AGENCE DES PARTENARIATS PUBLIC-PRIVÉ DU QUÉBEC

ANNUAL REPORT 2007-2008

Partenariats public-privé
Québec

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Québec City, July 15 2008

Mr. Michel Bissonnet
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 said Act, I am pleased to submit the Activity Report and Financial Statements of the Agence des partenariats public-privé du Québec for the 2007-2008 fiscal year, ended on March 31, 2008.

Yours sincerely,

MONIQUE JÉRÔME-FORGET
Minister of Finance,
Minister of Government Services,
Minister Responsible for Government Administration,
and Chair of the Conseil du trésor

Québec City, July 15 2008

Ms. Monique Jérôme-Forget
Minister of Finance,
Minister of Government Services,
Minister responsible for Government Administration
and Chair of the Conseil du trésor

Dear Madam,

On behalf of our Board of Directors and personnel, we are pleased to present the third Activity Report of the Agence des partenariats public-privé du Québec.

The report describes the activities carried out in the year ending on March 31, 2008, 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

The Agence des partenariats public-privé du Québec's results for 2007-2008 confirm that it has taken a major step forward in its development. Its achievements prove that it has become a pan-Canadian benchmark for public-private partnerships.

The services provided this year demonstrate that PPP Québec is contributing extensively to the modernization of the Québec Government. Its most significant efforts include statements issued to support the Secrétariat du Conseil du trésor's recommendations to the Conseil du trésor and the Conseil des ministres concerning the renewal of public infrastructures. It also provided consulting services to public agencies related to feasibility analyses and the implementation of PPP procurement strategies and procedures.

PPP Québec's activities pursued its 2006-2009 Business Plan. The business plan centres on three strategic lines of development. The first focuses on project analysis and progress. The second involves promoting best practices and distributing information about public-private partnerships. The third concerns developing and maintaining competencies within PPP Québec. These strategic lines of development are central to PPP Québec's operations, and special attention was paid to each of them this year, with the implementation of new planning and oversight policies.

PPP Québec was created in 2005 and this year it finalized the first of a series of public-private partnerships in Québec. This first contribution to the renewal of public infrastructure and the improvement of services to the public through the implementation of public-private projects achieved a superior return on the public funds invested.

There were several other significant events in 2007. First of all, the "Québec Infrastructure Plan" announced in 2007 is likely to demand extensive involvement of PPP Québec personnel in the coming years, for major projects related to the renewal and maintenance of public infrastructure. The Québec

“This new reality is already reflected in the activities of 2007-2008, and management worked hard to develop an incentive compensation policy and plan the implementation of tools to facilitate knowledge transfer and the integration of new members into the organization.”

Government’s creation of a governance framework for the execution and management of major infrastructure projects that PPP Québec will be working on will also generate a demand for ongoing assistance from PPP Québec personnel to evaluate the feasibility of certain projects in order to determine the execution method that will provide the best return on the public funds invested.

This situation will expand PPP Québec’s activities, forcing us to be extremely vigilant, in terms of both planning human resources needs and managing and monitoring the quality of the services the personnel provide. This new reality is already reflected in the activities of 2007-2008, and management worked hard to develop an incentive compensation policy and plan the implementation of tools to facilitate knowledge transfer and the integration of new members into the organization.

With this in mind, the Board of Directors approved the implementation of a risk analysis and management policy, to identify the main risks PPP Québec is facing and adopt effective risk mitigation measures through rigorous monitoring by the Audit Committee. The new policy allows for more effective daily management of all of PPP Québec’s activities.

I also want to take this opportunity to mention the arrival of a new board member who will also serve on the Human Resources and Governance Committee. Perla Kessous, Senior Vice-President, Human Resources and Corporate Services, with Standard Life Assurance of Canada, brings her human resources expertise and a wealth of experience that have already added significantly to the Committee’s achievements.

As Chair of the Board of Directors, I want to reiterate to PPP Québec, and especially to its personnel, that my colleagues and I are wholeheartedly behind them in the pursuit of the Agency’s mission.

CLAUDE A. GARCIA
Chair, Board of Directors

Message from the Chief Executive Officer

2007-2008 was a critical year for the Agence des partenariats public-privé du Québec, in which clear progress was made on the numerous projects it collaborated on with its client-ministries. In the last year, PPP Québec also took some important steps to prepare for its future, as demonstrated by the development of its governance framework and the fine-tuning of its procurement process and internal management policies.

The financial close of the Highway 25 project sealed the first public-private partnership agreement in Québec. This agreement will allow the Government to deliver the infrastructure to the public more quickly and at a lower cost. The conclusion of the first transaction attracted a certain amount of attention. Besides earning high honours from Euromoney's renowned international economic magazine Project Finance for the best North-American PPP transaction of 2007, the Highway 25 partnership agreement also received an award in November 2007 from the Canadian Council for Public-Private Partnerships for best PPP project financing package.

Other projects – such as Highway 30, the Montréal university health centres, a residential long-term care centre in the Montérégie and the Adresse symphonique – also made significant headway this year, in keeping with their proposed schedules. We expect that by the time you are reading these lines the Government will have announced the name of the winning bidder for Highway 30. Despite the relatively high number of projects that were launched at the same time in Québec, and in Canada as well, these mega-projects are triggering great interest and strong competition on the market. This shows that the main local and international players consider the Québec PPP procurement process to be both credible and worthy.

Advancing the projects is critical not only for the projects themselves but also to consolidate the reputation of PPP Québec and the Government, both inside and outside of Québec. The Québec Government has shouldered the unwieldy task of upgrading a significant portion of its infrastructure, with an earmarked budget of over $37 billion over the next five years, mostly for projects in the health, transportation and education sectors. By upholding the transparency and fairness of the procurement process, PPP Québec will actively participate in this vast infrastructure renewal plan.

“Advancing the projects is critical not only for the projects themselves but also to consolidate the reputation of PPP Québec and the Government, both inside and outside of Québec.”

In light of the progress achieved over the last three years and the number of projects PPP Québec is involved in, it is easy to forget that it was created so recently and that recourse to public-private partnerships is also a very recent phenomenon in Québec.

As such, PPP Québec has to continually upgrade its administrative and operational foundations, and it did so again in 2007-2008.

Despite its small size, PPP Québec has adopted solid administrative policies and procedures that ensure better management of its operational risks, in terms of both instituting management of best practices and planning human resources needs. PPP Québec has also established an action plan to develop tools that will facilitate the classification and transfer of knowledge between the project management teams, with the objective of allowing new resources to quickly acquire the expertise and autonomy that will enable them to become productive, in a market where PPP specialists are rare.

After review by the Board Audit Committee, these administrative measures were added to the specified expectations of the PPP Québec personnel, to improve the Agency’s capacity to monitor and manage its operational risks while maximizing the efficiency of the personnel.

PPP Québec’s survival relies above all on its capacity to improve the speed of execution and cost of its mandates while implementing PPP best practices. For this reason, developing and tracking best practices – both at the PPP project level and in terms of its own administration – remains a constant priority.

In closing, I want to thank every member of our organization for their commitment, dedication and enthusiasm toward the accomplishment of our mandates. They are contributing to the success and recognition of the PPP way.

Finally, I want to express my thanks and appreciation to the Chair of the Board of Directors, and to all the Board members, for their continued support, their advice and their generous contributions to the advancement of our organization.

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 list below presents the members of the Board of Directors and its committees as of March 31, 2008. A description of the Board's activities in 2007-2008 follows.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

Claude A. Garcia

Corporate Director

Chair of the PPP Québec Board of Directors

Denys Jean

Deputy Minister – Ministère des Transports du Québec

Vice-Chair of the PPP Québec Board of Directors

Christiane Barbe

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

Member of the PPP Québec Board of Directors

Marcel Boyer

Professor, Department of Economic Science – Université de Montréal

Member of the PPP Québec Board of Directors

Judith Ann Kavanagh

Consultant – Fonds Stratégies

Member of the PPP Québec Board of Directors

Perla Kessous[1]

Senior Vice-President, Human Resources and Corporate Services

Standard Life Assurance of Canada

Member of the PPP Québec Board of Directors

Pierre Lefebvre

PPP Québec Chief Executive Officer

Member of the PPP Québec Board of Directors

Roger Paquet

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

Member of the PPP Québec Board of Directors

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 PPP Québec Board of Directors

AUDIT COMMITTEE

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

> **Marcel Boyer**

> **Nathalie Parenteau**

HUMAN RESOURCES AND GOVERNANCE COMMITTEE

> **Claude A Garcia,** *Chair*

> **Christiane Barbe**

> **Judith Ann Kavanagh**

> **Perla Kessous**

[1] *Appointment order dated September 18, 2007*

ACTIVITY REPORT – BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors held eight meetings, some by telephone conference. The Human Resources and Governance Committee met three times, and the Audit Committee held five regular sessions. The Auditor General presented the Annual Audit Plan at an exceptional meeting of the Audit Committee reserved exclusively for that purpose.

The Board draws on the expertise and experience of its members, who also work through two committees, 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 an oral presentation of the subjects on its agenda at the next Board meeting.

The Board has charters outlining the roles and responsibilities of the Audit and Human Resources and Governance Committees.

During the year, the Board oversaw the general administration of PPP Québec, approving its goals, orientations, quarterly financial statements and budget forecasts for the coming year, reviewing its internal by-laws to ensure they are in compliance with its legal obligations, enforcing the PPP Québec business plan, and presenting the 2007-2008 Activity Report to the Chair of the Conseil du trésor.

