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## Tuesday, May 16, 2017

## Chair

**The Honourable Judy A. Sgro**

# Standing Committee on Transport, Infrastructure and Communities

**Tuesday, May 16, 2017**

● (1105)

[*Translation*]

**The Vice-Chair (Mr. Robert Aubin (Trois-Rivières, NDP)):** Good morning everyone.

I would like to know whether there is unanimous consent to hear at least one of the witnesses' presentations. That would save us time later. If you would prefer that we suspend in order to go vote and come back, that's an option as well.

I am ready to hear your suggestions.

I propose that we hear from at least one of the witnesses before we break for the vote.

I take your silence to mean that there are no objections. Let's go ahead, then.

On that note, I will turn the floor over to Mr. Marchi, first.

[*English*]

**Hon. Sergio Marchi (President and Chief Executive Officer, Canadian Electricity Association):** Good morning, Mr. Chair and committee members.

My name is Sergio Marchi, and I am the president and CEO of the Canadian Electricity Association, the national voice of electricity since 1891. On behalf of our members, our submission offers 10 recommendations that we hope will be helpful to your deliberations.

Reliable electricity has become indispensable to a competitive national economy and a high quality of life. However, many of our infrastructure assets are reaching the end of their life cycles. This means that Canada needs to heavily renew its electricity systems. Specifically, the Conference Board estimated that until 2030, we will need to invest some $350 billion. Accordingly, our members have been investing aggressively, nearly $20 billion a year. Indeed, at least three of the top five largest infrastructure projects for the last decade have come from our sector, according to *ReNew Canada* magazine. This year, seven of Canada's 10 largest builds will be electricity-related. However, the current rate of projects is not enough, as we also need to adapt to new technologies, changing generation sources, and shifting customer demands.

CEA supports the creation of the CIB, the Canada infrastructure bank. If well designed and well implemented, the bank could be a strong enabler of electricity sector investments, as well as those in other key industries that are critical in sustaining our economic prosperity and future. In this regard, CEA makes the following recommendations.

First, the CIB should prioritize projects that align with Canada's clean energy future to help bolster transformational projects such as grid modernization, distributed energy, electrification of transportation, and emissions-free generation. This should also include green infrastructure projects, which reduce Canada's carbon footprint and make us more climate resilient.

Second, full and equal consideration should be given to the varied corporate structures of our sector participants: public, private, and hybrids.

Third, a bank board position should be reserved for an individual with experience in the electricity sector, given its economic criticality.

Fourth, all financing strategies, revenue streams, and de-risking mechanisms should be considered to ensure the greatest return with the least impact to the taxpayer. This will include equity, direct investments, and loan guarantees.

Fifth, early and ongoing consultations with stakeholders is key. This includes creating an advisory committee with industry representation, undertaking the first review before the five-year threshold, and codifying a transparent and efficient application process.

Sixth, the CIB should serve as a one-stop focal point within the federal government for speeding up approval processes.

Seventh, projects should be sought from all parts of Canada, thus ensuring regional balance. This is crucial to addressing, for example, the economic uniqueness of northern Canada and the participation of Canada's indigenous peoples.

Eighth, new innovative technologies should also be a factor because facilitating innovative projects is important, even if they may mean lower returns in the short term. After all, true innovation takes time, but good innovation pays off.

Ninth, cross-border infrastructure projects, such as transmission lines to the United States, should be eligible for funding, as they deepen our export revenues and continental GHG reductions.

Tenth, best-in-class examples of other like-minded banks should be studied and their practices emulated.

In closing, throughout our history, Canadians have well-understood the importance of looking ahead. Think of the great railroads of the 19th century, the highway, seaway, and broadcasting systems of the 20th, or the Canadian arm that extended mankind's reach into space. This has all been part of national infrastructure building, otherwise known as nation-building. Each time we did, it was transformative, uniting our country and laying the foundation for economic prosperity for generations to come.

Because the work of that nation-building never ends, CEA is hopeful that the Canada infrastructure bank will become another national instrument with which to help build a better and cleaner tomorrow for all Canadians.

● (1110)

Thank you, Mr. Chairman. This was a quick summary of a much lengthier submission around those 10 recommendations.

[*Translation*]

**The Vice-Chair (Mr. Robert Aubin):** It is I who thanks you. You are clearly experienced here. You have the clock in mind. Wonderful.

Unfortunately, I'm going to have to ask our two other witnesses to be patient. Duty calls in the House. As soon as the vote is over, we will be back to carry on this discussion with the whole gang.

[*English*]

**Mr. Vance Badawey (Niagara Centre, Lib.):** I wish to put a motion to suspend, Mr. Chairman.

[*Translation*]

**The Vice-Chair (Mr. Robert Aubin):** Yes.

We will now suspend.

● (1110)

(Pause)

● (1155)

[*English*]

**The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)):** I call the meeting back to order.

Thank you, Mr. Aubin. I understand you convened the meeting and got it going. To remind you, it has been the decision of the committee that when the bells ring, the committee does not sit. It's the reason I did not come back to start it. Anyway, Mr. Aubin, you had unanimous consent. That's great. Mr. Marchi had a chance to give his presentation.

We have some time constraints, and we have three witnesses. Mr. Marchi has already spoken, but we certainly need to hear from the other two witnesses.

Mr. Khan, we'll open it up with you, and then Ms. Ryan. From there, we will go to the officials.

The floor is yours.

**Mr. Azfar Ali Khan (Director, Performance, Institute of Fiscal Studies and Democracy):** Thank you, Chair, vice-chairs, and members of the House of Commons Standing Committee on Transport, Infrastructure and Communities. It is an honour to be with you today.

[*Translation*]

I will briefly comment on Bill C-44 as it relates to Canada's essential infrastructure.

[*English*]

The Institute of Fiscal Studies and Democracy, of which I am the director of performance, recently published a piece on assessing the risks and opportunities associated with the Canada infrastructure bank. The key premise underlying our piece is that a national infrastructure plan and strategy supported by evidence is required. This should be the first priority.

[*Translation*]

Through our work, we identified three core elements that must inform the first steps needed to build a work plan and national strategy around essential infrastructure.

[*English*]

First, a thorough assessment of our current infrastructure stock needs to be performed. Specifically, is this stock delivering or on track to deliver the benefits expected from them at the time they were approved?

A report by the U.K.'s National Audit Office highlighted the costs and challenges of delivering major projects in government, with a number of recurring issues affecting performance. Of the 149 major projects in the U.K. as of June 2015, with the total life-cycle cost of 511 billion pounds, successful delivery of 34% was considered to be in doubt or unachievable unless action was taken. Infrastructure investments alone are not a guarantee of infrastructure outcomes.

[*Translation*]

The second step is to conduct a strategic analysis of Canada's future infrastructure needs.

[*English*]

This analysis would identify the economic, social, and environmental benefits expected of infrastructure investments. It would consider factors such as demographic trends, population growth, current and projected economic activity, trade corridors and future drivers of economic growth, the environment, and any significant regional variations and need.

Finally, by understanding the condition of our current infrastructure stock and our future needs, we can identify what our infrastructure gap is relative to the future needs. This is the evidence base, at a minimum, that we feel is needed to develop a national infrastructure plan and strategy.

Currently, estimates of the national infrastructure gap in Canada range from zero to $1 trillion. While estimates always come with some uncertainty, this is a wide range by any measure, and not one on which to build a national infrastructure strategy.

● (1200)

[*Translation*]

Understanding where we are and where we are going is paramount. Only then can we map out the way to arrive at our destination.

[*English*]

In fairness, budget 2017 does identify an ambitious data initiative on Canadian infrastructure to provide the intelligence to better direct infrastructure investments. Further, the budget implementation act does identify the collection and dissemination of data to monitor and assess the state of infrastructure in Canada as one of the functions of the Canada infrastructure bank.

