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New head of Canada Infrastructure Bank promises more investments after Ottawa loosens reins

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Michael Sabia, chairman of the Canada Infrastructure Bank, speaks during a news conference in Ottawa, Ontario, Canada, on Thursday, Oct. 1, 2020. Photo by David Kawai/Bloomberg

OTTAWA — The Canada Infrastructure Bank will quicken the pace at which it doles out cash in the coming year, its new chief executive says, thanks in part to a structural change that has loosened the rules around how the $35-billion Crown corporation invests its capital.

Ehren Cory, who was named chief executive officer late last year, says the bank will be announcing new investments on "a very regular basis" in 2021 as part of Ottawa's economic stimulus efforts.

His comments come after the CIB underwent a policy change late last year that eliminated a requirement for the bank to secure approval directly from Finance Canada before it could invest in individual projects. One senior government official confirmed to the *National Post* that the federal government will now approve CIB investments on a broader sectoral level rather than project-by-project. It comes after a sustained push by board members of the bank — including former chairman and now Deputy Finance Minister Michael Sabia — to streamline the approval process and funnel money to projects quicker.

Cory and other senior bank officials said the change should loosen the reins on the taxpayer-funded infrastructure bank, which has faced criticism for being slow to invest in so-called "transformative" major projects since its inception in 2017.

"In order for the CIB to be successful we need to be creative and nimble," Cory said in an interview.

We do see hard dollars going out the door,

The CIB was established in summer of 2017 under Prime Minister Justin Trudeau in an effort to incentivize private investors to funnel money into major infrastructure projects like transit lines, hydro facilities and port expansions. It is mandated to spend $35 billion over 10 years, part of a wider $187-billion spending commitment introduced by the Liberal government in an effort to revitalize and expand infrastructure across the country.

But in over three years the bank has spent only $1.7 billion, most of which came in the form of low-interest loans toward the Réseau express métropolitain**,**a major rail project in Montreal. It has committed up to $2 billion more for the GO Expansion, a major rail project in Ontario, and up to $300 million for Montreal's Contrecoeur Port Terminal. The bank has identified another eight projects where it will either offer advisory services or make investments; on Tuesday it signed a memorandum of understanding to fund an electrical storage facility in southern Ontario.

Cory is now looking to ramp up that pace of spending this year, particularly amid a global pandemic where infrastructure projects could help stimulate the economy.

"We do see hard dollars going out the door, the velocity of deals going up, and those [deals] leading directly to investment," he said.

He also urged patience from the public on what some perceive as a tardiness in approving major projects, saying the developments happen on long timelines that can't easily be trimmed down. The time it takes to advance from environmental assessments and initial project designs to completion takes many years, and can sometimes stretch over a decade, he said.

"The time between commitment and final capital can be long," he said.

Under a recent “growth plan” for the bank, announced by Trudeau in October, the bank will also start investing in shorter-term projects for the purpose of economic stimulus, including funding for “large-scale building retrofits,” farming irrigation projects, zero-emissions buses, and other things. Those investments should also reduce time requirements to approve new projects, Cory said.

“Infrastructure plays a critical role in building economies and building societies. Great infrastructure is good for growth, GDP and jobs, and for sure it needs to be a part of the economic recovery.”

Cory has been acting CEO for just seven weeks, after being appointed to the role in late October. He replaces Pierre Lavallée, who stepped down as the first chief executive of the CIB as part of a series of removals that saw its three top officers step aside in a matter of months. The shakeup had come amid public criticism over the seeming slow start of the bank.

Before joining the Canada Infrastructure Bank, Cory was CEO of Infrastructure Ontario for four years, where he served for eight years in total. The department underwent a rapid expansion over that period, with its project pipeline growing from between $15 billion and $20 billion to around $60 billion in less than a decade.

Cory said he takes over during a “transition period” at the CIB, partly as a result of the structural changes introduced last year that will allow the Crown corporation to head in a new direction. Cory says the changes will make the bank “nimbler and faster,” reiterating claims already made by other bank officials.

The time between commitment and final capital can be long

“The way I describe the first year and a half… of our existence versus what we’re doing now is I think we spent way too much time thinking about all the rules that should govern what we do and how we do it,” John Casolas, chief investment officer at the CIB, said in an online panel discussion last year. “Whereas I think our approach now — and one that certainly that I am pushing — is we need to identify those very good and important projects and find a way to get them done.”

People familiar with the matter say that Sabia was a major proponent of the changes, but that board members were widely in agreement that the original structure for approvals needed to be adjusted in order to speed investment.

The change, if properly observed, would ultimately reduce government’s ability to decide which specific projects the bank invests in, instead limiting its input to higher-vantage questions of which types of projects and sectors would receive public funding.

It’s a mode of operations that runs counter to Ottawa’s past management of the bank. The CIB’s sole major investment, in Montreal’s Réseau express métropolitain, came only after Trudeau signalled that it could replace an investment the federal government had already committed to the project.

In October, Trudeau repackaged $10 billion in existing bank funding as part of a three-year economic recovery plan, which pinpointed five new areas of spending in addition to its original 10-year mandate. Several observers saw the move as overreach into an arms-length body often sold by Ottawa as an autonomous body free of government intervention.