The Board also received the analyses and related information prepared under PPP Québec's supervision for Highway 30 and the new Montréal concert hall, and authorized the transmission of the opinions to the Secretariat of the Conseil du trésor as required under Section 9 of its constituting act. The Board implemented an identification process for its principal risks and developed a mitigation plan for identified risks. The Audit Committee also regularly monitored the main internal control and management information systems and reported to the Board.

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

PPP Québec

PPP Québec 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 public services through public-private partnerships.

It is important to note that PPP Québec'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. More specifically, PPP Québec 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 all public-private partnership matters.

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

PPP Québec's headquarters are in Québec City, and it also has an office in Montréal. On March 31, 2008, it employed a total of 35 people, 21 of whom were professionals working specifically on projects and best practices. PPP Québec's organizational structure is presented in Appendix 2.

2006-2009 BUSINESS PLAN

In accordance with the provisions of PPP Québec's constituting act, the Québec Government approved the 2006-2009 Business Plan, which sets out the Agency's vision of its mandates, its values, and the context and issues in its business environment. PPP Québec's strategic orientations and goals are based on three lines of development. The Business Plan also presents the means by which PPP Québec plans to achieve its goals, and the indicators it will use to measure its results.[1]

Vision

PPP Québec'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 competition between private sector partners. PPP Québec's vision is therefore to:

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

1. *The PPP Québec Business Plan may be consulted at www.ppp.gouv.qc.ca.*

Values

In its role as a public agency that provides expertise on public-private partnerships, PPP Québec must be thorough, transparent and fair in its analysis and development of projects headed by public departments and agencies. Likewise, PPP Québec personnel must demonstrate integrity in their duties and respect toward their clients. Finally, PPP Québec must be action-oriented, assuming the role of a catalyst in Québec to establish the new project method that public-private partnerships offer.

PPP Québec upholds six values that all its personnel must ascribe to. These values reflect the attitude and behaviour that PPP Québec seeks to embrace as it carries out the activities related to its mission. They are **Thoroughness, Integrity, Equity, Transparency, Respect and Focus on Action.**

Strategic lines of development

In light of the challenges related to its mission and operating framework, PPP Québec has identified three strategic lines of development that form the basis of its Business Plan:

- PROJECTS
- BEST PRACTICES AND INFORMATION
- COMPETENCIES

The first line of development concerns the analysis and advancement of its clients' PPP projects. Because the Agency's mission is rooted in its ability to provide advice and expertise, this report equates the advancement of PPP projects with progress made in PPP Québec's mandates.

The second line of development concerns the promotion of best PPP practices and the communication of information to interested parties, while the third and last is related to the development and maintenance of competencies within PPP Québec. For the purposes of this document, the principal elements of these two lines of development have been grouped together under a single heading.

Appendix 3 presents a table showing the PPP Québec business plan.

Advancement of Projects

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

PPP Québec 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 Government
- High level of technical complexity and risk
- Potential for creativity and innovation through the application of private sector expertise
- Existence of a competitive market

PPP Québec's role is to work with the client to evaluate 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, by extension, the benefits of the PPP approach for the citizens of Québec.

Following this analysis, if the Government decides to adopt the PPP approach, PPP Québec's mandate is to launch and coordinate the procurement strategy leading to the conclusion of a 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.

It is important to bear in mind that because PPP Québec is acting on behalf of the Government departments and agencies that are its clients, these departments and agencies are ultimately responsible for the quality of the services provided through the PPP projects.

THE PPP QUÉBEC BUSINESS MODEL

To provide the required expertise to its clients, PPP Québec has developed a business model based on a tried-and-tested methodological framework. Its principal components are:

- The Business Case Preparation Guide,[2] published in September 2002
- The Public-Private Partnerships Framework Policy,[2] 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

PPP Québec's roles and responsibilities are:

- to advise the Government on all matters related 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 awarding process in conjunction with public bodies;
- to support public bodies in PPP contract management.

PPP Québec 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 PPP Québec, 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 PPP Québec. PPP Québec'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 value for the public funds invested, and if it is approved by the Government authorities, PPP Québec helps the client initiate the procurement strategy. The Agency's role is to propose and manage a structured process to assess and select a private sector partner's bid for the design, production and operation of the infrastructure or public service project.

2. *These documents are all available on the PPP Québec website at www.ppp.gouv.qc.ca.*

With careful planning, the process takes full advantage of open market competition and an optimal division of risk between the public and private partners, in order to obtain the best possible price-quality relationship. The PPP approach 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 expertise from PPP Québec, outside consultants and the client. It is critical that the roles and responsibilities of the project team members be 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 that qualified in the Request for Qualification stage 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 monitoring and accountability mechanisms.

Independent auditing

Each step in the PPP procurement process is audited by an independent external auditor, who examines the rules applicable to the process and determines whether or not they have been applied fairly and equitably.

THE PPP APPROACH

It is important to recall that every step of the PPP approach requires the input of a multidisciplinary team working in a specific operational framework. For example, the Highway 25 project involved about 30 specialists from the public and private sectors.

The figure below shows the average length of time for each of the Agency's mandatory activities in the PPP process.

Advancement of a PPP project – and consequently of PPP Québec's mandate – is 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 PPP Québec's level of effort and input; every individual stage is also subject to the Government decision-making process.

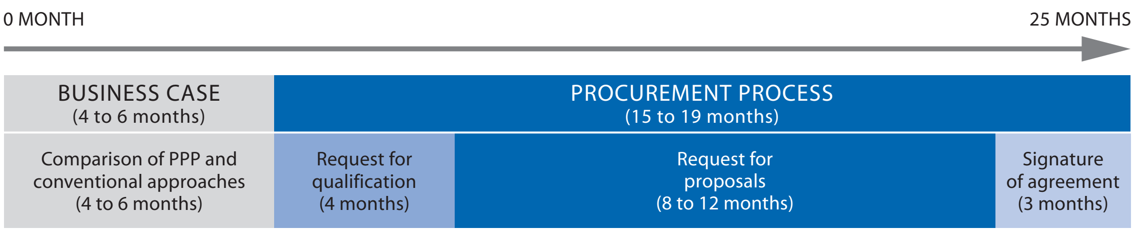
Experience has shown that time spent at the process planning and application stage is amply compensated by time saved at the construction and operational stages.

PPP QUÉBEC'S MANDATES

Over the last year, PPP Québec advanced the projects already under its responsibility and received a new mandate. It also signed the first public-private partnership agreement developed by the transportation team. PPP Québec is proud of its progress, both on the projects themselves and on the other types of responsibility entrusted to the Agency.

The ministère des Transports, the ministère de la Culture, des Communications et de la Condition féminine, the ministère de la Santé et des Services sociaux, the ministère de la Sécurité publique, the ministère de la Justice and the Secrétariat du Conseil du trésor are the Agency's current clients. The next section presents the current state of progress on PPP Québec's mandates, as of March 31, 2008.

PPP PROCESS



Mandates from the Ministère des Transports

HIGHWAY 25

Completion of a 7.2-kilometre stretch of road, including a 1.2-kilometre bridge, north-east of Montréal.

The project to complete Highway 25 between Montréal and Laval is an important upgrade, partly because of the strong economic growth in Laval, the Laurentians, Lanaudière and the Anjou/Mercier commercial centre between 1985 and 2005, and partly because of the importance of the Port of Montréal in the city's economic structure. The purpose of the connecting road is to reduce daily travel time for road users, reduce vehicle maintenance and operations costs, reduce pollution caused by these vehicles, and support the economic development of eastern Montréal and Laval.

Following the Request for Proposals and the analysis of the bids received, Concession A25, S.E.C. was officially hired as a private partner on June 9, 2007. The partnership agreement between Concession A25, S.E.C. and the ministère des Transports was signed on September 13, 2007, making the first PPP road infrastructure in Québec official. PPP Québec's mandate ended with the financial close, which also took place on September 13, 2007.

The added value analysis report, submitted to the National Assembly in November 2007, presents the savings achieved by the Québec Government through this first public-private partnership developed by PPP Québec. The work began in spring 2008 and the new roadway is expected to be in service in 2011.

HIGHWAY 30

Completion of a 42-kilometre stretch of road in the Montérégie, south-west of Montréal.

The completion of Highway 30 as a public-private partnership meets many of the needs expressed frequently by socio-economic stakeholders, both locally and across the province. This project will have a major impact on the region: it will facilitate access to exterior goods and services markets by extending a strategic road network; it will make it easier to bypass the island of Montréal; it will promote economic development in the Montérégie; it will reduce the impact of temporary shutdowns of the metropolitan road network due to construction or major accidents; and it will reduce the number of accidents in local municipalities and cut down on hazardous materials traffic in the urban environment.

The Request for Proposals was launched in June 2007 and the bid agreements were received by the ministère des Transports the following month. The technical proposals were received in March 2008, and in April, the ministère des Transports announced that it had received three compliant technical proposals. In May 2008, the three candidates submitted financial proposals, which are now under evaluation.

The selected candidate will be announced in summer 2008 and the agreement will be signed in the fall, marking PPP Québec's second road infrastructure project.

TURCOT INTERCHANGE

Complete reconstruction of the four exchanges in the Turcot Interchange (Turcot, De La Vérendrye, Angrignon and Montréal-West) at the junction of Highways 15 and 20 in Montréal.