In our view, this initiative identified in budget 2017 and this function of the bank are precisely what is required, first and foremost, to have an evidence-based national infrastructure plan and strategy. Details on this initiative are to be announced in the coming months, and we are very much looking forward to understanding the details and timelines expected of this initiative.

Let us develop the plan first, and then put in place the right strategies and instruments, such as the bank, that are tailored to best achieve that plan.

[*Translation*]

Unfortunately, these initiatives are in the wrong order; we are putting the cart before the horse.

[*English*]

Thank you for your time and the opportunity to speak with you today. I look forward to answering any questions you may have.

**The Chair:** Thank you.

Go ahead, Ms. Ryan.

**Ms. Sarah Ryan (Senior Research Officer, Canadian Union of Public Employees):** Hi, my name is Sarah Ryan and I'm a senior research officer at CUPE. Thank you very much for inviting CUPE to present our concerns regarding the Canada infrastructure bank today.

The Canadian Union of Public Employees, or CUPE, is Canada's largest union, representing 643,000 workers across Canada. CUPE members work in health care, education, municipalities, libraries, universities, social services, public utilities, emergency services, transportation, and airlines.

As more details about the Canada infrastructure bank have emerged, CUPE members have expressed strong concerns that the bank is essentially a bank of privatization. They are deeply concerned that the bank could lead to the privatization of airports, ports, public transit, roads, highways, bridges, water and waste-water systems, hydroelectric utilities, and transmission grids. These are all key services that the Canadian public depends upon every day.

Bill C-44 states that infrastructure projects financed by the bank must generate revenue and promote the public interest. Revenues can only be generated in two ways: by charging high interest rates on loans, and by introducing tolls and user fees on new infrastructure projects or existing infrastructure assets.

The mandate of the bank is fundamentally contradictory. Private investors will be the clear winners, since revenues from projects financed by the bank will fall into their pockets. Canadians who depend every day on infrastructure to heat their homes, to get them from place to place, and to ensure they have safe drinking water will be the losers. The public will shoulder the costs of the bank's high interest rates and will be hit hard by added costs of living that will result from new tolls and fees.

Bill C-44 will also allow infrastructure projects to be privately pitched through unsolicited bids. This puts private investors in the driver's seat and allows them to set priorities on what gets built.

The bank gives investors unprecedented control over how infrastructure is built, operated, and structured. Infrastructure projects developed by private investors will be tailored to profit the projects' backers and risk being totally out of touch with the public's needs and interests. This eliminates the capacity of governments and citizens to decide what infrastructure their communities need and how it should be built and paid for. It severely limits the public's capacity to influence decision-making on infrastructure investments.

Minister Morneau said that cabinet will have the final say on what gets built, but to sustain a private investment in the bank, CUPE members are not confident that cabinet will be willing or able to deny investors' proposals. Furthermore, the private sector will still play a key role in shaping the project structure to maximize profits.

When governments propose, design, finance, and build infrastructure projects, the public can hold them to account. However, Bill C-44 limits the bank's public transparency and accountability requirements. It allows project information and investor deals to be kept secret from the public. This means that information about how community infrastructure is being funded, who is involved in projects, and how much investors are profiting will not be available to the public. This is bad news for Canadians who have a right to know how public monies, which will partially fund the bank, are being spent and how public infrastructure is being built.

In conclusion, CUPE offers the following recommendations.

First, the government should establish a public infrastructure bank that provides low-cost financing for new infrastructure projects, and that means public financing. There is no shortage of financing available for the federal government to borrow at low interest rates right now. If this is done through a public bank and lending institution, similar to the Business Development Bank of Canada, CMHC, or EDC, then its investments in borrowing wouldn't need to increase the deficit or net debt any more than the current proposal.

Second, the government should ensure there's stronger accountability, transparency, and review by auditors general over the bank and its projects. The bank should be mandated to provide full public disclosure of all business deals, value-for-money assessments, and contracts. The bank should also have public officials on its board to ensure that it acts in the public interest. Public infrastructure projects must remain public and not turn into secret deals with private corporations.

● (1205)

Finally, the government should not allow private corporations to determine infrastructure priorities, including through unsolicited bids. Instead, it should establish a public and transparent process using evidence-based analysis for truly objective planning of priority infrastructure projects.

Thank you.

**The Chair:** Thank you very much, Ms. Ryan. I know there are a lot of questions, so I don't want to use up the time.

As a suggestion to the committee, given the time pressures, would you like to have one round to each party with these witnesses, and then have the departmental officials here? Would that be satisfactory?

Mr. Poilievre.

**Hon. Pierre Poilievre (Carleton, CPC):** Would it be possible to hear the officials, and then just have a large panel? That way, members can decide whom they want to question.

**The Chair:** Is the committee okay with that? Would it be all right to bring up the officials?

Monsieur Aubin.

**Mr. Robert Aubin:** It's okay.

**The Chair:** All right. Could we get the officials to join us at the table?

Do we want a presentation from the officials as well, or are they just strictly answering questions?

Okay, the committee members want a short presentation from the officials.

Mr. Campbell, we'll turn the floor over to you. Please introduce yourself.

**Mr. Glenn Campbell (Executive Director, Canada Infrastructure Bank Transition Office, Office of Infrastructure of Canada):** Good afternoon. I'm Glenn Campbell, assistant deputy minister at Infrastructure Canada. I'm joined by Niko Fleming, a chief at Finance Canada.

Division 18 of part 4 would establish the Canada infrastructure bank, announced first in the 2016 fall economic statement, as well as in budget 2017. For reference, the proposed amendments are clauses 403 to 406, which can be found on pages 236 to 248 of Bill C-44.

Please allow me to begin by providing some background and context around the proposed bank. Then I'll walk through the contents of the proposed legislation at a high level, and finally, we'd be happy to answer any questions.

The Canada infrastructure bank is intended to provide innovative financing for new infrastructure projects and help more projects get built, including those transformative projects that would not have otherwise been built in Canada, by attracting private and institutional investment. The proposed bank is part of the government's overall “Investing in Canada” infrastructure plan of more than $180 billion. Federal support for infrastructure would continue to be delivered largely through traditional infrastructure models. The Canada infrastructure bank represents less than 10% of the total planned amount.

The bank would be one tool that government partners, particularly municipal, provincial, and territorial, could choose as an option to build more infrastructure projects. The bank is a new partnership model to transform the way infrastructure is planned, funded, and delivered in Canada. Leveraging the expertise and capital of the private sector, the bank would allow public dollars to go farther and be used more strategically, with the focus on large transformative projects such as regional transit plans, transportation networks, and electricity grid connections, just as examples.

This is a review of the legislation. The legislation proposes the Canada infrastructure bank act and can be grouped into six main areas, including incorporation, mandate, function and powers, governance, funding, and accountability. I will address each of these in turn.

I had prepared a rather lengthy response to cover the contents of the bill, so it's up to you whether....

● (1210)

**The Chair:** Perhaps you can cover off the key points so we ensure that the committee has the opportunity to ask their questions.

**Mr. Glenn Campbell:** I understand.

First, it would incorporate the bank as a crown corporation effective on royal assent.

Second, the legislation would set the mandate and purpose of the bank, which would be to make investments in revenue-generating infrastructure projects that are in the public interest and to seek to attract private sector and institutional investment to those types of projects.

Third, regarding functions and powers of the bank to help achieve its purpose, the bank would be able to make investments through a wide variety of financial tools, including debt and equity investments and others. The bank would make its investments directly in the infrastructure project, and its investments would be alongside the private and institutional investors as well as any other government investor. This would be a co-investment or co-lending model. The bank may also make loan guarantees with the separate approval of the Minister of Finance, and this separate approval is consistent with the general requirement for crown corporations.

The bank also has functions other than making investments, including acting as a centre of expertise in advising all governments on revenue-generating projects and working with all levels of government to collect and share data for future investments.

