

2017 federal budget light on infrastructure bank details

by Angela Gismondi Mar 29, 2017

Industry stakeholders were hoping for news on the Canada Infrastructure Bank (CIB) in the 2017 federal budget but what they got instead is a commitment that it will be up and running later this year and that more will be announced in the coming months.

"To ensure that funds can begin to be invested in a timely manner, the Government will soon propose legislation establishing the Canada Infrastructure Bank," reads the budget, entitled Building a Strong Middle Class, tabled by federal Finance Minister Bill Morneau March 22 in Ottawa. Morneau added it will begin a process to identify the bank's chief executive officer and board chair.

"Further details on the initiative will be announced in the coming months," the budget indicated.

The budget provided little in the way of details on the mandate of the bank and how it will operate.

"There really is not very much in there at all," **Andy Manahan, executive director of the Residential and Civil Construction Alliance of Ontario (RCCAO)**, told The Daily Commercial News. "There was an indication that enabling legislation to set up the infrastructure bank will be coming soon and that there is definitely a goal to have the office set up by the end of the year."

According to the budget, "The CIB will be an arm's-length organization that will work with provincial, territorial, municipal, indigenous and private sector investment partners to transform the way infrastructure is planned, funded and delivered in Canada."

The federal government announced plans to establish a new CIB in its 2016 Fall Economic Statement released in November.

"It's basically a reiteration or a continuation of what we heard last November," Manahan added.

The budget also states the CIB will be responsible for investing at least \$35 billion over 11 years, using loans, loan guarantees and equity investments and that investments will be made strategically, with a focus on large projects such as regional transit plans, transportation networks and electricity grid interconnections.

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Manahan said he is not concerned about the future of the bank.

"To me, I'm not worried that it won't be established," he said. "Through our discussions with folks in Ottawa, they really are trying to get it right...they're still working on it. I think when they make the announcement they just want to have all their ducks in a row and the location of the place is pretty critical in addition to what the mandate will be. I think they're taking a measured approach to do it."

Over the last few years, the RCCAO commissioned a number of reports on the infrastructure bank, many authored by Matti Siemiatycki, a University of Toronto associate professor of geography and planning. There are some differences between what Siemiatycki envisioned and what is being proposed by the government.

"There's much more of an emphasis right now on leveraging private sector dollars so that's good if we can get public pension funds and other private equity firms to come forward," said Manahan. "But the missing link from my perspective in the budget was if Morneau had said or sent a signal that for some types of infrastructure projects we need a revenue stream, so user pay or tolls on the Champlain Bridge or the new bridge between Windsor and Detroit.

"Those sorts of things then send a signal out to the investor community that OK, we're not going to be relying on government monies or concessions to recover the cost for these projects, we'll be able to at least recover some of it through user fees."

The budget was modest compared to last year and there are some unanswered questions, Manahan said.

"To me there is way more uncertainty compared to the budget period last year," he said, citing such potential factors as Trump in the U.S. and Brexit, the United Kingdom's withdrawal from the European Union.

"Although the focus seems to be on the middle class or middle income earners on the one hand, these relatively high deficit projections going out for still a number of years do not really instill public confidence in Canadians that our economy is coming along really nicely.

"I recognize that these are really tough balancing acts but you can't just do traditional government financing for these projects. If we're really in these tougher economic times then a stronger signal should have been sent out by Morneau."