This is the most recent mandate to be entrusted to PPP Québec. Under a service agreement signed in November 2007, the ministère des Transports gave PPP Québec the mandate to complete the initial business case to evaluate the added value on the public funds invested using the PPP approach compared to the conventional approach. The initial business case will provide the decision-makers with all the information they need to rule on the method to use. The initial business case was submitted in spring 2008.

REST AREAS

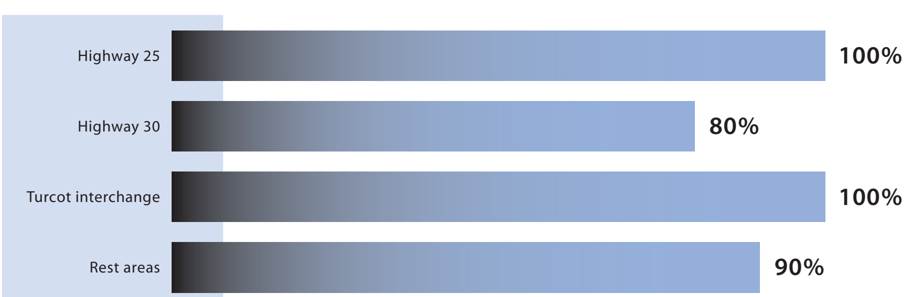
Construction of seven rest areas on Québec's roads and highways.

This project to design, construct, finance, operate and maintain seven rest areas is the first phase of a massive upgrading project for Québec's network of highway rest areas. Immostar Inc. was selected as the private partner at the beginning of 2008, and PPP Québec expects the transaction to be concluded in the coming months.

Completion of these rest areas as a public-private partnership will give road users high quality infrastructures with a better array of services adapted to their needs. The project will increase the safety of the Québec road network, present a positive and attractive image of the province, and generate considerable socio-economic benefits for the regions involved.

The following diagram shows the extent of completion of PPP Québec's MTQ mandates, in terms of the steps in the PPP process.

STATE OF PROGRESS OF MTQ MANDATES ON MARCH 31, 2008



Mandates from the ministère de la Santé et des Services Sociaux

RESIDENTIAL LONG-TERM CARE CENTRE (RLCC)

Purchase of a 200-bed residential long-term care centre in the Montérégie.

A Request for Qualification was launched in summer 2007, and of the nine applications received, four qualified candidates were retained in fall 2007. The interest in this project stems partly from its scope and the innovative aspect of offering this type of service as a public-private partnership.

Besides providing all services usually related to RLCCs (care, assistance, food, etc.), the private partner will also be responsible for creating a physical environment (building, equipment, etc.) that guarantees a high quality of residential services.

A Request for Proposals is planned for spring 2008. The announcement of the selected candidate and the signature of the public-private partnership agreement are expected in fall 2008 and winter 2009.

CENTRE HOSPITALIER DE L'UNIVERSITÉ DE MONTRÉAL (CHUM)

Construction of a hospital at 1000, rue Saint-Denis, adjacent to the Hôpital Saint-Luc site.

CENTRE DE RECHERCHE DU CENTRE HOSPITALIER DE L'UNIVERSITÉ DE MONTRÉAL (CRCHUM)

Construction of a research centre south of the new CHUM hospital.

MCGILL UNIVERSITY HEALTH CENTRE (MUHC)

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

- The goal of the CHUM project is to improve the quality and accessibility of medical and hospital care, to provide quality training for future health care workers, to integrate research and the evaluation of new technologies in the advancement of the knowledge industry, and to promote public health. The Centre hospitalier de l'Université de Montréal offers specialized and ultra specialized services to the regional and supra-regional clientele. In its immediate service zone, it also offers generalized and specialized hospital care and services. The CHUM works through integrated networks to pursue the five aspects of its mission: care, research, teaching, evaluation of technologies and health care approaches, and promotion of public health.
- Guided by its mission and its role as the hub of the McGill integrated health network, the MUHC has embarked on a redeployment project to allow the Government to achieve its vision of academic medicine in Québec. The excellence of patient care, research, teaching and evaluation of technologies will be fuelled on two technologically advanced hospital campuses: the Glen Campus and the Mountain Campus. The LEED-registered Glen Campus will be designed and built according to the best sustainable development practices, including BOMA Go Green principles.

On June 18, 2007, the Québec Government announced that it had accepted the conclusions of the Business Case submitted by PPP Québec, with the result that certain components of the CHUM and MUHC modernization projects will be carried out using the PPP approach.

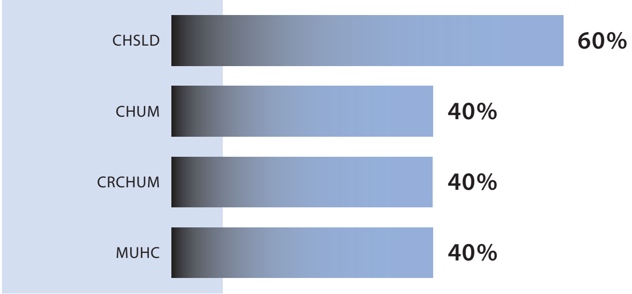
Following this decision, and under Section 10 of the *Act respecting the Agence*, PPP Québec received a mandate to set up and oversee the process for granting the public-private partnership contracts for all three projects. On June 27, 2007, PPP Québec launched three separate Requests for Qualification for the design, construction, financing and maintenance of the new CHUM hospital centre, the new CHUM research centre and the MUHC Glen Campus.

Fall 2007 was a key period for these projects, and PPP Québec diligently and thoroughly pursued its mandates. Applications were received and evaluated; two candidates qualified for each project and were approved by the CHUM and MUHC Boards of Directors. The results were publicly announced on October 30, 2007, for the MUHC and on November 14, 2007, for the CHUM and the CRCHUM.

The Requests for Proposals, selection of partners and signature of the partnership agreements will take place over the next 18 months, finalizing all three of these major projects entrusted to PPP Québec. All of the documentation required for the Requests for Proposals is finished, including the partnership agreement, the performance/construction specifications, the functional and technical plan, the technical sheets, the performance/maintenance specifications and the process guides.

The following diagram shows the extent of completion of PPP Québec's MSSS mandates, in terms of the steps of the PPP process.

STATE OF PROGRESS OF MSSS MANDATES ON MARCH 31, 2008



Mandate from the ministère de la Culture, des Communications et de la Condition féminine

NEW CONCERT HALL IN MONTRÉAL (MSO)

Construction of a new concert hall for up to 1,900 spectators, 200 singers and 120 musicians.

This is PPP Québec's first major project in real estate. The goal is to design, build, finance and operate a new prestigious institutional building, including all equipment and related services. The project presents some special challenges: a multiplicity of stakeholders, essential architectural and urban components, the highly technical nature of the building (acoustics, stage design, stage equipment...), and integration into an existing public space.

Following the Request for Qualifications and the receipt of applications in 2006-2007, PPP Québec announced the retained candidates in May 2007. The Request for Proposals was launched in December, and the proposals are expected in fall 2008. The announcement of the selected private partner and the signature of the contract should take place in the coming year.

The following diagram shows the extent of completion of PPP Québec's MCCCF mandate, in terms of the steps of the PPP process.

Mandate from the ministère de la Sécurité publique

DETENTION FACILITIES

Construction of four new detention facilities - in Saguenay–Lac-Saint-Jean, the Montérégie, Amos and Sept-Îles.

Following a decision by the Conseil du trésor in February 2008, and with the agreement of the ministère de la Sécurité publique, PPP Québec was given a mandate to complete the initial business cases for the construction of these four new detention facilities. More specifically, according to the agreement signed with the Ministry in April 2008, PPP Québec will undertake the comparative analyses of the public-private partnership approach and the conventional approach for each proposed project. The Agency will then submit the business cases to the Ministry, with an opinion about the feasibility of adopting the PPP approach.

STATE OF PROGRESS OF MCCCF MANDATE ON MARCH 31, 2008

It should be noted that the comparative analyses will relate solely to the design, construction, financing, upkeep and maintenance of the buildings.

The following diagram shows the extent of completion of PPP Québec's MSP mandate, in terms of the steps of the PPP process.

Mandate from the ministère de la Justice

COURT HOUSES

Expansion and renovation of the court houses in Salaberry-de-Valleyfield and Rimouski.

Pursuant to the service agreement signed with the ministère de Justice du Québec, PPP Québec undertook a comparative analysis for the completion of these two court houses in PPP mode and using conventional methods. To this end, PPP Québec reviewed all of the related documentation and held meetings with the MJQ and the Société immobilière du Québec. PPP Québec also carried out a benchmarking exercise in the justice sector with other PPP projects in Canada, France and the United Kingdom, and met with representatives of the private sector organizations involved in these projects. Based on this information, a methodological value analysis framework was developed for the Salaberry-de-Valleyfield court house project and subsequently applied to the Rimouski court house project.

STATE OF PROGRESS OF MSP MANDATE ON MARCH 31, 2008

The following diagram shows the extent of completion of PPP Québec's MJQ mandate, in terms of the steps of the PPP process.

Mandate from the Secrétariat du Conseil du trésor

This particular mandate concerns the services that PPP Québec is required to provide specifically to the SCT and the general public by virtue of its mission, rather than an actual PPP project.