Fourth, around governance, it sets out the high-level parameters in the bank. By and large, the Financial Administration Act applies regarding crown corporations. Under the proposed legislation, with respect to the board, members and the CEO would be appointed by the government through the Governor in Council, and the board would play a role in the selection of the CEO.

On May 8, the government, on an anticipatory basis, launched an open, transparent, and merit-based selection process to identify the bank's senior leadership. Through these processes, the government would first select a chairperson of the board followed by the remaining directors and a chief executive officer. Any appointments would only be effective if legislation establishing the bank is passed by Parliament and receives royal assent.

The fifth aspect—and I'm nearing the end, Madam Chair—is a proposal to allow the Minister of Finance to pay up to $35 billion to the bank. It is expected that the bank's asset and liabilities and revenues and expenses will be fully consolidated in the Government of Canada's books. We expect capital only to be transferred to the bank as needed to reduce treasury function, so it would only get parts of that money over time, and while the cash amount would be $35 billion, the government has announced that the bank would be authorized to fiscally expense, on an accrual basis, up to $15 billion over 11 years.

Going quickly, Madam Chair, the crown corporation would be accountable to Parliament in a number of important ways and required to submit a summary of its annual corporate plan as well as an annual report to Parliament. It will be subject to the Privacy Act and the Access to Information Act. The only exception is that commercially sensitive third-party information would be kept confidential, which is about the commercial partner, not the transaction. It will be subject to the highest standard of having its books audited by both the Auditor General of Canada as well as a private sector auditor. Parliament would have authority to review the bank's legislation every five years on its operation.

In conclusion, the bank will be one more tool for partners to use, if they choose, in addition to traditional infrastructure funding programs. The government supports local decision-making, including supporting municipalities, provinces, and territories as they set the infrastructure priorities that best meet the needs in their communities.

Projects supported by the bank will be structured using conventional and robust legal arrangements among partners designed to protect the interests of Canadians. Government and officials have been working collaboratively with both the infrastructure and finance departments, and we have consulted extensively and widely.

**The Chair:** Thank you very much, Mr. Campbell.

**Mr. Glenn Campbell:** That was the end.

**The Chair:** Good timing.

Mr. Rayes.

[*Translation*]

**Mr. Alain Rayes (Richmond—Arthabaska, CPC):** Thank you, Madam Chair.

Before I get to my questions, I would like to ask my fellow members something.

This is our only opportunity to dig into the very important matter of the Canada Infrastructure Bank. Since we had to leave for a vote in the House, would it be possible to extend the meeting by 15 to 20 minutes, rather than ending on time at 1 o'clock? Everyone would still be able to make it to the House in time for statements by members and oral questions.

I'm not sure whether we can come to some friendly arrangement, without jumping through any procedural hoops or resorting to a motion.

● (1215)

[*English*]

**The Chair:** Do we have unanimous consent to continue?

Yes.

Please go ahead.

[*Translation*]

**Mr. Alain Rayes:** Thank you, Madam Chair. Thank you everyone.

I'd like to thank the witnesses for being here. We apologize for the delay.

My first question is for you, Mr. Ali Kahn.

In the paper you co-authored, I believe, with Kevin Page and other members of your institute, you say that the case for the Canada Infrastructure Bank is weak. You also say that the government has no real idea whether the bank will meet its objectives or not, since there appears to be no comparable model elsewhere in the world. The bank's structure will seemingly be based on a transfer of public assets to the private sector.

In light of the new information you now have, do you still stand behind what you wrote in your paper?

[*English*]

**Mr. Azfar Ali Khan:** Our main point behind saying that the value proposition is weak is that it's really just a matter of the sequencing. We feel that we're putting the cart before the horse.

We think the very first priority for the government really should be to develop that long-term national infrastructure plan, with clear priorities, concrete objectives, and specific performance measures. Once you have that, I think the value proposition for the bank will be very self-evident and clear, but absent that, the value proposition is weak.

[*Translation*]

**Mr. Alain Rayes:** In other words, the creation of the bank is premature.

[*English*]

**Mr. Azfar Ali Khan:** I think what we were suggesting is this: let's get the evidence and the infrastructure regarding our current infrastructure stock, what our future needs are, and what would be the right infrastructure investments for us. That's really what we're looking for, first and foremost.

I think the opportunity here is in the data initiative that was identified in the budget, and that also is one of the functions of the bank. We think that should be the first and foremost priority.

[*Translation*]

**Mr. Alain Rayes:** That's great.

Ms. Ryan, when the Minister of Infrastructure and Communities appeared before the committee, along with some of his senior officials, we asked them on what basis projects would be chosen. A senior official said that it would depend on the investment return or benefit of the project. Obviously, they are looking to do better than the 2% to 3% rates that any government—federal, provincial, or municipal—would seek in terms of financing. There is an attempt to make people think that funding opportunities are lacking right now, but I think that's totally false.

I would add that, this week, the Minister of Finance said that it would be cabinet deciding on the projects. We don't know much. I would say that your concerns are well-founded.

Investors, then, looking for good investments, will be the ones investing the bulk of the bank's money.

Who do you think the Canada Infrastructure Bank is really going to benefit?

[*English*]

**Ms. Sarah Ryan:** Our position would be that it will be the investors who will really be profiting from the infrastructure projects that are selected, but also, their revenue will be through user fees and tolls on the public, so it will be higher-cost financing, because we know that the investors are looking for 7% to 12% returns—depending on what you look at—from their investments.

If you look at the long-term costs in terms of the financing for these projects, that alone is a lot more over the long term. Then if you look at the revenue generation piece around user fees and tolls, it's going to be the members of the public who will be receiving a really regressive form of taxation, and that will disproportionately affect lower-income Canadians.

[*Translation*]

**Mr. Alain Rayes:** It is therefore clear to you that, under this measure, members of the public will be paying more for this infrastructure at the end of the day.

[*English*]

**Ms. Sarah Ryan:** Infrastructure doesn't get built for free. We are going to pay for it one way or another.

Our position is that the infrastructure bank will be more costly over the long term, because you are building in this whole framework for profits. If you're looking at the 7% to 10% for the private sector investors, of course it's going to cost more over the long run. If you're looking at revenue generation as well, I mean, not every type of infrastructure can even generate revenue, in general. If you're looking at public transit, it's unclear what the projects would look like under the infrastructure bank, given that the majority of them are publicly subsidized to some extent.

● (1220)

[*Translation*]

**Mr. Alain Rayes:** Mr.—

[*English*]

**The Chair:** Just a short question, Mr. Rayes....

[*Translation*]

**Mr. Alain Rayes:** Mr. Campbell, could you name a project that the bank could finance, one that the government could not get funding for elsewhere, either through bonds or its own coffers if it managed its finances properly? Name one single project that would need a new funding structure, outside what already exists.

[*English*]

**Mr. Glenn Campbell:** I can give you an illustrative example. I cannot give a specific example. If that were the case, we'd be talking about—

[*Translation*]

**Mr. Alain Rayes:** We have heard endless illustrative examples. We are looking for a specific case. The Minister appeared before the committee, alongside his senior officials. We asked them to name a single specific project, but they were never able to.

Unfortunately, I didn't specify that I was talking about small and medium-sized municipalities. The $15 billion the government has chosen to invest in the bank is money that had been set aside for all of the country's municipalities. That money was transferred to the Canada Infrastructure Bank.

All we keep hearing is that it will be used for power lines, for example. Those are projects that—

[*English*]

**The Chair:** Sorry, Mr. Rayes, your time is up.

[*Translation*]

**Mr. Alain Rayes:** Thank you.

[*English*]

**The Chair:** Mr. Campbell, you'll have to try to speak with Mr. Rayes separately from this to give him the information he requires.

Mr. Fraser.

**Mr. Sean Fraser (Central Nova, Lib.):** Thank you very much, Madam Chair.

Thank you to our witnesses for being here as well.

