination.

Appendix 7

DECLARATIONS CONCERNING VARIOUS REGULATIONS AND ACTS

Language Policy

The Agency has examined its linguistic situation, as required by the Charter of the French Language. The Agency grants priority to the French language in all its activities, but where necessary it translates certain documents so that they can be circulated to a wider audience and reach their target groups. The Agency emphasizes the fact that while public-private partnerships are still in their infancy in Québec, they have been in existence for a much longer period in many English-speaking countries, with the result that most of the existing documentation is available in English only.

Access to Documents and the Protection of Personal Information

The Agency publishes the principal documents relating to its activities and projects on its website.

In 2006-2007, the Agency received and processed the three requests for access to information. None of these three requests was sent for review by the *Commission de l'accès à l'information*.

Ethics and Conduct

The Agency pays particular attention to the question of ethics in all the activities carried out by its personnel. All directors and all employees have signed a commitment to uphold the Agency's Code of Ethics and Conduct applicable to them, and have also completed a disclosure requirement form for conflicts of interest.

The Code of Ethics and Conduct applicable to members of the Board of Directors and the Code of Ethics and Conduct applicable to employees are both presented in the Appendix.

Sustainable Development

The Agency has initiated a process of reflection on the elements of sustainable development to be incorporated into its plan of action. Given the nature of its mission, it believes it will be able to present an approach that is consistent with the Government's strategy in this respect.

Information

PARTENARIATS PUBLIC-PRIVÉ QUÉBEC

Québec

1050 René-Lévesque Boulevard East
Suite 408
Québec (Québec) G1R 4X3
Tel.: (418) 646-6097
Fax: (418) 528-7155

Montréal

500 René-Lévesque Boulevard West
15th Floor, Suite 15.01
Montréal (Québec) H2Z 1W7
Tel.: (514) 873-2356
Fax: (514) 873-2383

www.ppp.gouv.qc.ca

**Partenariats
public-privé**

Québec 

QUÉBEC

Suite 408

1050 René-Lévesque Boulevard East, Québec, QC G1R 4X3

TEL.: (418) 646-6097

FAX: (418) 528-7155

MONTRÉAL

15th floor, suite 15.01

500 René-Lévesque Boulevard West, Montréal, QC H2Z 1W7

TEL.: (514) 873-2356

FAX: (514) 873-2383

www.ppp.gouv.qc.ca

informations@ppp.gouv.qc.ca