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THE CANADA INFRASTRUCTURE BANK

Report of the Standing Committee on Transport, Infrastructure and Communities

Peter Schiefke, Chair

MAY 2022
44th PARLIAMENT, 1st SESSION

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NOTICE TO READER

Reports from committees presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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THE STANDING COMMITTEE ON TRANSPORT, INFRASTRUCTURE AND COMMUNITIES

has the honour to present its

THIRD REPORT

Pursuant to its mandate under Standing Order 108(2), the committee has studied the Canada Infrastructure Bank and has agreed to report the following:

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LIST OF RECOMMENDATIONS

As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.

Recommendation 1

That the Government of Canada abolish the Canada Infrastructure Bank.

THE CANADA INFRASTRUCTURE BANK

INTRODUCTION

The Canada Infrastructure Bank (CIB) was announced in the 2016 Fall Economic Statement as a way to attract private sector investment in Canadian infrastructure. It was established as a Crown corporation the following year by *the Canada Infrastructure Bank Act* (CIBA).

According to section 6 of the CIBA, the CIB's purpose is to

> invest, and seek to attract investment from private sector investors and institutional investors, in infrastructure projects in Canada or partly in Canada that will generate revenue and that will be in the public interest by, for example, supporting conditions that foster economic growth or by contributing to the sustainability of infrastructure in Canada.

The CIB's *Corporate Plan Summary, 2020–21 to 2024–25* lists the corporation's three responsibilities as advising on, investing in, and developing knowledge and research about new infrastructure investment in Canada. The CIBA authorizes the CIB to contribute to infrastructure projects through equity investments, loans and loan guarantees. It also provides a budget of up to $35 billion.

On 29 October 2020, the House of Commons Standing Committee on Transport, Infrastructure and Communities (the Committee) adopted the following motion:

> That, pursuant to Standing Order 108(2), the Committee undertake a study on the mandate and activities of the Canada Infrastructure Bank, including a review of the projects that the Bank has supported and possible alternate mechanisms for funding for comparable projects and that no fewer than five meetings be set aside for this study.

Between 23 February 2021 and 23 March 2021, the Committee held five meetings on this subject. It heard from twenty-four witnesses.

EFFICIENCY

Much of the discussion throughout this study turned on the question of the CIB's efficiency, with several witnesses expressing concern that projects were not flowing as quickly as expected. For example, Mary Van Buren, President of the Canadian Construction Association, considered the state of progress to be "pretty dismal right now," while Heather Whiteside, Associate Professor, Political Science at the University of

Waterloo (appearing as an individual), opined that the CIB "hasn't done much" considering that, of the 13 projects announced, "over half are in the MOU stage, a couple are basically providing low-cost financing, some are advisory services."

Dylan Penner, Climate and Social Justice Campaigner with the Council of Canadians, told the Committee that the CIB's delays, which he considered inherent to projects with private sector involvement, are particularly concerning considering the urgent need for infrastructure to address the climate crisis.

Meanwhile, Brendan Haley, Policy Director for Efficiency Canada, argued that the CIB has the potential to take on a "market-creating" mission to help promote building retrofits as a new area for productive private investment. Martin Luymes, Vice-President of Government and Stakeholder Relations with the Heating, Refrigeration and Air Conditioning Institute of Canada, added that investing in decarbonized electricity grids would further support building retrofits in addressing the climate crisis.

Sandra Skivsky, Chair of the National Trade Contractors Coalition of Canada, told the Committee that, for her members, an announcement does not mean that shovels are in the ground, and that her members have not been contacted about any CIB projects. In order to speed up infrastructure projects, Robert Ramsay, Senior Research Officer, Research with the Canadian Union of Public Employees, recommended that the government fund projects directly, much as it does with the Federal Gas Tax Fund.

As Ms. Skivsky explained to the Committee, delays can have a significant impact on the construction industry, which relies on a steady flow of projects to ensure short-term capacity. Despite the long-term societal benefits of large-scale projects, these do not address the immediate issues facing construction workers in want of a project. She added that the status of CIB projects is unclear, with information difficult to obtain, and that although her members have heard of new project announcements, these have yet to translate into actual work: "somewhere something is holding them up because they are not started."

In response to these concerns, the Honourable Catherine McKenna, Minister of Infrastructure and Communities, told the Committee that the government has updated the approval process for CIB projects to ensure the CIB has independence to make project-specific investment decisions, thereby accelerating the process. Ehren Cory, Chief Executive Officer of the Canada Infrastructure Bank, also pointed out that, despite an initial slow start, the pace of investment commitments by the CIB has been accelerating and building momentum.