I'll start with Mr. Campbell. My understanding is that the infrastructure bank would allow the construction of new and transformative infrastructure projects that wouldn't otherwise be built. Is that a fair comment?

**Mr. Glenn Campbell:** It is.

**Mr. Sean Fraser:** Just as a follow-up, it's not going to privatize any existing public infrastructure. Is that correct?

**Mr. Glenn Campbell:** There is no intent or any discussion with respect to the infrastructure bank other than with regard to green and new types of projects. Issues around asset recycling and all those other issues really do not pertain to the bank.

**Mr. Sean Fraser:** Would the infrastructure bank allow the construction of projects that perhaps provinces and municipalities can't necessarily afford today? Maybe they're near their debt ceiling or they don't have the capital to invest. Is this sort of a solution to allow us to partner with those groups that may not have the borrowing capacity of the federal government?

**Mr. Glenn Campbell:** The answer is yes. Many of our municipal, provincial, and territorial partners have come forward in many fora looking for alternative ways to finance public infrastructure projects, particularly those that come through the normal contribution grant scheme, but they are also looking at other alternatives. For example, many of our partners are already using revenue models and considering new ways in which to both finance and fund infrastructure.

**Mr. Sean Fraser:** Who would own the infrastructure projects that are constructed under the infrastructure bank?

**Mr. Glenn Campbell:** It would largely depend on the agreement and the structure around a project. The infrastructure bank is designed with the idea that there would be a public sponsor. There would be municipal, provincial, and federal together with other parties, to the extent that if the bank itself had an equity position in that project, it would be one of the partners in that project. In most cases, the ultimate steward would be the owner of that asset. In a partnership model, part of that may be assigned to other members of the consortium in whole or in part, more likely in part, and it will all be determined by the partnership agreement structure of that asset.

**Mr. Sean Fraser:** I want to shift gears a bit and talk with the representative from the Canadian Electricity Association about the potential to do projects in small or medium-sized communities. I think it would be incorrect to assume that transformative projects can take place only in Canada's largest cities, and you specifically commented on the need for regional aspects. I notice that my colleague Mr. Tootoo is here. I'm from Atlantic Canada. Do you see an opportunity for this bank to have projects in smaller communities?

I'll have a follow-up question for Mr. Campbell after that.

**Hon. Sergio Marchi:** We do. In fact, that was one of our recommendations, that the bank take on board a regional sensitivity and a regional balance, as it takes a pan-Canadian look.

There's also the ability of local communities to come together. The illustration of northern Canada is something that we've outlined in our report. For example, here's a place that's truly unique because you have a small population base, which means a small rate base. It's isolated. It's not linked to the North American grid. Transportation is not as good as it ought to be, so the economic development potential of northern Canada is limited, as it is because it's not richly diversified. The role of the federal government traditionally has been huge, so we see this bank as an opportunity to hopefully bring that isolation to a close and also to move from diesel to other forms of power.

So the answer is yes.

● (1225)

**Mr. Sean Fraser:** Thank you.

Mr. Campbell, if we're investing through the Canada infrastructure bank in this new infrastructure that wouldn't otherwise be built, which would sop up a great deal of traditional infrastructure funding, are we not creating an opportunity to make those existing traditional envelopes go further for small or medium-sized communities?

**Mr. Glenn Campbell:** The concept would be that for every publicly sponsored infrastructure project in which the infrastructure bank is involved, every dollar you attract in new private sector investment would free up public dollars to make public dollars go further, and the government could then invest those in social infrastructure or any other infrastructure, particularly that which Canadians would use and which would never have the potential of generating revenue.

**Mr. Sean Fraser:** Certainly.

As a final question, if I have time, Madam Chair, we've heard a fair bit over the course of this debate about who bears risk. I assume the ordinary commercial protections like taking security would be available to protect against default.

**Mr. Glenn Campbell:** Yes. I've watched some of that debate. Let me be very clear. We would anticipate the bank to meet the highest standards of robust legal partnership agreements that would contemplate all scenarios under which various parties would perhaps be stressed, run into difficulties, or would be taking collateral. All of this is quite a conventional undertaking that exists in all forms of infrastructure and we would anticipate the bank to meet the highest standard in that regard.

**Mr. Sean Fraser:** Thank you. I believe I'm out of time.

**The Chair:** Thank you very much.

Go ahead, Mr. Aubin.

[*Translation*]

**Mr. Robert Aubin:** Thank you, Madam Chair.

Having so little time to discuss such an important issue speaks for itself.

I will try to save time, then, by introducing a motion in the hope that it will be adopted. It's the motion of which I gave notice Friday. It reads as follows:

> That the Committee request the directors of the asset management company Blackrock and the members of the Economic Growth Advisory Council to testify as part of an additional meeting on the study of the Canada Infrastructure Bank.

I won't take up a lot of time explaining a motion that, in my view, speaks for itself. With the support of my fellow members, we could have more time to discuss this important issue.

[*English*]

**The Chair:** Mr. Aubin, you have given us notice of motion appropriately.

Is there any discussion on the motion that is before us?

Yes, Mr. Fraser.

**Mr. Sean Fraser:** Madam Chair, do we have an obligation to get something to the finance committee by Friday?

**The Chair:** Yes, we do.

**Mr. Sean Fraser:** Okay.

**The Chair:** I'm not quite sure if the benefit of this additional meeting would be known.

When you suggest an additional meeting, are you talking about prior to Friday, Mr. Aubin?

[*Translation*]

**Mr. Robert Aubin:** I think Thursday is the only day we have left. That said, you've worked miracles in the past, Madam Chair.

[*English*]

**The Chair:** We do try to accommodate, without question, but whether you can get the people from BlackRock and so on and so forth....

If the committee supports it, all we can do is—

[*Translation*]

**Mr. Robert Aubin:** We could do it by video conference.

[*English*]

**The Chair:** —attempt to do this. If BlackRock is not available or if members of the economic growth committee are not available, we would not be able to fulfill the motion.

We have a motion before us. Is there any further discussion or comment?

(Motion negatived)

**The Chair:** Mr. Aubin, please continue.

[*Translation*]

**Mr. Robert Aubin:** Thank you.

I'd like to thank our witnesses for being with us this morning.

My first question is for Mr. Ali Khan.

You wrapped up your presentation by asking what was going to be my first question. Are we putting the cart before the horse? You made it clear that we were.

How much time do you think we would need to achieve your first two objectives, that is, a plan assessment and strategic needs analysis? Should the bank be put on hold for a year, two years, or six months?

● (1230)

[*English*]

**Mr. Azfar Ali Khan:** Thank you, Chair, for the question.

We can maybe use the U.K. as a very good example. They have started their national infrastructure assessment. I believe the project started in the fall, probably in November of last year. It's in two phases. The first phase is actually to do the strategic needs analysis to 2050, so that report is going to be tabled and they're expecting to table that sometime this summer.

In terms of the second phase, which is the larger infrastructure assessment with the current stock, they're looking to table that next year. It looks like the time frame the U.K. is looking at, given the wide consultations and engagement they want to do, probably seems to be about an 18- to 24-month time frame.

[*Translation*]

**Mr. Robert Aubin:** Thank you.

My second question is for Mr. Campbell.

It seems to me that, during the campaign, we, Canadians, heard about a bank that would provide low-cost financing for infrastructure projects. To my mind, that meant a public bank. What we have here, however, is a private bank.

Has the department previously explored plans for a public bank?

[*English*]

**Mr. Glenn Campbell:** The two ministries, infrastructure and finance, have collaborated on extensive consultation and analysis over a considerable period of time, globally and domestically. Many of those involve me contemplating and even engaging, as my colleague said, in the U.K., internationally, looking at various models.

Clearly, with that view in mind, the government decided to move forward with this particular model of an infrastructure bank, which I can point out is very much a plain, vanilla-type crown corporation, consolidated very transparently on the government's books and designed to mature over time, keeping pace with slow-moving infrastructure projects.