In brief, these services are as follows:

Support the SCT and the Ministère du Conseil exécutif by providing opinions related to the CT's analyses or briefs for consideration by the Conseil des ministres.

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

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

- PPP Québec is maintaining and expanding the PPP information and documentation centre, which is open to the general public.

Inform public bodies, the business community and the general public about public-private partnerships.

- In 2007-2008, PPP Québec representatives spoke at numerous events, presented training sessions and met with various clients to help them develop a better understanding of the PPP approach.

STATE OF PROGRESS OF MJQ MANDATE ON MARCH 31, 2008

PROGRESS SUMMARY: PPP QUÉBEC'S PROJECTS OVER THE LAST TWO FISCAL YEARS

PPP PROJECTS	STATUS ON MARCH 31, 2007	PROGRESS AS OF MARCH 31, 2008
MINISTÈRE DES TRANSPORTS		
HIGHWAY 25 Completion of a 7.2-km roadway, including a 1.2-km bridge, north-east of Montréal	Request for Proposals launched in July 2006 Proposals received in March 2007	Second process auditor's report in June 2007 Selection of private partner in June 2007 Financial close and signature of agreement in September 2007 Third process auditor's report in September 2007 Partnership agreement submitted to the National Assembly in October 2007 Added value analysis report in November 2007 Construction began in spring 2008 *Planned completion of roadway in 2011*
HIGHWAY 30 Completion of a 42-km roadway in the Montérégie, south-west of Montréal	Request for Qualification launched in November 2006 Applications received in January 2007 Process auditor's report in February 2007	Request for Proposals launched in June 2007 *Submission of technical component in April 2008* *Submission of financial component in May 2008* *Selection of private partner expected in summer 2008* *Signature of partnership agreement expected in fall 2008*
TURCOT INTERCHANGE Complete reconstruction of the four exchanges in the Turcot Interchange (Turcot, De La Vérendrye, Angrignon and Montréal-West) at the junction of Highways 15 and 20 in Montréal		Business case completed
REST AREAS Development of seven rest areas on roads and highways in Québec	Request for Qualification launched in November 2006 Applications received in January 2007 Selection of qualified candidates in February 2007 Request for Proposals launched in March 2007	Selection of private partner in January 2008 *Signature of the partnership agreement expected in summer 2008* *Planned completion of first rest areas in fall 2008*
MINISTÈRE DE LA SANTÉ ET DES SERVICES SOCIAUX		
RESIDENTIAL LONG-TERM CARE CENTRE (RLCC) Purchase of 200 residential long-term care beds in the Montérégie	Request for Interest launched in June 2006	Request for Qualification launched in July 2007 Announcement of qualified candidates in October 2007 Process auditor's report in October 2007 *Request for Proposals to be launched in June 2008* *Selection of private partner expected in fall 2008* *Signature of partnership agreement expected in winter 2009*
CENTRE HOSPITALIER DE L'UNIVERSITÉ DE MONTRÉAL (CHUM) Construction of a hospital at 1000, rue Saint-Denis, adjacent to the Hôpital Saint-Luc site	Business case submitted in December 2006	Conclusions of the initial business case concerning use of PPP mode for certain components of the project adopted by the Government in June 2007 Request for Qualification launched in June 2007 Announcement of qualified candidates in November 2007 Process auditor's report in November 2007 *Request for Proposals to be launched in fall 2008*
CENTRE DE RECHERCHE DU CENTRE HOSPITALIER DE L'UNIVERSITÉ DE MONTRÉAL (CRCHUM) Construction of a research centre adjacent to the site of the Centre Hospitalier de l'Université de Montréal	Business case submitted in December 2006	Conclusions of the initial business case concerning use of PPP mode for certain components of the project adopted by the Government in June 2007 Request for Qualification launched in June 2007 Announcement of qualified candidates in November 2007 Process auditor's report in November 2007 *Request for Proposals to be launched in spring 2008*
MCGILL UNIVERSITY HOSPITAL CENTRE (MUHC) Construction of a hospital complex at the Glen Yards and the Mountain Campus	Business case submitted in December 2006	Conclusions of the initial business case concerning use of PPP mode for certain components of the project adopted by the Government in June 2007 Request for Qualification launched in June 2007 Announcement of qualified candidates in October 2007 Process auditor's report in October 2007 *Request for Proposals to be launched in summer 2008*
MINISTÈRE DE LA CULTURE, DES COMMUNICATIONS ET DE LA CONDITION FÉMININE		
NEW CONCERT HALL IN MONTREAL (MSO) Construction of a new concert hall that can accommodate 1,900 spectators, 200 singers and 120 musicians	Business case updated in fall 2006 Request for Qualification launched in December 2006 Applications received in March 2007	Process auditor's report in April 2007 Announcement of qualified candidates in May 2007 Request for Proposals launched in December 2007 Theme workshops and individual meetings held until June 2008 *Selected bidder to be announced in fall 2008*
MINISTÈRE DE LA SÉCURITÉ PUBLIQUE		
DETENTION FACILITIES Construction of four new detention facilities in Saguenay–Lac-Saint-Jean, the Montérégie, Amos and Sept-Îles		The Conseil du trésor decided to mandate PPP Québec to complete a business case in February 2008 *Signature of the agreement to complete a business case for the Ministry in April 2008* *Business case to be submitted in fall 2008*
MINISTÈRE DE LA JUSTICE		
COURT HOUSES Expansion and renovation of the Salaberry-de-Valleyfield and Rimouski court houses		Opinion submitted in February 2008

Information, Best Practices and Availability of Expertise

INFORMING PUBLIC AGENCIES, TRANSACTORS AND THE GENERAL PUBLIC

As stipulated in the *Act respecting the Agence des partenariats public-privé du Québec*, PPP Québec's information mandate is to:

- develop a centre of knowledge and expertise on all issues related to public-private partnership and make it available to interested parties;
- collect and analyse information on public-private partnership experiences in Canada and abroad;
- inform public agencies, the business community and the general public about the concept of public management in public-private partnership mode.

Information and documentation centre (IDC)

PPP Québec places particular importance on the Information and Documentation Centre, both for its own informational intelligence and, more generally, to keep the public informed. From the time of the Agency's inception, informational intelligence emerged as a central issue, as one of its objectives is to promote best practices and a better understanding of the PPP approach.

In this sense, PPP Québec pursued its development in 2007-2008. Documents such as books, periodicals, CD-ROMs, surveys, and inquiries are available to the public. The internal network of the IDC responds mainly to the Agency's need to learn about best PPP practices. On March 31, 2008, the IDC network comprised 2,223 files containing nearly 10,000 documents about public-private partnership.

Although the IDC does address a specialized clientele (students, public organizations, firms, consultants and journalists), requests for information nearly doubled this year, as shown in the following figure.

Website

The website[1] was launched in 2006 and presents extensive information about PPP Québec: its mandate, its organizational structure, current projects and all the documentation related to the different stages in the PPP process. In addition, the site provides continuous updates about events PPP Québec representatives take part in. The site also serves as a gateway to the world of public-private partnerships, and offers approximately 50 links to the world's principal PPP units and agencies.

INCREASE IN EXTERNAL DEMANDS FOR INFORMATION FROM THE IDC

1. *www.ppp.gouv.qc.ca.*

As of March 31, 2008, the PPP Québec website had received 58,442 visits in the fiscal year, from 95 countries and territories. Besides Canada, the visitors to the site are mainly from the United States, France, Great Britain, Spain, Morocco, Australia, Germany, Senegal and Hong Kong.

The website is regularly updated, based on new developments and the relevance of the information offered to the public. In 2007, the PPP Québec website added a link to its first partnership agreement (Highway 25) for public consultation.

PPP Québec in the media

The media maintain a keen interest in PPP Québec and in public-private partnership projects in general. Representatives of PPP Québec have granted a number of interviews to the news media and to professional journals. The Chief Executive Officer has also been a regular contributor to the print media, clarifying the ins and outs of public-private partnerships and correcting erroneous information. This diligent and effective intervention directly contributes to a better understanding of the PPP approach.

PPP Québec also participated in a public affairs program geared toward 18-to-35-year-old audiences. *Méchant contraste*, broadcast on Télé-Québec, presented the main components of a public-private partnership agreement, focusing on the advantages for the public partner. The goal of the show was to highlight successful risk transfer and the major savings for public funds invested in the Highway 25 project.

Publication of information on the concept of public management in PPP mode

In addition to its information monitoring and information technology activities, PPP Québec 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.

PPP Québec's employees are increasingly solicited as speakers at events dealing with public-private partnerships, major projects and economic development issues. The audiences for this type of event are composed of key players from economic circles and public authorities. This year, PPP Québec representatives spoke at more than ten major events at the provincial, national and international levels. For example, the CEO made presentations at the 6th Annual PPP Forum in Paris, at the Ontario Innovation Infrastructure Finance Forum in Toronto, and to the Board of Directors of the École des technologies supérieures in Montréal.

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

Presentations to other public authorities

PPP Québec 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. At the request of their respective governments, the Agency met this year with representatives of Russia, China (Hong Kong) and Spain.

In addition, under a France-Québec cooperative agreement on government modernization, PPP Québec will be playing an important role in forging cooperative contacts with representatives from the French Government's PPP Support Mission (MAPPP). As outlined in the 2007-2009 action plan, PPP Québec hosted a MAPPP representative for ten days in November 2007. The visit gave the French representative an opportunity to learn about PPP Québec's practices and operations, and in exchange he shared France's experience with his Québec counterparts, discussing MAPPP's methodology and the financial risk simulation tools it has developed.