PRIVATE SECTOR INVOLVEMENT

The purpose of the CIB, as set out in its enabling legislation, is to "invest, and seek to attract investment from private sector investors and institutional investors, in infrastructure projects in Canada or partly in Canada that will generate revenue and that will be in the public interest"[1]. Mr. Cory told the Committee that the CIB is "on the right track" as one part of a broader infrastructure plan. Yves Giroux, the Parliamentary Budget Officer (PBO), disagreed, indicating that, based on information reviewed by his office, the CIB is not meeting its own goals. He referred to a blog post, released by his office, concluding that, despite the CIB's goal of leveraging private investment, projects to date have been exclusively funded by federal, provincial and municipal levels of government.

A point of significant contention regarding this conclusion was what constitutes a non-governmental source of funding. Mr. Cory and John Casola, Chief Investment Officer with the Canada Infrastructure Bank, indicated that pension plans, as well as the Alberta Irrigation Districts, represent pensioners and farmers, and are therefore private sources. Mr. Giroux responded that his office, based on the definition established by Statistics Canada, considers all sources of funding for current CIB projects, including public pension funds and the Alberta Irrigation Districts Association, to be "government entities".

Many witnesses were also polarized on the issue of public-private partnerships (P3s) in principle. Some claimed that P3s, and particularly the Canadian P3 model, have a strong track record of delivering projects on time and on budget.[2]

Among the proponents of P3s, Derron Bain, Managing Director of Concert Infrastructure, was of the view that the CIB is crowding out opportunity for private sector equity and debt investment in infrastructure projects. As such, he noted "an abundance of private capital available for infrastructure investment in Canada but an undersupply of project opportunities."

1 *Canada Infrastructure Bank Act*, (S.C. 2017, c. 20, s.403), s. 6.

2 Standing Committee on Transport, Infrastructure and Communities [TRAN], *Evidence*, 2nd Session, 43rd Parliament, Mark Romoff, President and Chief Executive Officer, Canadian Council for Public-Private Partnerships (CCPPP); Derron Bain, Managing Director, Concert Infrastructure (Concert).

Other witnesses took the opposing view that not only is the CIB a solid example of the P3 model, but this model is fundamentally flawed.[3] To support that conclusion, several references were made to a report by the Auditor General of Ontario which, in reviewing 74 P3 projects in that province, found that public financing of those projects would have resulted in a lower cost.[4]

Mr. Penner told the Committee that, "in an attempt to cut corners and maximize profits, private companies operating P3s often try to reduce their workforce and avoid 'unnecessary' investments in the public interest, delivering poorer quality." Prof. Whiteside, while not disputing that the P3 model can deliver projects on time and on budget, simply argued that the same can be said of the traditional contracting model.

Dr. Ryan Riordan, Associate Professor with the Institute for Sustainable Finance at Queen's University, agreed that the CIB does follow a P3 model, to its advantage. He argued that "combining different sources of funding, accepting the fact that public funds are not inexhaustible and allowing the private sector to help guide the capital to the most productive uses of that capital lead to public-private partnerships that could increase economic growth."

Finally, Mr. Cory disagreed with the premise that the CIB falls under any model, presenting it instead as a unique "made-in-Canada" approach to infrastructure funding. He presented the CIB's goal in engaging private capital as twofold: "to grow the pie of money we have to pay for these projects—because we all have to admit that there's a limit to what we can do from purely tax-based, traditional grant funding" and "to grow that pie in ways that create a good alignment of incentives, so that if you have a private sector partner, they have every incentive in the world to build it well and run it well over the long term." Both Mr. Cory and Minister McKenna clearly underscored that the CIB has no mandate to privatize public assets.[5]

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3 TRAN, *Evidence*: Dylan Penner, Climate and Social Justice Campaigner, Council of Canadians (Council of Canadians); Toby Sanger, Executive Director, Canadians for Tax Fairness (CTF); Mathieu Vick, Union Advisor – Research, SCFP-Québec, Canadian Union of Public Employees (CUPE).

4 TRAN, *Evidence*: Penner (Council of Canadians); Sanger (CTF).

5 TRAN, *Evidence*: Ehren Cory, Chief Executive Officer, Canada Infrastructure Bank (CIB); Hon. Catherine McKenna, Minister of Infrastructure and Communities (Minister).