[*Translation*]

**Mr. Robert Aubin:** No matter how much imagination I use, I can see only three ways for the Minister of Finance to find the $15 billion to $35 billion the government wants to inject into this bank. The first is to raise the already runaway deficit. The second is to transfer money originally earmarked for municipalities to the bank. The third is to sell assets that have already been funded.

Is there another way I am missing? Is there some other way that the government could find the $35 billion for this investment bank?

[*English*]

**Mr. Glenn Campbell:** There are many perspectives from which to look at the Canada infrastructure bank. I'm not sure I would agree with the characterization that you put forward. The government set out a fiscal framework over 11 years toward many priorities on greening, trade, transportation, and rural and remote communities. Less than 10% of that is attributed to the infrastructure bank, and the government has made some decisions about rebalancing.

The main point is that this amount of money will go to—

[*Translation*]

**Mr. Robert Aubin:** My question is strictly about the funding.

[*English*]

**Mr. Glenn Campbell:** This amount of money—if not more, when we attract private sector financing—will lead to more public infrastructure being built in the various areas you mentioned.

[*Translation*]

**Mr. Robert Aubin:** Thank you.

Ms. Ryan, do you see some other way to find this funding? Is there another possibility, besides the three I mentioned?

[*English*]

**Ms. Sarah Ryan:** No. The key thing here is that there was a public alternative, a public bank, that was available to the government, and it appears that this was the original plan in terms of the low-cost financing that was in the mandate letters. At some point, that shifted to higher-cost financing. It is going to cost more over the long run to all Canadians, whether through higher-cost borrowing....

If you created a public bank, the bank itself would be able to borrow at very low interest rates. You would capitalize it initially, and then the bank would be able to borrow at lower costs. I am not clear on why private financing became part of it, except to funnel money through public infrastructure projects into private sector pockets.

● (1235)

**The Chair:** Thank you very much, Ms. Ryan.

Mr. Badawey, go ahead.

**Mr. Vance Badawey:** Thank you, Madam Chair.

I'll preface my questions by stating that we all have to understand that we are in the service business. That's what we do. We are expected to provide a certain level of service and—last and probably most important—at an affordable cost to the taxpayers.

I've lived this, in my former life as a municipal representative, trying to leverage as much money as we could from different entities, such as the private sector or the pension funds, or simple partnerships that we arranged.

My first question is for Mr. Campbell. Would you consider this infrastructure bank very similar to what the Province of Ontario put in place with respect to Ontario infrastructure?

**Mr. Glenn Campbell:** I would say that it's distinctly different from what Ontario put forward. Ontario has a plan focused on Infrastructure Ontario, an agency that deals with downstream procurement and the type of financing that leads to the construction and management of projects, which I think did demonstrate—I am not speaking for them—a lot of cost savings and efficiency.

I would officially disagree with my colleagues that this is necessarily a model that leads to an overall cost in the long run. If anything, overall average costs could be lower when you look at the amount of infrastructure that can be built, including—your example—in Ontario, which is very key. It really depends on the risk-adjusted return and what efficiencies are being accrued with respect to those projects, and those can be carefully managed and calibrated.

**Mr. Vance Badawey:** Do you find that moving forward with this bank—and I'll call it a partnership because, quite frankly, that's what it is—will put discipline into the system when it comes to public service accounting, when it comes to asset management and life-cycle costing, which I think Mr. Marchi mentioned earlier, and when it comes to ensuring that future generations don't get saddled with that life-cycle costing as well as replacement costs? Do you find that this will eliminate or alleviate those pressures on the local property taxpayers?

**Mr. Glenn Campbell:** I would say the design of the bank is intended to relieve burdens on public balance sheets. The scenario that was put out by my colleagues here largely means leverage on the public sector, where even if you were comparing apples and oranges, as is sometimes with rates of borrowing and investment, they do not take into account that the public sector absorbs all the risk in those equations.

Therefore, taking certain unique pieces of infrastructure and bringing in the private sector means you not only have alternative ways to finance it, but if you bring them in earlier, you get better project selection, you get more efficiencies on the front end, and you can get better life-cycle management on the back end.

**Mr. Vance Badawey:** Essentially it becomes more of an enabler. It enables a lot of those projects that would otherwise sit on the shelf for many years to get brought off the shelf with a fourth partner, because usually the three partners are municipal, provincial, and federal, and now you have a fourth partner—and this is the key part—participating in public assets and in public projects versus only the three levels of government participating.

Regardless, as you just mentioned, the risk then is borne, not just by the three partners—municipal, provincial and federal—but also by the contribution from the private sector. Would you agree with that?

**Mr. Glenn Campbell:** That's correct. Actually, that model responds to what we've heard from our municipal, provincial, and territorial counterparts, that the options should not be just to loan them money when they have to take on the risk or help them borrow more money. It's trying to find the solution on a risk-adjusted return basis. It's in the public interest to crowd more private financing into public infrastructure. At the end of the day, it's in the public interest. This is a better way to fund more and different projects than otherwise would have been done.

**Mr. Vance Badawey:** We're accelerating projects, which would otherwise sit on the shelf, to then create that higher level of service that people expect us to provide, whether it be with new hospitals, new roads, new health care centres, and the list goes on.

Secondly, it takes a lot of the burden off the property taxpayers who would otherwise be defaulted to pay for these projects.

Thirdly, the risk is shared now, instead of between three levels of government, between four partners, including those three levels of government and the private sector.

Lastly, I guess the returns are of a triple bottom-line nature. I think, Mr. Khan, you mentioned earlier that triple-line return: social, economic, and environmental.

Not all the time may we see the financial return, but we may see the social and environmental return with respect to some of the projects that are happening like energy, clean energy; infrastructure when it comes to water, waste water, and roads; and environment with respect to climate change. Would you agree that those returns would accrue over time with respect to some of these investments?

● (1240)

**Mr. Glenn Campbell:** I would concur with that tri-focus of accrued investments. Let me in my own words say that, for whatever part of a project, particularly a public project that would not have otherwise been built or would have been built with less public money, the amount of equity financing may attract a higher rate of return, and there was clearly a corresponding efficiency benefit or other accrued benefit to that amount.

Clearly, everything will be calibrated in a way to justify. If there's a higher return than just borrowing, it means you're getting something from that. If it was merely on the tax base, that means the municipality bears all the risk and it's all embedded over the long run, and it's not always comparable when you use those two figures, what I would say, inappropriately.

**The Chair:** Thank you very much.

Mr. Morrissey.

**Mr. Robert Morrissey (Egmont, Lib.):** Thank you, Madam Chair.

My question, listening to the debate, is to Mr. Campbell. There seems to be some resistance towards an innovate approach to finance infrastructure. Governments past and present have put money towards infrastructure in this country. Have all the infrastructure needs in this country been met by the traditional method of funding them?

**Mr. Glenn Campbell:** I would say that's a subjective question. However, the analysis that we have done suggests there is a meaningful deficit between the needs and expectations and our ability to finance in this country at all three levels of government.

Unlike some other countries that are unitary, we need to have a responsive model to those lower levels of governments that are asking for alternative ways to both finance and fund infrastructure.

**Mr. Robert Morrissey:** So this is an innovative new approach to filling an infrastructure void that clearly has existed in this country for some time and continues to exist.

**Mr. Glenn Campbell:** That is the intent.

**Mr. Robert Morrissey:** The second point is that somehow projects approved through the infrastructure bank would not face the same scrutiny as traditional infrastructure programs directly financed by government. I want to be clear on this. The bank itself cannot submit a project. The projects have to be prioritized and submitted by one of the partners, and those partners can only be one of three levels of government.