After a preliminary analysis this year, it was agreed that the two agencies would proceed with the development of an interactive platform in 2008. This mechanism will allow for exclusive exchange of information of common interest, particularly in terms of lessons learned and best practices.

In fall 2007, the PPP Québec Chief Executive Officer opened discussions with his colleagues in Ontario and British Columbia to improve information sharing between these three organizations and take stock of the best PPP approaches and practices in the Canadian market. PPP Québec hopes to establish a forum for ongoing cooperation and exchange between the main PPP units in Canada.

PROMOTING BEST PPP PRACTICES

For the benefit of its clients, PPP Québec investigates, adopts and develops best practices for use in the analysis of business cases, the implementation of steps in the procurement strategy and the preparation of partnership agreements.

In 2007-2008, the Agency pursued this objective with the development of a best practices verification policy and an action plan for implementing a knowledge classification and transfer tool in PPP Québec project teams.

Best practices validation policy

The purpose of this policy is to declare and specify the mechanisms PPP Québec uses to develop and validate best practices before they are adopted by its consultants, directors, project vice-presidents, and other representatives authorized to work on PPP projects.

The policy also specifies the recommended methods for maximizing lessons learned from the various steps in specific projects.

Action plan: Knowledge classification and transfer within PPP Québec project teams

The main objective of this action plan is to provide PPP Québec with a management system for the documents and strategic information used in the planning and implementation of the various steps in the PPP strategy and procurement process. The system will be used to classify, search, publish, analyse and summarize information acquired through specific projects, in order to increase the efficiency of the resources assigned to these projects and transfer individual expertise to the collective level, for the benefit of PPP Québec and its clients.

This process will also help integrate the Agency's new resources into its professional activities more rapidly and provide an orderly means of communicating the procedures it is developing and refining.

At the same time, PPP Québec resources are helping to write documents and summaries to inform public managers about the various processes and mechanisms adopted by the Agency to evaluate and achieve PPP projects.

For example, in 2007-2008, PPP Québec published two general information documents on the PPP procurement process, one for projects worth less than $40 million and one for projects worth more than $40 million. It also worked with the ministère des Affaires municipales et des Régions to develop a public-private partnership guide for Québec municipalities. All these documents promote best PPP practices.

ENSURING THE AVAILABILITY AND EXPERTISE OF ITS RESOURCES

PPP Québec relies on its expertise and competencies to pool and combine the resources of the public and private sectors in order to obtain the best possible return on public funds invested in the renewal of public infrastructures.

As the Québec Government's centre of expertise on public-private partnerships, PPP Québec hires, maintains and develops personnel who are specialized in the field of public-private partnerships. But the number of PPP specialists in Québec is limited, and the few local experts are avidly pursued by the private sector.

In the last year, PPP Québec has implemented a human resources strategy to allow it to raise its staffing levels to meet the needs of all its projects.

Faced with a serious challenge arising from the scarcity of competent resources on the market, the Agency is working on a global compensation package that will be indispensable to its future development.

The knowledge classification and transfer action plan is the first step toward improving the effectiveness of the Agency's internal human resources. The plan will make it easier to integrate new staff members and contribute to their professional development. The plan will also maximize the development and sharing of competencies and experience among current staff members.

PPP Québec is proud of the team it has gathered in the last three years. It believes strongly in the close collaboration that is pursued between the junior staff and the more experienced professionals. The value of this approach was recognized by Engineers Canada, which awarded the **2008 National Award for an Engineering Project or Achievement** to PPP Québec project vice-president Gabriel Soudry. Having the know-how of a mentor like Mr. Soudry recognized at an international level is a definite boon for PPP Québec. The new generation of PPP professionals will benefit from a transfer of knowledge from the very best resources, preparing the way for the success of Québec's future PPP projects.

Financial Situation

The financial provisions applicable to PPP Québec are set out in Chapter IV of its constituting act, which also stipulates that the Agency's annual budget estimates must be submitted to the Government for approval.*

PPP Québec's client fees are comprised of two components: billable hours worked by employees and the fees of external consultants. The consultants' fees appear in the budget as an expense.

PPP Québec's budget estimates for 2007-2008 presented a balanced budget with revenues in the order of $8.112 million: $4.612 million for its own fees and $3.5 million for the services of external consultants hired for its clients.

The estimate included expenses nearly equal to revenues, with a projected surplus of $6,415 for 2007-2008.**

Actual revenues for 2007-2008 amounted to $11,377,437, $3,265,437 more than the initial estimates. This situation stems from the fact that client requests demanded more input than anticipated in terms of hours worked, both by PPP Québec employees and external consultants.

The heavier demand for PPP Québec's services is demonstrated in a 33% increase in billable hours worked, or the equivalent of $1,310,097. External consultant fees rose by nearly 55% over the budget projections, or $1,919,140. This budget item had no impact on the Agency's surplus, however, since the amount is fully reflected in the expenses. The increase in expenses arises mainly from this.

This situation explains almost the entire surplus achieved in 2007-2008: $313,456 or nearly 3% of PPP Québec's revenues.

In 2007-2008, PPP Québec reimbursed the sum of $258,213 due to the government following the Agency's creation.

To continue to offer quality expertise and respond to growing client demands and special requests, PPP Québec added new staff members to its team.

The 2007-2008 surplus does not mean that the volatile nature of PPP Québec'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, PPP Québec 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 PPP Québec 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. 348-2007, concerning approval of PPP Québec's 2007-2008 budget estimates.*

Financial Statements and Report of the Auditor General of Québec

Agence des partenariats public-privé du Québec Financial Statements for the Year Ended March 31, 2008

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Management Report

The financial statements of the *Agence des partenariats public-privé du Québec* were drawn up by 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 Activity Report 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 PPP Québec 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.

PPP Québec acknowledges that it is responsible for managing its affairs in accordance with its governing legislation and regulations.

The Board of Directors oversees the way that management fulfils its responsibilities with regard to the financial information, and approves the financial statements. It is assisted in this task by the Audit Committee, whose members are not part of the management team. The committee meets with management and the Auditor General, examines the financial statements, and recommends that the Board approve them.

The Auditor General of Québec has audited the financial statements of PPP Québec, in accordance with Canadian generally accepted 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
Administration Director

PIERRE LEFEBVRE
Chief Executive Officer

Québec City, May 27, 2008

Auditor's Report

To the National Assembly

I have audited the consolidated balance sheet of the *Agence des partenariats public-privé du Québec* as of March 31, 2008, 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 Canadian generally accepted auditing standards, which require that I plan and perform an audit to obtain reasonable assurance that conclusions are free of material misstatement. An audit includes a test check of the evidence supporting the amounts and other information provided 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 PPP Québec as of March 31, 2008, and of the results of its operations and its cash flows for the year ending on that date, in accordance with Canadian generally accepted accounting principles. In accordance with the *Auditor General Act* (R.S.Q., c. V-5.01), I hereby state that, in my opinion, with the exception of the changes related to financial instruments explained in note 3, these principles were applied in the same way as in the previous year.

The Auditor General of Québec,

RENAUD LACHANCE, CA

Québec City, May 27, 2008

AGENCE DES PARTENARIATS PUBLIC-PRIVÉ DU QUÉBEC
STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
REVENUES		
Fees – Connected clients (note 10)	**$ 9,864,177**	$ 7,398,292
Agreement with Secrétariat du Conseil du trésor	**1,500,000**	1,500,000
Transfer of government assistance	**13,260**	6,630
	11,377,437	8,904,922
EXPENSES		
Salaries and fringe benefits	**4,029,361**	3,113,523
Professional and administrative services and external consultants	**5,966,697**	4,260,274
Rent	**373,224**	282,362
Travel and representation	**163,085**	194,779
Communications	**120,663**	93,696
Insurance	**32,950**	9,247
Materials and suppliers	**154,451**	156,211
Amortization of fixed assets	**179,345**	134,304
Amortization of intangible assets	**14,522**	5,425
Loss on write-down of fixed assets	**6,630**	–
Loss on disposal of fixed assets	**1,087**	–
Interest on long-term debt	**14,803**	15,948
Bank charges	**7,163**	19,578
	11,063,981	8,285,347
SURPLUS OF REVENUES OVER EXPENSES	**313,456**	619,575
ACCUMULATED OPENING SURPLUS	**619,575**	–
ACCUMULATED CLOSING SURPLUS (note 9)	**$ 933,031**	$ 619,575

The notes form an integral part of the financial statements.