Despite these reassurances, several witnesses expressed concerns with what they considered to be an inherent draw towards privatization within the current CIB model.[6]

REFLECTING THE NEEDS OF COMMUNITIES

Among the projects that have progressed is the Réseau Express Métropolitain (REM), a light rail network in the city of Montreal. Toby Sanger, Executive Director of Canadians for Tax Fairness, considers this to be "the only project with a realization somewhat consistent with its original vision," despite environmental controversies and potential delays and high costs. Mathieu Vick, Union Advisor—Research, SCFP-Québec with the Canadian Union of Public Employees, did not view this project as a success story. According to him, the project aims to replace a high-functioning and electrified commuter train with another, at the cost of $1.2 billion.

The preferable alternative, Mr. Vick proposed, would have been for a new infrastructure project to complement the existing transit network, rather than "bringing in a new player, changing all the rules and creating havoc within the system."

Mr. Penner and Mr. Ramsay both expressed concern that private sector involvement results in projects responding more to investors, rather than being tailored to the actual needs of municipalities.

Some witnesses also raised the example of the Mapleton Water and Wastewater project.[7] After being announced and beginning to move forward, the project was cancelled by the Mapleton Council. According to witnesses, the council determined that funding the project itself would be more cost-effective than to proceed with the rates offered by the CIB. Mr. Ramsay suggested that this conclusion would be applicable to other small communities across Canada, while Mr. Penner spoke specifically of "remunicipalization" in regards of water-related infrastructure, "because people, communities and councils are recognizing just how bad water P3s are for their communities."

Various proposals were put forward to address the perceived shortcomings in the CIB's current approach. Mr. Ramsay recommended that the CIB's governance model be amended "so that provinces and municipalities have a seat at the table." For her part,

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6 TRAN, *Evidence*: Penner (Council of Canadians), Robert Ramsay, Senior Research Officer, Research, Canadian Union of Public Employees (CUPE), Sanger (CTF), Heather Whiteside, Associate Professor, Political Science at the University of Waterloo (as an individual) .

7 TRAN, *Evidence*: Penner (Council of Canadians); Sandra Skivsky, Chair, National Trade Contractors Coalition of Canada (NTCCA); Ramsay (CUPE).

Ms. Van Buren suggested that more flexibility is needed to ensure more rapid movement on projects, particularly with the goal of post-pandemic recovery: “the barrier seems to be more in moving it from the federal government to the provincial governments and then to the municipalities.”

Mr. Sanger pointed out that several provinces, through a municipal financing corporation, are able to provide much lower cost financing for municipalities, in much the same way the federal government could, “pooling capital and getting lower cost loans for public infrastructure.”

Tabatha Bull, President and Chief Executive Officer of the Canadian Council for Aboriginal Business, noted favourably that the CIB’s investment team and board of directors include Indigenous representation. In particular, she pointed to the Kivalliq Hydro-Fibre Link project as “crucial to advancing the economy” of Nunavut and Manitoba. She added that Indigenous infrastructure development requires “patient capital, private sector investment and development expertise in partnership with indigenous peoples and businesses.” Niilo Edwards, Executive Director of the First Nations Major Projects Coalition, pointed to the benefits of involvement in major projects for Indigenous communities, as these can then “leverage their economic participation in these major projects to secure those revenue streams and to then deliver community infrastructure using the proceeds from their involvement as equity owners.”

Chief Sharleen Gale, Chair of the First Nations Major Projects Coalition, told the Committee that the First Nations Major Projects Coalition sees “a role for the Canada Infrastructure Bank to play in filling a critical gap concerning capital access to First Nations and all indigenous people,” and that they believe “the bottleneck right now is for our nations to access that capital. There is a natural role for the Infrastructure Bank to play that will remove that bottleneck and unleash economic growth.”

Chief Gale also said that “including indigenous nations as equity owners is a very effective way to get our informed consent while ensuring that we benefit from resource development and have control over environmental and social impacts.”

COST

Regardless of the model it follows, several witnesses were critical of the cost of CIB-funded projects, particularly with regard to borrowing rates. These witnesses told the Committee that, in relying on private financing, the CIB is missing an opportunity to offer municipalities the significantly lower interest rates that could be obtained through the federal government.[8]

As previously mentioned, however, Mr. Giroux maintained that the CIB has yet to leverage any private sector funding and that it, since its creation, has behaved “like a traditional government entity in providing grants or loans or whatever type of financing that is typical of government institutions without leveraging private sector involvement.” He referred again to a blog post published by his office that concluded that, despite having received hundreds of project proposals, the CIB has committed to only 13 projects and finalized investments on only two. As a result, he indicated that roughly 3% of the CIB’s $35 billion in capital has been disbursed, with proposals largely screened out “because they don’t fit within the government’s targeted sectors: transit, green, clean power, broadband, and trade and transportation.”