**Mr. Glenn Campbell:** The mainstream option for the bank is to interface with projects sponsored by the municipal, territorial, and provincial governments. There is an avenue where the bank would be the interface for what we call unsolicited proposals, and I think one of my colleagues referred to that earlier, which would still have the test of what asset they are bringing forward and whether they have a public sponsor. If it was an electricity transmission grid, or something else—

**Mr. Robert Morrissey:** But it would have to have a public sponsor.

**Mr. Glenn Campbell:** It would have a public sponsor somewhere in the mix to meet the public interest test.

**Mr. Robert Morrissey:** Exactly. The public interest project would face debate and discussion at either the municipal, federal, or provincial level.

**Mr. Glenn Campbell:** That's correct.

**Mr. Robert Morrissey:** Could you elaborate a bit on the methodology that would be used to determine the rate of return on projects financed by this bank?

**Mr. Glenn Campbell:** The rate of return is a function of the rate of risk transferred to an investing party. Whether the investing party is partly the Canada infrastructure bank or a private party, the rate of return will correspond to the size of its position and the risk that it would be absorbing in that project. The whole idea is to transfer risk off the public sector, corresponding to, say, revenue or volume risk, and onto that private sector investor, so that would determine the rate of investment. It has to be the value-for-money proposition of whatever that rate tends to be.

**Mr. Robert Morrissey:** What would be some of the parameters that would mitigate a particular project? Obviously, your rate could not be extravagant but would have to come within a range that would stand the ultimate scrutiny and the payback on that project. Is that right?

● (1245)

**Mr. Glenn Campbell:** I think a way to illustrate this is that we are collectively trying to find those projects that are not quite economically viable on their own but could be close if there's a missing piece in the marketplace for some entity to come in as a bank-type function or a merchant or investment bank to help manage that risk between the two parties. An example is a municipality exploring a revenue model but not really sure what the revenue would be, it could be a water or energy tariff, or something else—it doesn't have to be toll—and it is worried about that revenue component. The private investor worries about the green phase of construction and in the long run says that, otherwise, if that were purely commercial, done through a bank, it would want a higher return.

The objective is that the government comes in through the infrastructure bank, manages down that risk for both parties, and transfers it appropriately to the investor parties. That's the way the agreement is designed to be struck. Whatever the end result of the cost of the debt or equity will directly correspond to the risk those parties are taking. Thus there is a benefit on the other side, given that you would have an asset being built without taxpayers necessarily having to build that, so it balances.

**Mr. Robert Morrissey:** Would it be a fair conclusion to reach that, without this bank as it is proposed, there would be economic activity that would not occur within infrastructure in small, remote, and rural communities?

**Mr. Glenn Campbell:** I would say that applies to any community in Canada.

**Mr. Robert Morrissey:** But does it include small and rural communities as well?

**Mr. Glenn Campbell:** You can have big projects in small communities, and you can have big projects in big communities, and likewise. Clearly, it would be activity that would not have otherwise taken place in the absence of this vehicle.

**Mr. Robert Morrissey:** Thank you.

**The Chair:** Thank you very much.

Go ahead, Ms. Watts.

**Ms. Dianne L. Watts (South Surrey—White Rock, CPC):** Thank you.

I'm going to go through some of this fairly quickly.

I want to say, Mr. Khan, that I agree with you and your comments about putting the horse before the cart. We've heard from the Senate reports, the PBO, the C.D. Howe and Fraser Institutes, and others about transparency and the need for a robust infrastructure plan, first and foremost, to lay the foundation and as we move forward.

I want to get into the question of the infrastructure bank, because I'm hearing that there's nothing new and innovative in it and there are no projects being built. I would remind you—and this is my question to you, Mr. Campbell—that back in 2009, PPP Canada, which is a crown corporation, was specifically set up to leverage private sector dollars, and in fact did on a number of projects. For an initial investment of $1.3 billion, it leveraged more than $6 billion.

The KPMG report that I have here, the part that's not redacted, talks about using it as a mechanism. It talks about using PPP Canada, which is already set up, saying that it could utilize an existing crown corporation such as PPP Canada. If there are some functions under it that need to be expanded, or if the mandate needs to be expanded, they could have a look at that. It would be cost-efficient. It would be efficient, effective—all of those things.

I wonder, then, why you didn't take a look at an existing mechanism already in place, which already has a track record of success, and if you wanted to expand the mandate a little bit, why you wouldn't use that existing mechanism.

**Mr. Glenn Campbell:** In the first instance, the KPMG report, which was commissioned last spring, provided a lot of background without knowing where the government was on any of its policy determinations. Of course, there were many internal consultations about a whole range of what the art of the possible was.

You would see in what the government announced a particularly unique, new vehicle that is involved more upstream, in the financing aspect of infrastructure, particularly around equity underwriting and debt underwriting. That is really a different level of expertise from what is played in among P3 agencies, and quite frankly a different skill set, a different capacity, with different tools required. It still allows a project to be financed and put together by the infrastructure bank using any of the P3 agencies, given that this model of procurement still exists. If you were in Ontario, they could use P3—

**Ms. Dianne L. Watts:** I'm specifically talking about the federal government's PPP Canada. If there is expertise required, you can bring that expertise in. We're talking about its having always been the municipalities or the public sector that have done so; otherwise, nothing would get built.

Just off the top of my head looking in my area, right now there's a biofuel facility in my city that had municipal, provincial, federal, and private sector involvement. It's opening in June. There was a rapid transit line, the Canada Line, that again leveraged private sector, federal, provincial, and regional dollars; likewise the Port Mann Bridge and the Golden Ears Bridge. This has all been done in the same context. The only difference with that mechanism is around, as you've said, underwriting loans.

It escapes me why, when you have a track record like this, you wouldn't, if that's where the government wants to go.... I know they want it new and shiny and “nobody's ever done this before”; however, it would seem reasonable and rational, since you already have that mechanism set up, that if you need additional expertise you would just bring it in and expand the mandate.

PPP Canada is still there. It's still leveraging, albeit it has gone under the minister's office and they can dispose of assets and get rid of it, which I think is the ultimate goal, and then replace it with this. Again, a $35-billion investment under the PPP Canada model would generate $170 billion in infrastructure money that would have no risk to the general public. I still don't understand why you wouldn't just expand an existing mechanism.

● (1250)

**Mr. Glenn Campbell:** Thank you. There are many points there to untangle, and—

**Ms. Dianne L. Watts:** We don't get a whole lot of chance to discuss this, so....

**Mr. Glenn Campbell:** Speaking as an official and also as the former official in charge of banking, and banking at Finance Canada, there is a reason I am leading this project. This is a bank, a merchant bank, that is designed to do something very specific in credit and equity, underwriting sophisticated, highly complex projects that go far beyond what is done in a P3.

P3 is a different type of expertise that's more government to government and government to construction procurers. We are creating—

**Ms. Dianne L. Watts:** The private sector is always involved in that.

**Mr. Glenn Campbell:** They are involved. They are involved to the extent to which they're small equity components in a P3 deal. I'm actually a big supporter of P3s. Quite frankly, whether it's in B.C. or Ontario, in our consultations they saw immediately how we were filling a niche that they did not have and that we could work together, in the sense that they could seamlessly work together. The infrastructure bank does the sophisticated investment attraction, manages that whole project, and then works with one of the provincial or other P3 agencies to do the procurement. Whether it's a P3 or other model—

**The Chair:** Mr. Campbell, I'm sorry that I have to interrupt, but it's gone over the time.

Mr. Badawey.

**Mr. Vance Badawey:** Thank you, Madam Chair.

With respect to some of the comments that were made earlier, I have to ask for clarification on one in particular. That's with the concerns around tolls.

Are there any concerns around tolls?

**Mr. Glenn Campbell:** Any decision around a user fee model, whether it is for the funding of an asset or for demand management, rests with the local authorities, whoever is the steward of that asset. Many of them are already telling us they are considering or have employed various forms of user fees. They exist now, whether it's for water, electricity, some bridges, or some other aspect. That decision will not be made by the infrastructure bank. It's really whoever is bringing that project forward.