AGENCE DES PARTENARIATS PUBLIC-PRIVÉ DU QUÉBEC
BALANCE SHEET AS OF MARCH 31, 2008

	2008	2007
ASSETS		
Short term		
Cash balance	**$ 251,062**	$ 819,977
Receivables (note 4)	**3,069,855**	1,052,420
Work in progress (note 4)	**1,693,933**	485,797
Fees paid in advance	**32,340**	41,894
	5,047,190	2,400,088
Capital assets (note 5)	**560,098**	548,747
	$ 5,607,288	$ 2,948,835
LIABILITIES		
Short term		
Loan from the *Fonds de financement* (note 6)	**$ 825,000**	$ –
Accounts payable and fees incurred	**3,184,801**	1,416,910
Amount owing to the Québec Government, reimbursed this year	**–**	258,213
Short-term portion of long-term debt (note 7)	**97,114**	88,707
Provision for vacations	**158,124**	129,571
	4,265,039	1,893,401
Provision for sick leave (note 8)	**223,628**	157,161
Deferred Government assistance	**–**	13,260
Long-term debt (note 7)	**185,590**	265,438
	4,674,257	2,329,260
ACCUMULATED SURPLUS	**933,031**	619,575
	$ 5,607,288	$ 2,948,835

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 ENDED MARCH 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Surplus of revenues over expenses	**$ 313,456**	$ 619,575
Items with no impact on cash flow		
Transfer of government assistance	**(13,260)**	(6,630)
Amortization of fixed assets	**179,345**	134,304
Amortization of intangible assets	**14,522**	5,425
Loss on write-down of fixed assets	**6,630**	–
Loss on disposal of fixed assets	**1,087**	–
	501,780	752,674
Changes in assets and liabilities related to operations		
Receivables	**(2,017,435)**	(767,334)
Work in progress	**(1,208,136)**	(485,797)
Fees paid in advance	**9,554**	(23,304)
Accounts payable and fees incurred	**1,767,891**	1,226,795
Amount owing to the Québec government	**(258,213)**	–
Provision for vacations	**28,553**	30,204
Provision for sick leave	**66,467**	40,688
	(1,611,319)	21,252
Cash flow from operating activities	**(1,109,539)**	773,926
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	**(149,489)**	(99,576)
Acquisition of intangible assets	**(45,245)**	(5,218)
Proceeds from disposal of fixed assets	**2,443**	–
Cash flow from investment activities	**(192,291)**	(104,794)
FINANCING ACTIVITIES		
Loan from the *Fonds de financement*	**1,425,000**	1,650,000
Reimbursement of loan from the *Fonds de financement*	**(600,000)**	(1,650,000)
Reimbursement of long-term debt	**(92,085)**	(66,823)
Cash flow from financing activities	**732,915**	(66,823)
INCREASE IN CASH BALANCE	**(568,915)**	602,309
OPENING CASH BALANCE	**819,977**	217,668
CLOSING CASH BALANCE	**$ 251,062**	$ 819,977

Interest paid during the year amounted to $21,966.

PPP Québec acquired fixed assets worth $20,644 in exchange for a long-term debt in the equivalent amount.

The notes form an integral part of the financial statements.

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 mandatary of the State, and is therefore not subject to income taxes in Québec or Canada.

2. ACCOUNTING CONVENTIONS

Under Canadian generally recognized accounting principles, PPP Québec's management must use estimates and assumptions as a basis for its financial statements. The estimates and assumptions affect the posting of assets and liabilities, the presentation of future assets and liabilities on the date the financial statements are prepared, and the posting of revenues and expenditures during the period covered by the financial statements. Actual results may differ from the management's projections.

FINANCIAL INSTRUMENTS

INITIAL EVALUATION

The financial instruments are recorded at their fair value at the transaction date. Transaction costs are realized in the net result.

TYPE OF FINANCIAL INSTRUMENTS AND SUBSEQUENT EVALUATION

ASSETS AND LIABILITIES HELD FOR TRANSACTION PURPOSES

Assets and liabilities held for transaction purposes are evaluated at their fair value, and gains and losses related to their re-evaluation to fair value are realized in the net result, if applicable. Interest income is also included in Fees - Connected Clients, and interest charges are included in the long-term debt.

PPP Québec classifies cash balance under assets and liabilities held for transaction purposes and has irrevocably designated the following short-term financial instruments: accounts receivable, accounts payable and fees incurred, provision for vacations.

OTHER LIABILITIES

The other financial liabilities include all non-derivative financial liabilities that are not classified in the category "held for transaction purposes." These liabilities are subsequently evaluated at amortized cost using the effective interest rate method.

PPP Québec classifies the loan from the *Fonds de financement* and the long-term debt in this category.

FAIR VALUE

The fair value is the amount of compensation agreed upon by two competent parties acting freely in arm's length negotiations. These values are determined using evaluation methods such as the annualization of future cash flows at the current interest rate.

COMPREHENSIVE INCOME

PPP Québec has not classified any financial instruments as financial assets available for sale. Consequently, the comprehensive income is the same as the surplus of revenues over expenses.

WORK IN PROGRESS

Work in progress represents the excess of costs over invoiced amounts for current contracts and, if need be, a certain operating spread.

FIXED ASSETS

Fixed assets are valued at cost. They are amortized over their useful life using the linear amortization method and the following time periods:

Leasehold improvements	5 years
Office furniture and equipment	5 years
Computer equipment	3 years

PPP Québec regularly examines the book value of its fixed assets, comparing it with non-annualized future cash flows that the assets should generate. Any surplus of the book value over the fair value is entered in the statements for the period during which depreciation was calculated.

Grants for the acquisition of fixed assets are recognized as deferred government assistance and transferred to the results using the same method and the same amortization rates as the subsidized fixed assets they concern

INTANGIBLE ASSETS

Intangible assets, comprised of software, are recognized at cost and amortized over their expected useful life, 3 years, using the linear amortization method.

They are subjected to a depreciation test when events or changes of situation indicate 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

Client fee income is accounted for using percentage of completion accounting.

For the re-invoicing of external consultants' fees, PPP Québec recognizes revenue in the amount of the expense invoiced by the external consultant. Direct fees invoiced by PPP Québec are based on hours worked and financial outlays incurred.

Other revenue is 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.

PENSION PLAN

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

3. CHANGES TO ACCOUNTING CONVENTIONS

CHANGES IN THE CURRENT YEAR

On April 1, 2007, PPP Québec adopted the new Canadian Institute of Chartered Accounts (CICA) recommendations related to the recognition, evaluation and presentation of financial instruments following the publication of Sections 1530, Comprehensive Income, 3855, Financial Instruments – Recognition and Measurement, and 3861, Financial Instruments – Disclosure and Presentation, in the CICA Accounting Handbook.

For PPP Québec, the impact of these new accounting conventions relates solely to the disclosure of additional information, since they will not affect the evaluation of financial instruments in the categories adopted by the Agency, which are described in note 2.

FUTURE CHANGES TO ACCOUNTING CONVENTIONS

In the next fiscal year, PPP Québec will apply the new CICA recommendations concerning the following new sections: 3862, Financial Instruments – Disclosures, and 3863, Financial Instruments – Presentation.

These sections are based on the principle that entities should provide disclosures that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and evaluate the type and scope of the related risks the entity is exposed to, as well as the way it manages those risks. Sections 3862 and 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation, modifying and increasing the disclosure requirements but leaving the presentation requirements unchanged.

The CICA also published section 3064, Goodwill and Intangible Assets, to replace sections 3062, Goodwill and Other Intangible Assets, and 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. This section will apply to financial statements for fiscal years beginning after October 1, 2008.

Since Sections 3862 and 3863 relate specifically to disclosures, there will be no impact on PPP Québec's results. As regards section 3064, management believes there will be no significant impact on the financial statements arising from the application of these new standards.

4. RECEIVABLES AND WORK IN PROGRESS

	As of March 31, 2008		
	Receivables	**Work in progress**	**Total**
Ministère de la Santé et des Services sociaux	**$ 1,078,751**	**$ 1,495,531**	**$ 2,574,282**
Ministère de la Culture, des Communications et de la Condition féminine	**1,390,493**	**110,549**	**1,501,042**
Ministère de la Justice	**1,399**	**–**	**1,399**
Ministère des Transports	**442,811**	**87,853**	**530,664**
	2,913,454	**1,693,933**	**4,607,387**
Agreement with the Secrétariat du Conseil du trésor	**150,000**	**–**	**150,000**
Other	**6,401**	**–**	**6,401**
	$ 3,069,855	**$ 1,693,933**	**$ 4,763,788**

	As of March 31, 2007		
	Receivables	Work in progress	Total
Ministère de la Santé et des Services sociaux	$ 160,696	$ 312,148	$ 472,844
Ministère de la Culture, des Communications et de la Condition féminine	424,072	159,246	583,318
Ministère des Transports	317,652	14,403	332,055
	902,420	485,797	1,388,217
Agreement with the Secrétariat du Conseil du trésor	150,000	–	150,000
	$ 1,052,420	$ 485,797	$ 1,538,217

5. CAPITAL ASSETS

	As of March 31, 2008		
	Cost	**Accumulated amortization**	**Net value**
Fixed assets			
Leasehold improvements	**$ 465,672**	**$ 182,887**	**$ 282,785**
Office furniture and equipment	**172,905**	**47,833**	**125,072**
Computer equipment	**198,134**	**89,572**	**108,562**
	836,711	**320,292**	**516,419**
Intangible assets			
Software	**64,847**	**21,168**	**43,679**
	$ 901,558	**$ 341,460**	**$ 560,098**

	As of March 31, 2007		
	Cost	Accumulated amortization	Net value
Fixed assets			
Leasehold improvements	$ 435,879	$ 94,030	$ 341,849
Office furniture and equipment	111,550	22,015	89,535
Computer equipment	147,285	42,878	104,407
	694,714	158,923	535,791
Intangible assets			
Software	19,602	6,646	12,956
	$ 714,316	$ 165,569	$ 548,747

6. LOAN FROM THE FONDS DE FINANCEMENT

Through Order-in-Council 169-2006, the Québec government authorized PPP Québec to contract a line of credit with an authorized limit of $3 million. This line of credit bears interest at the average rate for bankers' acceptances plus 0.30%, which amounted to a rate of 3.91% on March 31, 2008. The loan matures on June 30, 2008.