Mr. Giroux declined to offer an opinion on whether the CIB generally provides good value for money to Canadians, responding that this was “all in the eye of the beholder.” He did, however, compare the CIB’s annual office expenditures of $41–42 million for a staff of 74 to the $7 million budget for his own office of slightly more than half that number of employees.

TRANSPARENCY

Some witnesses indicated that a full assessment of the CIB was difficult due to a lack of transparency, particularly in terms of the CIB’s projects but also regarding its own budget.

Mr. Vick spoke of difficulty in obtaining information on “where this money is going and who is getting the contracts” and receiving nearly completely redacted documents in response to access to information requests. Mr. Penner told the Committee that, in his view, a lack of transparency is widespread in P3s as a whole.

Mr. Giroux also reported difficulty in obtaining detailed information from the CIB. According to him, his office received information that was largely already public. The CIB claimed confidentiality issues prevented it from providing anything more, although Mr Giroux told the Committee that the PBO is entitled to receive confidential information of a commercial nature. He added that “four years into the federal government’s infrastructure expansion, we’re unable to provide parliamentarians with a

8 TRAN, *Evidence*: Penner (Council of Canadians); Ramsay (CUPE); Sanger (CTF).

full status update because the government has not kept track of information on all funded projects.”

APPENDIX A
LIST OF WITNESSES

The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee's webpage for this study.

43rd Parliament – 2nd Session

Organizations and Individuals	Date	Meeting
Concert Infrastructure	2021/02/23	18
Derron Bain, Managing Director		
Council of Canadians	2021/02/23	18
Dylan Penner, Climate and Social Justice Campaigner		
Office of Infrastructure of Canada	2021/02/25	19
Glenn R. Campbell, Assistant Deputy Minister Investment, Partnerships and Innovation		
Kelly Gillis, Deputy Minister Infrastructure and Communities		
Mary McKay, Director General Alternative Finance, Investment, Partnerships and Innovation		
Hon. Catherine McKenna, C.P., M.P., Minister of Infrastructure and Communities		
Lisa Mitchell, Senior Director Investment, Partnerships and Innovation		
As an individual	2021/03/09	20
Heather Whiteside, Associate Professor Political Science, University of Waterloo		
Canadian Construction Association	2021/03/09	20
Mary Van Buren, President		
Canadian Council for Aboriginal Business	2021/03/09	20
Tabatha Bull, President and Chief Executive Officer		
Canadian Council for Public-Private Partnerships	2021/03/09	20
Mark Romoff, President and Chief Executive Officer		

Organizations and Individuals	Date	Meeting
Efficiency Canada	2021/03/09	20
Brendan Haley, Policy Director		
Heating, Refrigeration and Air-Conditioning Institute of Canada	2021/03/09	20
Martin Luymes, Vice-President Government and Stakeholder Relations		
Canadian Union of Public Employees	2021/03/11	21
Robert Ramsay, Senior Research Officer Research		
Mathieu Vick, Union Advisor - Research SCFP-Québec	2021/03/11	21
Canadians for Tax Fairness	2021/03/11	21
Toby Sanger, Executive Director		
First Nations Major Projects Coalition	2021/03/11	21
Niilo Edwards, Executive Director		
Chief Sharleen Gale, Chair		
National Trade Contractors Coalition of Canada	2021/03/11	21
Sandra Skivsky, Chair		
Queen's University	2021/03/11	21
Dr. Ryan Riordan, Associate Professor Institute for Sustainable Finance		
Canada Infrastructure Bank	2021/03/23	22
John Casola, Chief Investment Officer		
Ehren Cory, Chief Executive Officer		
Office of the Parliamentary Budget Officer	2021/03/23	22
Yves Giroux, Parliamentary Budget Officer		
Nora Nahornick, Economic Analyst		

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* (Meetings Nos. 10) from the 44th Parliament, 1st Session and (Meetings Nos. 18-22) from the 43rd Parliament, 2nd Session is tabled.

Respectfully submitted,

Peter Schiefke
Chair

Supplementary Opinion of the Liberal Party of Canada

April 11th, 2022

Our Government is committed to making critical infrastructure investments across the country. These investments are critical as we build back better; they will create good jobs, grow our economy, create inclusive communities, and tackle climate change.