**Mr. Vance Badawey:** And that would be a level of government.

**Mr. Glenn Campbell:** It would be a level of government, with their own processes to determine whether they want to bring that asset forward and what revenue model they would like attached to that asset.

**Mr. Vance Badawey:** That would then add the accountability and transparency factor to it, with respect to that decision being made.

**Mr. Glenn Campbell:** That's correct.

Ultimately, whoever is the other government party attached to an infrastructure bank project is the ultimate steward and the ultimate accountable agent to their respective citizens about the nature of that project. You can see the Government of Canada, through this vehicle, as a supportive optional vehicle that is there in the public interest, to help them achieve outcomes that may not otherwise have been achieved.

**Mr. Vance Badawey:** Good. Thank you.

Madam Chair, I will be splitting my time with Mr. Tootoo.

● (1255)

**The Chair:** Yes, go ahead.

**Hon. Hunter Tootoo (Nunavut, Ind.):** Thank you, Madam Chair. Thank you, Mr. Badawey.

I like the analogy that this infrastructure bank is a vehicle. I think everyone realizes that Nunavut has probably got the biggest infrastructure gap in the country. We're hoping that this is a tundra buggy, so we can get that vehicle working up north.

In regard to specific projects, I can think of three right off the top of my head that would not go ahead without the help of the infrastructure bank. I would look at the Grays Bay road and port project, the potential road, the hydro and fibre link from Manitoba to the Kivalliq region, and a hydro project in Iqaluit that uses just about half the diesel that the territory consumes to generate electricity.

One of the concerns that I'm hearing in the north is that these are new, transformative, and nation-building projects, as any projects in the north would be. When they built the railroad, they didn't have to worry about doing environmental assessments and going through the regulatory regime that's there now. It takes time and costs money to get it to a stage where the project is ready to go. The concern is that if we have this pot of money there for these projects, but there's no money to help the already cash-strapped territorial government or the Inuit organizations or the municipalities to get a proposal to the point where it's ready to be looked at, that money is just going to sit there.

I'm just wondering if there's a possibility of looking at providing some funding through here to help some of these major projects that are going to take two or three years. I heard that with Grays Bay, when they were looking at the next few years, just to get it to that stage was over $15 million.

Is there a way to support those initiatives, to get them to the stage where they are ready to go?

**The Chair:** Who would like to respond?

Go ahead, Mr. Campbell.

**Mr. Glenn Campbell:** Thank you for that characterization. As a testament to our consultations, we have been talking to Nunavut in particular, and I'm being briefed on the Grays Bay project.

You mentioned several years. Another motivation, a reason it was important to get the bank up and running sooner rather later is that it's catalyzing this behaviour of people to think through these projects that can take years to develop. As well, through the infrastructure bank, we're building capacity to work with the provinces and territories to help them think through which projects would be amenable to this structure, and that takes time; hence the early investment in the infrastructure bank that hopefully, years from now, will produce dividends of projects that are capable of being financed in this way.

**Hon. Hunter Tootoo:** Right now I think the problem is that they're looking at doing feasibility studies and working it through the environmental assessment process, and that costs money. I'm just wondering if there could be some support and some funding through this vehicle to be able to help with those—and I know it's the territorial government, the regional Inuit organizations, and industry —to support them in getting the project through that process. The territorial government just doesn't have the resources to be able to do that.

**Mr. Glenn Campbell:** I understand. It was my understanding that the various bilateral monies the federal government is transferring to provinces and territories will help in some of that project development.

Let me emphasize the point that, with the projects that come forward through the infrastructure bank, the intent is to have no special support or push through the normal regulatory or environmental process. Whatever the respective process of the jurisdiction is, it will be ensured that those will be followed very closely. Sometimes those are lengthy, rigorous, and at times costly, but there's no intent for any special expediting.

**The Chair:** Thank you, Mr. Campbell.

Go ahead, Mr. Poilievre.

**Hon. Pierre Poilievre:** Mr. Marchi, you indicated in your opening remarks that you saw this infrastructure bank as an opportunity to de-risk your industry. What are the risks that you want to de-risk?

**Hon. Sergio Marchi:** I think the greatest risk is the infrastructure deficit, not only that our country faces—

**Hon. Pierre Poilievre:** No, sorry. Excuse me. We have very little time. What risks with an individual project would your industry seek to de-risk?

● (1300)

**Hon. Sergio Marchi:** What I was starting to say is that the context of that deficit also applies to our electricity industry, in that up until 2030, just to replace what we have now has been estimated at $350 billion, but it's going to be a bigger bill. That's number one.

Also, we have to send every single rate request through a regulator, which means that one of the risks is getting every cent of that $350 billion through regulation.

Third, the problem is that, when we go to the regulator with innovation pilots, usually they get turned down because overwhelmingly the regulator is trying to keep costs down, which we feel is absolutely legitimate. However, then when our industry goes to the federal and provincial governments, they tell us we're not innovating enough.

So we see this as one instrument, not the—

**Hon. Pierre Poilievre:** I'm not actually asking about the instrument, with respect. I am asking what the risk is, because you used the term “de-risk” about a dozen times in your submission. It's not clear to me what exactly the risk is that you are trying to de-risk. If I could give you an example, is it that these projects could go over cost?

**Hon. Sergio Marchi:** No. I'll give you an example. What we said in our submission was that we think we should utilize all those financing opportunities available. For example, one of our members, Nova Scotia Power, under Emera, supported by a loan guarantee of the federal government, was able to have this Maritime link going from Churchill Falls and linking Newfoundland for the first time to the North American grid. It was a $1.3-billion project. Without loan guarantees from the federal government that provide the spark plug, such projects don't normally happen—

**Hon. Pierre Poilievre:** Why does it need a guarantee?

**Hon. Sergio Marchi:** —and in this case it saved the taxpayers of Nova Scotia, in the life of that project, some $350 million.

**Hon. Pierre Poilievre:** Why not just get a loan from the private sector?

**Hon. Sergio Marchi:** We do that all the time. All we're saying is that sometimes, particularly in smaller communities, you can't do the transformative things all through the rate base. Therefore, the government has to have a mixed tool box to also use the tax base to overcome the limits of a rate base.

**Hon. Pierre Poilievre:** Right. Basically you're saying that the taxpayer should pay instead of the company that makes the transmission and generates the revenue from that transmission. That's exactly what you're saying.

You have your loan guarantees. The only point of a loan guarantee is if there is a default. If there is no default, the guarantee is useless, worthless, meaningless, and unnecessary.

**Hon. Sergio Marchi:** The lion's share—

**Hon. Pierre Poilievre:** It only actually has a value to anyone in the case of a default.

The reason this is important is that earlier Ms. Watts was trying to ascertain what this bank would do that can't already be done. Mr. Campbell was very honest. He said that it is a tool to underwrite. Underwriting means that the person whose name it is written under is responsible for the risk. This is a $35-billion taxpayer-funded underwriter, which means that the taxpayer will be responsible in the event that there are cost overruns or revenue shortfalls. The only difference, the only thing new in this is that we are nationalizing, not privatizing actually but nationalizing, something that's currently private.

In the event that Mr. Marchi's clients, whom he represents, go over budget without a loan guarantee, the lender loses that money. However, under this new proposal, the taxpayers lose the money because they would be the underwriter, according to Mr. Campbell. That's what we have here that's new, a gigantic nationalization of the financial risk of infrastructure projects.

Under the status quo, municipalities can sign fixed-price contracts with builders. If those builders go over budget, they eat the extra cost, unless they have a loan guarantee from the government, in which case the taxpayer would pick up that cost. In my riding, a builder went bankrupt while he was building a bridge. The good news is that there was a private guarantor who picked up the cost and finished the project at no extra cost to taxpayers. A loan guarantee from the taxpayer would have transferred that risk back onto the government.

