



## **Metro asks: What exactly is an infrastructure bank?**

**Bank could fund new projects across the country, but comes with some challenges.**



THE CANADIAN PRESS/Sean Kilpatrick

The view inside the Confederation Line tunnel in the summer of 2014. The Infrastructure bank the federal government is expected to announce this week could allow other ambitious projects to move ahead.

**By:** Ryan Tumilty Metro Published on Mon Oct 31 2016

Federal Finance Minister Bill Morneau is widely expected to announce this week the formation of a Canadian Infrastructure bank that could invest in projects like roads, highways, bridges and transit systems across the country.

So what exactly would that mean? We asked Matti Siemiatycki, an associate professor in the Department of Geography and Planning at the University of Toronto who has written several reports on the idea.

### **What is an infrastructure bank?**

“The role of an infrastructure bank is technically to fund infrastructure projects or to provide financing for large public infrastructure projects. This would be at the federal level and the goal with this agency is to be national and to provide capital that municipal government and provinces can draw on,” he said.

The bank could also attract large institutional investors, like pension funds, interested in investing in projects, which could raise more money to spend on them.

### **What are the downsides?**

“There is no free money. Either the federal government is going to borrow money or private investors are going to invest in infrastructure, but if it’s actually a bank those investors are going to want their money back,” he said.

He adds municipalities don’t actually have a problem financing projects.

“The challenges they have is not getting people to lend them money, it’s finding ways to pay it back.”

### **What about the upsides?**

He said the big help from a program like this is it centralizes decision making and builds up experience.

“You create a national centre of excellence for infrastructure. You create an institution that has expertise in project evaluation and project selection.”

He said that could be better in the long term.

“We have a problem with cost overruns right across this country,” he said.

### **Will this mean more transit gets built more quickly?**

He said what the federal government builds with the infrastructure bank will depend on how involved those investors are, because most projects don’t generate a lot of money to pay back loans.

“The majority of infrastructure in Canada doesn’t have a revenue stream,” he said.

Transit does generate revenue, but that doesn’t usually even cover operating costs. He said airports, seaports and water projects are among the only projects that generate revenue.