7. LONG-TERM DEBT

OCCUPANCY AGREEMENT WITH THE SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC

	2008	2007
Fixed rate of 4.69%, repayable in monthly instalments of $3,471, maturing October 31, 2010	**$ 101,158**	$ 137,146
Fixed rate of 4.70%, repayable in monthly instalments of $3,278, maturing March 31, 2011	**109,879**	143,201
Fixed rate of 4.70%, repayable in monthly instalments of $1,377, maturing October 31, 2011	**54,402**	73,798
Fixed rate of 4.48%, repayable in monthly instalments of $898, maturing November 30, 2009	**17,265**	–
	$ 282,704	$ 354,145
Short-term part of long-term debt	**97,114**	88,707
	$ 185,590	$ 265,438

Capital instalments to be paid over the next four years:

	2009	$ 97,114
	2010	98,141
	2011	77,958
	2012	9,491
		$ 282,704

8. FUTURE FRINGE BENEFITS

PENSION PLANS

The PPP Québec personnel participate in the Government and Public Employees Retirement Plan (RREGOP) or the Pension Plan for Management Personnel (PPMP). These multi-employer plans are defined benefit plans and include guarantees at retirement and at death.

On January 1, 2008, the Agency's contribution rate for the RREGOP increased from 7.06% to 8.19% of covered payroll. Contribution rates for the PPMP and the RPSO (Retirement Plan for Senior Officials) rose from 7.78% to 10.54%.

PPP Québec's contributions charged to this year's results amount to $167,889 ($124,287 in 2007). The Agency's obligations under these Government plans are limited to its employer contributions.

PROVISION FOR SICK LEAVE

	As of March 31, 2008
Opening balance	**$ 157,161**
Expense for the year	**85,353**
Benefits paid during the year	**(18,886)**
	$ 223,628

	As of March 31, 2007
Opening balance	$ 116,473
Expense for the year	63,583
Benefits paid during the year	(22,895)
	$ 157,161

9. ACCUMULATED SURPLUS

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

10. RELATED PARTY TRANSACTIONS

In addition to the related party transactions already disclosed in the financial statements, PPP Québec drew all of its revenues from related parties and committed to a rental expense of $342,077 with the Société immobilière du Québec. All these operations are recognized at the exchange value. PPP Québec is related to all Government ministries and special funds, and to all organizations and undertakings controlled directly or indirectly by the Government of Québec, or subject either to joint control or to a significant joint influence by the Government of Québec. PPP Québec has not entered into any commercial transactions with these related parties other than in the normal course of its activities and under the usual commercial conditions. These transactions are not disclosed separately in the financial statements.

11. UNDERTAKINGS

PPP Québec rents office space under occupancy agreements with the Société immobilière du Québec. These agreements expire in March and October 2011. The minimum future rent amounts to $1,403,008 and includes the following payments for the next four years: $450,024 in 2009, 2010 and 2011 and $52,936 in 2012.

This year, the office building where PPP Québec's headquarters is located was sold. It is possible that the headquarters will have to move. Currently, it is impossible to evaluate the impact on future minimum rent.

PPP Québec leases office equipment under leasing contracts. The contracts expire in October 2011 and March 2013. The minimum payments amount to $57,861 and include the following payments for the next five years: $12,752 in 2009, 2010 and 2011, $11,017 in 2012 and $8,588 in 2013.

12. FINANCIAL INSTRUMENTS

FAIR VALUE

The fair value of the short-term financial instruments is equivalent to their cost because of their short-dated maturities.

The fair value of the long-term debt is equivalent to its book value, since the market conditions on March 31, 2008, are similar to prevailing conditions at the time of its issue.

CREDIT RISK

PPP Québec's exposure to credit risk corresponds to the book value of its financial assets.

INTEREST RATE RISK

The volatility of interest rates affects the fair value of the financial assets and liabilities (market risk related to interest risk).

The long-term debt bears fixed-rate interest. Since PPP Québec expects to reimburse these loans in their entirety upon maturity, its risk exposure on the long-term debt is minimal.

13. FIGURES FROM PREVIOUS FISCAL YEAR

Certain figures from fiscal 2007 were reclassified to reflect the presentation in 2008.

Appendixes

Appendix 1

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

FOR THE PERIOD APRIL 1, 2007, TO MARCH 31, 2008

Board of Directors

DIRECTOR	ATTENDANCE/TOTAL NUMBER OF MEETINGS
Barbe, Christiane	6/8
Boyer, Marcel	8/8
Garcia, Claude A.	8/8
Jean, Denys	5/8
Kavanagh, Judith Ann	7/8
Kessous, Perla*	2/8
Lefebvre, Pierre	8/8
Paquet, Roger	7/8
Parenteau, Nathalie	8/8

* *Member joined the Board in September 2007*

Audit Committee

DIRECTOR	ATTENDANCE/TOTAL NUMBER OF MEETINGS
Boyer, Marcel	6/6
Kavanagh, Judith Ann	5/6
Parenteau, Nathalie	6/6

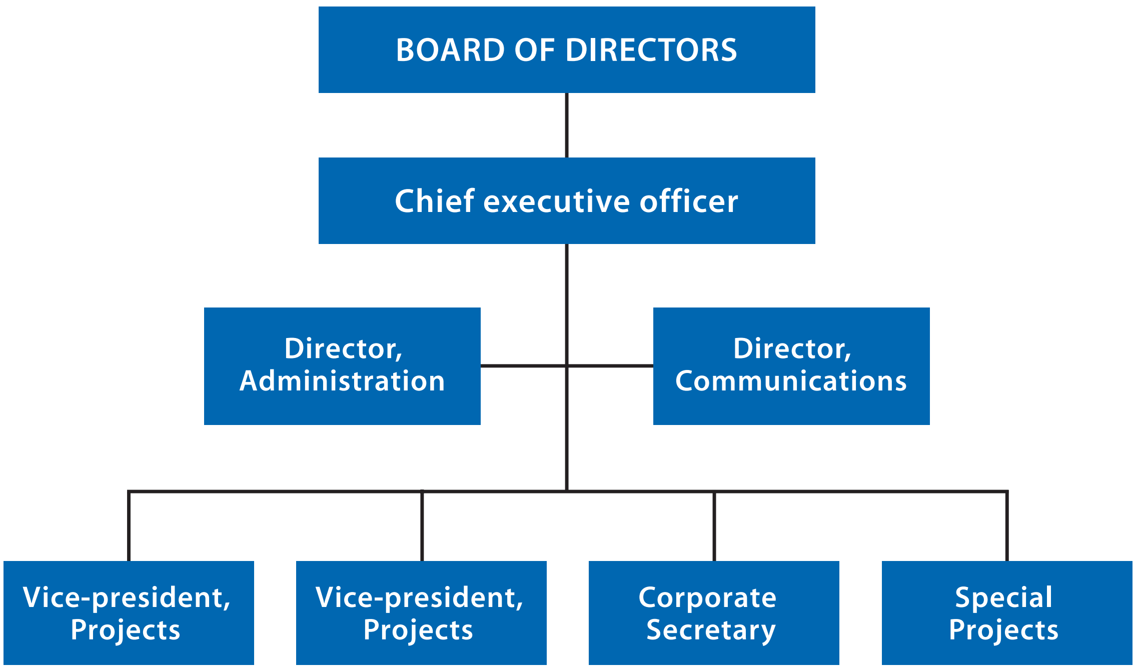
Human Resources Committee

DIRECTOR	ATTENDANCE/TOTAL NUMBER OF MEETINGS
Barbe, Christiane	3/3
Boyer, Marcel*	1/3
Garcia, Claude A.**	2/3
Kavanagh, Judith Ann	2/3
Kessous, Perla***	2/3

* *Member left in August 2007*
** *Member joined the Committee in August 2007*
*** *Member joined the Committee in September 2007*

Appendix 2

ORGANIZATIONAL CHART



Appendix 3

SCHEMATIC TABLE OF THE BUSINESS PLAN

MISSION: To provide advice and expertise that will contribute to the renewal of public infrastructure and the enhancement of public services through public-private partnerships.

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

ISSUES:

- *Introduce a new approach*
- *Achieve sign-on from stakeholders*
- *Make its competencies available*
- *Stabilize its revenues*

FOCUS >	PROJECTS	BEST PRACTICES AND INFORMATION	COMPETENCIES
	Orientation/objectives *Contribute to the success of projects*	**Orientation/objectives** *Become a source of reference and expertise in PPPs*	**Orientation/objectives** *Make PPP Québec's expertise available*
	Maximize the value of the projects in relation to the public funds invested. Uphold the transparency and objectivity of the private partner selection process.	Establish an information and documentation centre. Provide interested parties with objective, factual information.	Develop and maintain PPP Québec's competencies. Monitor the development of projects and respond to client demands.
MEASURES			
	Develop a governance structure for each project. Complete the business case before launching the procurement strategy. Devise a procurement strategy that promotes competition between private partners. Encourage transparency in the private partner selection process. Have the main steps in the procurement strategy audited.	Devise a PPP oversight policy. Create an information and documentation centre to compile and disseminate PPP information and best practices. Constantly improve and update the website. Participate in conferences, symposia and other existing forums. Help improve understanding of the PPP approach.	Encourage professional development of human resources. Facilitate transfer of knowledge and expertise between projects. Create conditions conducive to the development of competencies. Adapt PPP Québec's resources to client needs. Develop a bank of PPP applicants and consultants.
INDICATORS			
	Number of service agreements that include a governance structure. Number of business cases completed. Number of interested private partners retained through the procurement strategy. Determination of value added relative to public funds invested per project. Scope and type of information available to the public.	External process auditors' reports. Implementation of a PPP business intelligence policy. Number of consultations. Requests for information received and processed. Number of publications on best practices. Traffic on website, user profiles, etc. Number of activities with different types of client groups and the general public. Number of publications and types of client targeted. Level of pubic awareness of PPP Québec.	Number of professional development days. Number of people working on more than one project. Personnel turnover rate. Development of an internal knowledge management strategy. Evaluation of client satisfaction. Creation of a bank of PPP applicants and consultants.