The Canada Infrastructure Bank (CIB) is taking a new approach that is impacting the way infrastructure is funded in Canada. By attracting private sector and institutional investors to infrastructure projects in the Canadian public interest, the CIB has attracted over $7.2B from private and institutional investors and is advancing work on 33 projects across the country.

In his testimony, Mr. Mark Romoff, President and Chief Executive Officer, Canadian Council for Public-Private Partnerships noted:

> "The CIB has the expertise, and specialized knowledge that can prove invaluable to advancing and completing these infrastructure projects…
>
> The real benefit of the bank engaging in these projects is, in fact, to help de-risk those projects and to make them more attractive to private capital to partner with them in order to enable these larger, more complex projects to come to market. That's a very significant piece of the equation."

From investments in clean power, to zero-emission vehicles, to broadband the CIB is making significant gains in accelerating investments in Canadian infrastructure.

Infrastructure Investments

In his testimony to the committee, Dr. Ryan Riordan, Associate Professor, Institute for Sustainable Finance, Queen's University, noted: "…the Canada Infrastructure Bank will be an effective avenue to encourage, and stimulate public-private partnerships as one of the many avenues to help mobilize private capital."

The REM project is the biggest transit project in Quebec in over 50 years; 680,000 tons of greenhouse gases will be reduced over 25 years and there'll be 34,000 jobs.

$407-million investment in the Alberta irrigation project, will result in up to 6,800 direct and indirect permanent jobs and up to 1,280 construction jobs. It will also open an estimated 200,000 acres of more productive agricultural land. This project has kick-started the largest agricultural irrigation expansion in the history of the province.

Both projects have significant non-governmental funding.

Indigenous Infrastructure

The Canada Infrastructure Bank has a target to invest $1B in Indigenous infrastructure projects both in partnership with, and for benefit of Indigenous communities. We believe they have an important role to play in supporting investments in Indigenous infrastructure and are making important strides to achieve these goals with active participation in projects like the Oneida Energy Storage and Kivalliq Hydro-Fibre Link.

The Oneida battery energy storage project is the largest battery storage project in Canada and among the largest in the world. Importantly, it is a partnership between an innovative Canadian company and the Six Nations of the Grand River Development Corporation.

The Kivalliq Hydro-Fibre Link involves the construction of a new 1,200-kilometre, 150-megawatt transmission line with fibre-optic cabling to Nunavut from Manitoba. This project is bringing renewable, sustainable and reliable hydroelectricity to modernize electricity systems and potentially reduce reliance on diesel power generation while supporting the economic interest of Indigenous Peoples in remote communities.

There was an identified need for CIB investments in Indigenous infrastructure including from Ms. Tabatha Bull, President and Chief Executive Officer, Canadian Council for Aboriginal Business noted:

> “The inclusivity of CIB, their management of risk and willingness to pursue creative financial structures can help build out vital indigenous infrastructure. Additionally, CIB instills confidence needed in project financing to help dispel myths of indigenous investment risk, which should facilitate greater investment by private sector developers in future projects.”

Additionally, Chief Sharleen Gale, Chair, First Nations Major Projects Coalition, raised: “We see a role for the Canada Infrastructure Bank to play in filling a critical gap concerning capital access to first nations and all indigenous people. Access to capital at competitive rates is a barrier to achieving broad-based economic participation by indigenous people in major projects.”

These projects are excellent examples of working together to unlock potential and advance the process of reconciliation.

Conclusion

We believe strongly, the CIB is an important tool in the Government’s toolkit when it comes to generating smart investments in Canadian infrastructure. The CIB does not provide grants and does not invest when the private sector can do so alone. The CIB is instead a credible made-in-Canada way of doing things to stretch public dollars further and attract private capital to get more infrastructure built for the benefit of Canadians.

Canadians can rest assured every public dollar spent on infrastructure is creating jobs, attracting investment, fighting climate change, promoting social equity and building the economy of the future.

Additional opinion of the Bloc Québécois on the report

The Canada Infrastructure Bank

April 8, 2022

Introduction

First of all, the Bloc Québécois commends the members of the Committee and the staff of the Library of Parliament for the professionalism they have shown and the work they have accomplished during this study and thanks all the witnesses and citizens who fueled the debate on what should be done with this institution that is the Canada Infrastructure Bank (CIB).

However, the Bloc Québécois believes that this report has failed to answer a central question: what to do with the amounts invested in infrastructure by the federal government, in particular through the CIB?

Infrastructures, a responsibility of Quebec, the provinces and municipalities

As the federal government seeks to fund infrastructure through the CIB, this report raises a host of concerns ranging from the loss of control of our collective infrastructure, to a lack of transparency in the management of the CIB, to questionable effectiveness of this organization. There are plenty of valid reasons for wanting to close this useless structure.

