

## **Supporters provide guidance for development of Canada Infrastructure Bank**

by Angela Gismondi Nov 28, 2016

In its fall economic statement, the federal government announced the launch of a highly anticipated new infrastructure bank.

While supporters of the concept agree it's a good start, they are unclear as to the functions of the proposed bank.

Matti Siemiatycki, a University of Toronto associate professor of geography and planning, is the author of the reports *Creating a Canadian Infrastructure Bank* and *Implementing a Canadian Infrastructure Investment Agency (CIIA)*. Both were commissioned by the **Residential and Civil Construction Alliance of Ontario (RCCAO)**.

According to Siemiatycki, the bank proposed in the economic statement seems to focus on financing projects.

"I think it's a good start having a central organization that supports infrastructure delivery in Canada," said Siemiatycki. "The way it's designed is really focused on project finance and, in particular, on pension funds. In the report that I did, what I found was that the real value of an infrastructure bank is when you link three key functions together: project finance, support with evidence-based project prioritization and a 'centre of excellence' on project delivery. It's linking those three key pieces under one roof in this centre of excellence that we can deliver infrastructure more effectively and really address the key issues in the Canadian infrastructure environment."

The recent economic statement announced a new target of \$186 billion in infrastructure spending over 11 years, up from the \$120 billion over 10 years announced in the May budget. Details of the Canada Infrastructure Bank were general in nature. A release issued by the Ministry of Finance said the bank will be an arm's-length organization that will change how infrastructure projects are planned, funded and carried out in Canada. The creation of the bank is a key recommendation that came recently from the Advisory Council on Economic Growth.

The bank will be responsible for investing at least \$35 billion from the federal government into large infrastructure projects through loans, loan guarantees and equity investments. Part of this amount — \$15 billion — will be sourced from the additional infrastructure spending announced in the fall economic statement. The bank will also make close to \$20 billion available for municipalities and provinces in loan guarantees and low cost loans. It will be financed and booked as equity or debt and therefore not result in a fiscal impact for the government, a release explains.

However, according to Siemiatycki, financing is only one part of the issue and not necessarily something the Canadian government needs.

"In Canada, we don't really have a problem getting investors to invest in infrastructure and in our governments," said Siemiatycki. "The problem that we have in Canada is how to pay the money back. Our governments are running in deficit positions or are having very tight budgets so any additional borrowing whether it's provided by pension funds or other, these investors have to be paid back and that's going to be from the government."

Another issue is that the government doesn't charge user fees in a lot of the areas they plan to invest in, he noted.

"In most of these sectors there are not revenue streams associated with those types of infrastructure that's going to cover their costs," said Siemiatycki. "So unless we can come up with new project delivery models and new funding sources, this is really part of the bigger conversation about how we pay for infrastructure in Canada."

Siemiatycki says he hopes that what the government has announced is a starting point and that it will round out what the infrastructure bank mandate and functions are in the weeks and months ahead.

"Where I would like to see it go is to have its mandate broadened so it includes the prioritization function and the delivery support," said Siemiatycki.

He added there should be a leadership academy in place to train public sector civil servants who are going to be delivering and overseeing big projects so that they can employ the best practices and most up-to-date techniques for delivering big projects effectively.

"In Canada, like elsewhere, we have an issue with cost overruns and delays on many projects and that risks costing us money but also losing public trust," said Siemiatycki. "The centre of excellence part of this, the expertise and intelligence part of this agency, is really where you can add value, this is how agencies in other countries are structured."

Andy Manahan, executive director of the RCCAO, said he is pleased with the announcement, but noted there are areas that need to be hashed out.

"It's a little bit narrow with respect to the focus on pension funds and I think you are seeing some critics say this is going to lead to privatization," he said.

The RCCAO and Siemiatycki had a number of meetings with government officials and organizations and wrote a number of letters communicating the message that the infrastructure bank is a good idea and should be supported by the federal government.

"Typically, an economic statement is an update from a finance minister about are we on track with respect to reducing our deficit, so to have a major policy statement made in an economic statement is really significant and is telling as well," Manahan stated. "It sends a signal that even

though they're in a deficit situation, they recognize there are multipliers with infrastructure that are going to help the economy."

Following the release of the fall economic statement, Minister of Infrastructure and Communities Amarjeet Sohi told the Daily Commercial News, "Building a Centre of Excellence and expertise to advise our partners on procurement practices and construction practices, on the capacity of them to engage with the private sector, that is the broad mandate of the bank, but I would say the overall objective is to mobilize private capital and the building of public infrastructure beyond what we can do with traditional grant funding."