Appendix 4

CODE OF ETHICS AND CONDUCT FOR THE MEMBERS OF THE PPP QUÉBEC BOARD OF DIRECTORS

SECTION I

PURPOSE AND SCOPE

01. This code of ethics and conduct 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 PPP Québec).

02. The Code applies to members of PPP Québec's Board of Directors (hereinafter referred to as the directors).

SECTION II

ETHICAL STANDARDS AND GENERAL RULES OF PROFESSIONAL CONDUCT

03. The directors and experts appointed to work at PPP Québec shall, as part of their mandate, assist PPP Québec 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' duties shall be undertaken in full respect of 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 of Ethics and Conduct. Where there is divergence between the two, the more 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 interfere with the performance of their duties.

05. Directors are bound to discretion in regard to 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 must avoid placing themselves in a situation of conflict between their personal interests and the duties of their office. Directors and officers must disclose to the Board of Directors any direct or indirect interest that they have in a body, enterprise or association likely to place them in a situation of conflict of interest, as well as any rights that they may assert against the body, enterprise or association, and indicate, where applicable, the nature and value.

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 PPP Québec'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 meeting for the time required by the Board of Directors to deliberate and vote on the matter.

09. Directors may not treat the property under the responsibility of PPP Québec as if it were their own property and may not use it for their own benefit or for the benefit of a third party.

10. Directors may not use information obtained in the performance of or in connection with their duties for their own benefit or for the benefit of a third party.

11. Directors may not accept any gift, hospitality or other advantage, except what is customary and of modest value. Any other gift, hospitality or advantage received must be returned or handed over to PPP Québec.

12. Directors may not, directly or indirectly, grant, solicit or accept a favour or an undue advantage for themselves or for a third party.

13. In the performance of their duties, directors shall not be influenced by offers of employment.

14. Directors who have left office must conduct themselves in such a manner as to not derive undue advantages from their previous service with PPP Québec.

15. Directors who have left office may not disclose confidential information or give advice based on information not available to the public concerning PPP Québec or any another body, enterprise or association with which they had a direct and substantial relationship during the year preceding the end of their term of office.

16. The Chair of the Board of Directors shall ensure that directors comply with the standards of ethics and conduct.

17. PPP Québec shall take all necessary measures to ensure that information provided by directors pursuant to these rules remains confidential.

Appendix 5

CODE OF ETHICS AND CONDUCT FOR PPP QUÉBEC 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.

The essence of these documents is reprised 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 SCOPE

01. The purpose of this Code of Ethics and Conduct is to set out standards of behaviour for the employees of the Agence des partenariats public-privé du Québec (hereinafter, PPP Québec) in the performance of their duties.

02. This Code applies to all employees of PPP Québec and 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. For this reason, the *Déclaration de valeurs de l'administration publique québécoise* was officially tabled in the National Assembly on November 21, 2002. The values it upholds 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 PPP Québec.

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

SECTION III

EMPLOYEE OBLIGATIONS

05. The employees' obligations have been categorized 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: the obligation of attendance and the obligation of competency.

The obligation of attendance requires that employees 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 requires that employees perform the tasks assigned to them by providing the service required within the allotted time, in an appropriate and effective manner, to the satisfaction of the client.

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

RELATIONSHIP WITH THE ORGANIZATION

07. To carry out its mission, PPP Québec relies on diverse resources who are required to work as part of a team. Employees do not work alone; they maintain contact with all of PPP Québec's other employees in order to provide top-quality services to clients in accordance with PPP Québec's goals.

For the organization to coordinate all efforts and resources in order to achieve its mission and objectives, the employees must respect and obey their line supervisors, and demonstrate loyalty and allegiance.

The obligation to respect and obey supervisors means that the employees must carry out 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 supervisors. An employee who believes a request is unfair or unreasonable may discuss it with his or her supervisors and then, if necessary, refer to the competent authorities.

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

EXCLUSIVITY OF SERVICE

08. Exclusivity of service means that at the very least the employees must 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.

Any employee who is involved in or is considering the possibility of becoming involved in an occupation outside PPP Québec, whether remunerated or not, must ensure that the other occupation does not have an impact on his or her attendance, performance, or quality of work for PPP Québec, and does not result in a situation of conflict of interest.

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

SERVICES TO GOVERNMENT DEPARTMENTS AND PUBLIC AGENCIES

09. The provision of service to government departments and public agencies is the essence of PPP Québec's mission. The organization must therefore focus on client satisfaction, which means 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, in keeping with the legislative and administrative framework governing the operations of PPP Québec and the Government.

CONDUCT

10. The numerous obligations relating to conduct involve several different issues including honesty, impartiality, and avoidance of conflicts of interest. These obligations are inherent to all organizations. However, the particular status of PPP Québec 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 or agency or a supplier, or that may breach the privacy of individuals or hinder the private activities of businesses.

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 the activities of PPP Québec must obtain prior authorization from his or her supervisors.

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 political opinion and is more general in scope in that it applies to the employee's actions inside and outside of PPP Québec. It does not mean, however, that employees must remain silent, give up their freedom of expression or forego the exercise of their political rights; on the contrary, employees are full citizens and entitled to enjoy the privileges of that status.

There is nothing to prevent employees 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 with regard to the obligation of reserve. For example, employees in 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, and they must not use the information or property of PPP Québec for their own advantage.

The obligation to act honestly also means that employees must demonstrate intellectual honesty in 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 in the performance of their duties (e.g. selecting personnel, professional contractors, suppliers, etc.), employees must act in accordance with PPP Québec'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 businesses.

e) Absence of conflict 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, could be placed ahead of the organization's interest. For a conflict of interest to exist, it is not necessary for an employee to actually have used his or her position for personal interest, or to have gone against PPP Québec's interests. The possibility alone is sufficient to call PPP Québec's credibility into question.

The obligation to avoid conflicts of interest means that employees must renounce any direct or indirect interest in a business that brings their personal interest into conflict with the duties of their position. It also means that employees who become aware of a real, potential or apparent conflict of interest must immediately inform their supervisors, so that they can determine the measures to be taken.

SECTION IV

RESPONSIBILITIES

11. Every employee must be perfectly familiar with the content of this Code of Ethics and Conduct, 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 supervisors if they hold an interest in or are not at arm's length with a business that works directly or indirectly with PPP Québec or with the Government, or if they find themselves in a situation that involves a real, potential or apparent conflict of interest. Employees who hold positions outside PPP Québec must notify their supervisors, in order to agree on the appropriate the line of conduct.

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 mentioned 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 people 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 also uphold certain fundamental values. The Public Service Act reflects these values by enacting standards of conduct including attendance, 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 on public administrators.

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

The quality of the services to the public and the pursuit of the public interest must be of primary concern to every member of the Québec public administration, whether they be directors, civil servants or other employees. These goals define the way the relationship between the public administration and the citizens must be conceived.

These requirements are rooted in the ethical values that serve as a foundation for the 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 others 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 people with whom they interact in the performance of their duties. They shall demonstrate courtesy and discretion and listen to the people they come into contact with in the course of their duties. They shall also demonstrate diligence and avoid all forms of discrimination.

Appendix 7

DECLARATIONS CONCERNING VARIOUS REGULATIONS AND LAWS

Language Policy

PPP Québec has examined its linguistic situation, as required by the Charter of the French Language. PPP Québec 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. PPP Québec emphasizes the fact that while public-private partnerships are still in their infancy in Québec, they have been in existence for much longer in many English-speaking countries, with the result that most of the existing documentation is available in English only.

Access to Information and Protection of Personal Information

PPP Québec publishes the principal documents relating to its activities and projects on its website.

In 2007-2008, PPP Québec received and processed fourteen requests for access to information. One request was sent for review by the *Commission de l'accès à l'information* but the request was subsequently withdrawn.

Ethics and Conduct

PPP Québec pays particular attention to the matter of ethics in all the activities carried out by its personnel. All directors and all employees have signed a commitment to uphold the applicable Code of Ethics and Conduct, 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 Appendices.

Sustainable Development

The *Sustainable Development Act* was adopted by the National Assembly on April 13, 2006. Sustainable development means development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development is based on a long-term approach which takes into account the inextricable nature of the environmental, social and economic dimensions of development activities.

To comply with the requirements of this law, PPP Québec has created a sustainable development team, which is charged with developing a sustainable development action plan. PPP Québec believes that, given its mission, it will be possible to adopt an approach that complies with the government strategy by implementing a sustainable development plan that it will make public by March 31, 2009.

Québec

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