Before even wondering how the federal government should fund infrastructure, we must first establish who owns public infrastructure in Canada. According to a compilation of Statistics Canada data presented on the Investing in Canada Plan website, nearly 98% of this infrastructure belongs to the governments of Quebec, the provinces, territories and municipalities. Only a measly 2.1% is federally owned.

This observation calls into question the federal role in the organization and allocation of infrastructure funds.

Since municipalities fall under the jurisdiction of Quebec, the Bloc Québécois believes that these amounts should be transferred to Quebec and the provinces, without conditions. It makes no sense for a government that does not own the infrastructure to come and dictate the conditions under which work may be carried out in this area.

Indeed, it is the owners and users of these infrastructures who are able to establish priorities on this subject and thus manage the money associated with it. In this context, the federal government should not seek to impose its agenda on the responsible governments and administrations. It seems clear in the circumstances that the actions of the federal government are just another example of the blackmail resulting from the fiscal imbalance that exists between the federal government and those of Quebec and the provinces.

The fiscal imbalance blackmail

This imbalance allows Ottawa to collect more revenue in taxes than it needs to accomplish the missions falling within its areas of jurisdiction, while Quebec and the provinces find themselves lacking funding for activities in their fields of competence. Thus, the federal government takes advantage of the fact that it collects more money than it needs to interfere in what does not concern it.

This situation is highly problematic since it is tantamount to blackmailing Quebec and the provinces so that they can have access to their own money. Everything therefore plunges us into a competition where the federal government will always impose more and more conditions on the funds it has in hand.

In the short term, some conditions seem commendable, but in the long term, the more conditions the federal government adds to the funds it transfers to Quebec and the provinces, the more it will hamper their capacity for action and planning. The federal government is therefore attacking the existing autonomy of Quebec and the provinces, which prevents them from effectively governing themselves.

Solve the problem of infrastructure funds

Which brings us back to infrastructure funds. In this regard, the optimal solution for Quebec will always remain its full and total independence from Canada. Thus, it would have access to 100%

of the funds from its population and its territory and would be able to finance the infrastructures without the hindrance of the conditions of the federal government.

Until Canada gets out of Quebec, there are three solutions:

The first is that the federal government put an end to the fiscal imbalance by abolishing its infrastructure programs and returning the tax points used to fund them to the governments of Quebec, the provinces and the territories. This would solve the problem and give the necessary flexibility to the governments responsible for the infrastructures to manage them effectively.

The second option is to transfer en bloc, each year, all the amounts for infrastructure to Quebec, the provinces and the territories. This solution seems attractive, but it would maintain the constant threat that the federal government could take back these sums and impose harmful conditions.

The third option is to model all the infrastructure funds on the Gas Tax Program and the Quebec contribution. This is the only federal program that Quebec and municipalities find truly effective. For good reason, this is the only program on the subject which is both predictable and practically unconditional. The amounts are transferred en bloc to Quebec, which then distributes them to the municipalities according to their population. The only problems municipalities see with this program are the recent changes the federal government has made to it by adding conditions. This program could therefore serve as an inspiration for the federal government for all the sums dedicated to infrastructure in order to mitigate its interference in what is not under its control.

Conclusion

Finally, this report neglects to delve into the issue of the fiscal imbalance and its consequences on infrastructure investments and to propose solutions to remedy it. If this issue had been raised, we would have quickly realized that the federal government would benefit from not getting involved in what does not concern it. This position would save him from humiliating himself with dysfunctional institutions like the CIB.

Bloc Québécois Recommendations

That the Government of Canada transfer tax points funding infrastructure to Quebec and the provinces.

Failing that, that the Government of Canada unconditionally transfer to Quebec and the provinces the funds related to infrastructure.

SUPPLEMENTARY REPORT
OF THE
NEW DEMOCRATIC PARTY OF CANADA

The Canada Infrastructure Bank

The New Democratic Party supports the findings and recommendations of the majority report, which detail at length the failures of the Canada Infrastructure Bank (CIB). This includes problems with efficiently delivering projects, the issues arising from private sector involvement in delivering public infrastructure, the inadequate sensitivity to the needs of communities in funding decisions and issues with costs and transparency at the bank. It is for this reason that the NDP supports the recommendation to abolish the bank in its current form.