I have a very direct question for Mr. Campbell. If a company takes a loan to build infrastructure, receives a loan guarantee, and defaults on the loan and there is a default loss—that is, any collateral left is sold and there is still loss—

● (1305)

**The Chair:** I'm sorry, Mr. Poilievre, but your time is up.

**Hon. Pierre Poilievre:** —who would pay the cost of that default loss?

**The Chair:** I'm sorry, but there isn't time to answer the question.

**Ms. Dianne L. Watts:** Of course not.

**The Chair:** Members know that their time includes—

**Hon. Pierre Poilievre:** Madam Chair, I don't think you want to hear the answer.

**The Chair:** We're happy to hear the answer because we're here to get information. Make your questions shorter.

Mr. Aubin, it's your turn.

[*Translation*]

**Mr. Robert Aubin:** Thank you.

I'm willing to give Mr. Campbell 20 seconds to answer the question. I'm interested as well.

[*English*]

**Mr. Glenn Campbell:** Unfortunately, there is no quick answer.

[*Translation*]

**Mr. Robert Aubin:** Try.

[*English*]

**Mr. Glenn Campbell:** I must say, that was a sophisticated but entangled question.

Infrastructure projects are about risk and they're about managing the risk, whether they're from the government steward or a constructor or a private sector. The P3 model is designed to manage a certain type of risk in a certain structure.

The Canada infrastructure bank is, by definition, designed to underwrite and manage risk between the public party and the private party. The objective would be to crowd in more investment finance. The references to—

[*Translation*]

**Mr. Robert Aubin:** Thank you.

I apologize, Mr. Campbell, but I'm not going to give you my entire three minutes.

**Mr. Glenn Campbell:** I'm sorry.

**Mr. Robert Aubin:** I'm going to throw out a question, and whoever cares to answer, can.

I'm still trying to figure out whether the Canada Infrastructure Bank is a good idea or a so-called good idea. My sense is that the promised transparency boils down to this: the government says that we should trust it and that this is a good idea.

The government commissioned Credit Suisse to study the privatization of airports, and the government turned to BlackRock on the matter of the Canada Infrastructure Bank. The new bank would be established as a crown corporation, and therefore immune to the parliamentary budget officer's scrutiny or questions.

How can we, as Canadians and elected representatives, keep tabs on the bank and know whether it actually follows through on the promises that have been made to us?

What say you, Ms. Ryan?

[*English*]

**Ms. Sarah Ryan:** I think that's a real concern, because right now, in the legislation, there are huge exclusions for what would be available publicly about the projects that are funded. We see that as well with P3s, because they're considered commercial contracts. You can't actually get access to the information. It's very difficult to even analyze whether value for money is achieved. It's often through auditors general that you get that kind of information, because they have access to all of the contracts, which the public can never see.

The Ontario Auditor General analyzed I think it was 84 projects done through P3s in 2014, and a follow-up audit in 2016, and found that the cost was $6.5 billion more expensive due to higher financing costs through the private sector. As well, $1.5 billion was around the lack of risk that was actually transferred to the private sector. I think this infrastructure bank is opening up the same types of wormholes around risk transfer.

**The Chair:** Thank you very much, Ms. Ryan.

Sorry, Mr. Aubin.

We have five minutes left. I'll go back to the original list.

Mr. Rayes.

[*Translation*]

**Mr. Alain Rayes:** I'm going to split my time with my colleague Pierre Poilievre.

[*English*]

**Hon. Pierre Poilievre:** If the infrastructure bank gives a loan to a builder that goes bankrupt during the project, who will repay taxpayers?

**Mr. Glenn Campbell:** The infrastructure bank would not be in a position to give a loan to a particular party. The infrastructure bank is either providing a loan or equity into a project holding company, to which there may be a builder or other parties. The legal, robust contracts around a partnership agreement to create an asset will have contemplated all forms of scenarios where an individual party used to sell a position. They may get into stress. Somebody else—

● (1310)

**Hon. Pierre Poilievre:** It's just that the budget actually says it will give loans.

**Mr. Glenn Campbell:** It will give loans to a project. Your reference was to a builder.

**Hon. Pierre Poilievre:** If the project goes over budget, or comes in under revenue and loses money, then who would repay the taxpayer?

**Mr. Glenn Campbell:** The characterization is that this is a project that already has less public money in it than it otherwise would. The construct would be that the private sector partner is absorbing the—

**Hon. Pierre Poilievre:** Again, who would pay back the loan? That's the question I'm asking.

**The Chair:** Let him have an answer.

**Hon. Pierre Poilievre:** Who would repay it?

**Mr. Glenn Campbell:** It would only be within the confines of the structure of the infrastructure bank. It would be limited to that partnership agreement, and the exposure would be limited to that particular construct. In theory, whatever the infrastructure bank's debt or equity position is, that would be the maximum exposure of that one party. If a private sector player took risk in a project and it didn't pan out, they would bear the risk. Their returns would be reduced. They may even lose all of their capital.

The Canada infrastructure bank's position can be lessened to no more than the amount that is in a project, but what happens is that the asset gets built and the public sector still has the use and enjoyment of that particular asset. That's the reality.

[*Translation*]

**Mr. Alain Rayes:** Mr. Campbell, will cabinet, the Prime Minister or the Minister of Finance have to approve appointees to the infrastructure bank's leadership and board of directors, yes or no? Will any of them have a say in the final decision?

[*English*]

**Mr. Glenn Campbell:** The legislation in Bill C-44 lays out very clearly the governance structure, and who would appoint the first—

[*Translation*]

**Mr. Alain Rayes:** Yes or no?

[*English*]

**Mr. Glenn Campbell:** —chair. It's the government, the GIC, that will be appointing the initial chair and board of directors, continuously. It will appoint the first CEO. On a go-forward basis, the board will be nominating a CEO to the government, and the minister will be consulting with the board for future board replacements.

[*Translation*]

**Mr. Alain Rayes:** The government will ultimately have a say in the appointment of the bank's directors and leadership. Will it not?

[*English*]

**Mr. Glenn Campbell:** Yes.

[*Translation*]

**Mr. Alain Rayes:** Thank you. That's all I wanted to know.

Just this morning, CBC and Radio-Canada reported that a former KPMG executive was now the treasurer of the Liberal Party. That is the very same firm behind the Canada Infrastructure Bank report the government is relying on in establishing the structure.

Can you corroborate that information reported by the media?

[*English*]

**Mr. Glenn Campbell:** Can you repeat the question? KPMG had a report. They've issued it. It's long over. That was last year. Is there some new piece of information? I'm sorry.

[*Translation*]

**Mr. Alain Rayes:** KPMG submitted a report. This morning, CBC and Radio-Canada reported that the treasurer of the Liberal Party of Canada was a former KPMG executive.

Is that information true?

[*English*]

**Mr. Glenn Campbell:** That's beyond my remit. I'm not sure that's relevant.

**The Chair:** I'm not sure that there's relevancy there, but it's your time.

**Ms. Dianne L. Watts:** In terms of the return on the investment—and this is from JP Morgan—they've laid out what the expectation would be. This is atypical in the market. When we look at merchant power generation, the average expected return is 14% to 20%. For telecommunications, it's 12% to 18%. For freight and rail, it's 12% to 16%. It ranges from a 5% to a 20% return.

When you're looking at projects, how are you going to identify the rate of return and how that's going to be derived? If there's a shortfall who picks that up?

**Mr. Glenn Campbell:** Generally speaking, not having reference to those numbers but I understand those numbers, they would be for an archetypal commercial transaction fully financed by the private sector. Therefore, they would be absorbing all the risk, and that would be the commercial-like returns expected for that project.

That would clearly be too high a return for a public project, or a project that is looked at by the Canada infrastructure bank. The objective of the bank would be to introduce itself to mitigate the risk such that those returns are not justified. They wouldn't be justified on a commercial basis.

**The Chair:** Thank you very much, Mr. Campbell. We have now run out of time.

Thank you to our witnesses.

Thank you to the committee. I hope it was informative.

The meeting is adjourned.