This supplementary opinion is intended to highlight further testimony from the study which demonstrates that these problems are rooted in the core mandate of the bank and will be impossible to overcome without fundamental reform. In particular, the selection of projects to attract private investment and the inherently profit-driven operation of completed projects are integral to the bank's privatization agenda and severely limit its ability to serve the public interest. In addition, this supplementary opinion proposes that by supporting passage of Bill C-245, the Government could alternatively reform the bank's mandate and activities to better suit the public's interests and those of Indigenous and Northern communities.

The Canada Infrastructure Bank was first announced in the 2016 Fall Economic Statement. At the time, the federal government spoke of the bank as a tool to leverage public infrastructure funding to attract private financing for projects. Then Finance Minister Bill Morneau and the Prime Minister promised each federal dollar invested would leverage as much as $11 from the private sector.

The bank was indeed a chance to address Canada's growing infrastructure deficit – a real and pressing concern in Canada that is leaving communities without the tools they need to build healthier and more sustainable communities in the face of the climate crisis, wealth inequality and the rising cost of living.

With an ample $35 billion in federal government funding, the CIB should have been able to narrow Canada's infrastructure gap and deliver projects that created jobs and improved communities. But four years after its inception, in October 2020, when the House of Commons Standing Committee on Transport, Infrastructure and Communities adopted a motion from NDP MP Taylor Bachrach to study the Bank, it had largely failed to deliver on this promise. At the time, the bank had announced only a handful of projects and only one, the Réseau Express Métropolitain (REM) in Montreal, had received funding and begun construction. Co-financed by the Government of Québec and the Caisse de dépôt et placement du Québec, the project had attracted none of the private sector investment the federal government had promised.

Over the course of the committee's study, numerous witnesses detailed the many ways in which the bank has failed to deliver on its mandate. Parliamentary Budget Officer (PBO) Yves Giroux presented his office's recent analysis of the Bank's funding commitments to date. It found that only three percent of the Bank's $35 billion capital commitment had been disbursed and warned that the bank was not on track to meet its own goals. Subsequent PBO analysis has confirmed the bank is unlikely to meet its spending objectives, forecasting a spending shortfall of $19 billion[1].

Perhaps most frustrating was the PBO's analysis of the Bank's project selection process. At the time of Mr. Giroux's appearance, the CIB had received 420 project proposals but had only publicly committed to 13. Alarmingly, he found the Bank had rejected or was no longer considering 82 percent of the submitted projects. Most were screened out because they were in the wrong sector or deemed not of sufficient size. As the large number of proposals showed, communities clearly have infrastructure needs that require federal support, however, the bank's dogmatic fixation with massive projects and private sector investment means it rejects most proposals.

The PBO's findings echo a concerning theme the Committee heard from witnesses: that the Canada Infrastructure Bank pursues a privatization agenda to the detriment of the public interest. New Democrats remain particularly concerned that such an approach is likely to result in rural, remote and Indigenous communities being overlooked in favour of parts of the country that offer the highest returns to private investors.

This was a consistent feature of testimony from witnesses including Canadians for Tax Fairness, the Canadian Union of Public Employees and the Council of Canadians, all of whom argued that public-private partnerships – particularly those that see private operators collect revenue through user fees – inherently raise questions about which projects are selected. They questioned whether Canadians can trust that infrastructure projects are being funded because they serve the greatest public interest and not because they offer the highest returns for private equity investors whose overriding interest is realizing a return on their investment.

Professor Heather Whiteside pointed to particularly concerning comments from the CEO of the Canada Infrastructure Bank, who said that he planned to address criticism of funding delays by being "more active in soliciting partnerships rather than waiting for offers." He added that this approach would "start with the market and work backwards." As Professor Whiteside testified, these comments reflect a reversal of the procurement relationship, placing the financial interests of potential private funders as the starting place for project selection rather than the needs of the Canadian public. Mr. Sanger from Canadians for Tax Fairness echoed this concern:

> [The Canada Infrastructure Bank] should be focusing on its and Canadians' priorities in these ways, and not the priorities of whatever private financier, or whatever company, comes

[1] Office of the Parliamentary Budget Officer, *Canada Infrastructure Bank Spending Outlook*, April 28, 2021, https://distribution-a617274656661637473.pbo-dpb.ca/b3b340201aade602ac6704724e52cf231bd8a8c510982a3131988ab35d1d3f9a

> along. Otherwise you're just playing to the highest profit, and that's not what we need in our society right now. We have increasing inequality and a climate crisis as well.

Indeed, witnesses highlighted that some of the projects the Bank has funded so far have raised outstanding questions regarding the public interest. Perhaps the most frequently cited example was the Mapleton Water and Wastewater Project, a $20 million commitment from the bank which was subsequently cancelled by Mapleton Council. Despite Ontario's troubled track record with water service privatization, Canada Infrastructure Bank officials hailed the Mapleton project as a pilot to model privatization of municipal water services in communities across Canada[2]. Mr. Ramsay from the Canadian Union of Public Employees testified on the lessons this project illustrates:

> But the CIB model, as we saw play out in Mapleton, demonstrated an unsuitability for that context. The pace of the project start-up, legal consultation and negotiation of contracts was a significant cost to the town, which paid hundreds of thousands of dollars without getting a project in the end. [T]hey realized that it would be cheaper to do it themselves because they could finance the project at much cheaper rates themselves. That experience I think would be for small municipalities across the country

In addition to failing to reflect communities' infrastructure needs, a number of witnesses highlighted the bank's privatization mandate and its preference for public-private partnerships as an inherently inefficient approach to funding infrastructure. Not only has the promised multiplier factor proven wildly inaccurate, witnesses also argued private financing is largely unnecessary due to the availability of lower-cost financing available to government bodies.

The Bank's use of public-private partnerships, especially those undertaken with private financing, is likely to cost Canadians more over the long term. This is because when the operation of public infrastructure is handed over to private corporations via long-term contracts, investors must recoup their investment and turn a profit through increased user fees such as tolls, fares or higher utility bills. Rather than using public revenue to build the infrastructure communities need, this government is pursuing a model that benefits wealthy investors and leaves everyday Canadians on the hook to cover the costs, regardless of their own ability to pay. As Mr. Sanger testified:

> The only purpose that P3s fill is to engage in some off-book financing and provide private finance with lucrative low-risk investment opportunities that taxpayers will cover for decades to come. If these projects are really privatized, we will undoubtedly end up with some really inadequate infrastructure

During the Committee's study, witnesses repeatedly referenced expert studies in Canada and around the world that have demonstrated the private investment model is a costly and inefficient approach to funding infrastructure. In particular, witnesses referenced a study from the Auditor General of Ontario, who found public-private financing of infrastructure projects resulted in a higher actual cost than traditionally delivered projects.

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[2] Canada Infrastructure Bank, *2019-20 Annual Report*, https://drdrc6dlee0yd.cloudfront.net/files/documents/reports/en/Annual-Report-2019-2020.pdf

Overall, the committee's study made it clear that beyond simple delays and inefficiencies at the Canada Infrastructure Bank, its core mandate to build large projects with private sector involvement is inherently problematic. It raises serious questions about whether projects are being delivered in the public interest, and saddles Canadians with higher long-term costs as they repay the investments of wealthy financiers. Given the seriousness of these failings, the government must either undertake serious reforms to the Bank or abolish it altogether.

Fortunately, New Democrats have proposed solutions to salvage the Canada Infrastructure Bank so that it lives up to its promise and serves the infrastructure needs of communities while supporting climate change mitigation and adaptation, rather than financing the interests of wealthy investors. In particular, MP Niki Ashton's Bill C-245, An Act to Amend Canada's Infrastructure Bank Act, addresses a number of issues facing the bank similar to the ones identified in the Committee's study, including removing the privatization aspect of its mandate, prioritizing projects in Indigenous and Northern communities and altering the structure of the board at the Bank.

By altering the mandate of the Bank to remove references to the pursuit of private investment and the required profitability of infrastructure projects, Bill C-245 would allow the Bank to fund infrastructure projects in communities that have long been neglected by the federal government and truly work in the public interest for all Canadians. Similarly, by prioritizing Indigenous and Northern communities, this legislative initiative would ensure that the Bank would focus on communities with the greatest infrastructure needs. Changing the structure of the board of the bank to include First Nations, Metis and Inuit voices would also be a vital reform. The government must acknowledge that the greatest infrastructure gap in the country is in these communities and that it is inconceivable that in 2022 in an age of reconciliation that these communities don't have a say in what's happening on their land.

The committee also heard a lot about the lack of transparency from the Canada Infrastructure Bank, with witnesses pointing out the Bank's refusal to share all documents requested by the PBO and the lack of briefings to Parliament. It is New Democrats belief that the Bank, through the relevant minister, should have to brief Parliament annually to ensure adequate transparency at the Bank.

New Democrats strongly urge all Parliamentarians to support Bill C-245 as a means to salvage the Bank. Without a fundamental reform of the Bank to address the concerns identified in this study, then the government would be left with no choice but to abolish the Bank.