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• (1205)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll officially call the meeting to order.

Welcome to meeting number 39 of the House of Commons Standing Committee on Finance. Pursuant to the order of reference from the House, we are meeting on the government's response to the COVID-19 pandemic.

Today's meeting is taking place by video conference. The proceedings will be made available via the House of Commons website.

I'd like to welcome our witnesses for the first panel. From the Office of the Auditor General, we have Karen Hogan, Auditor General of Canada—congratulations and welcome—and Andrew Hayes, deputy auditor general and interim commissioner of the environment and sustainable development.

Ms. Hogan, you probably have an opening statement. We'll go to questions from there. Again, congratulations on taking on, in these kinds of times, a fairly substantial responsibility. Welcome.

[Translation]

Ms. Karen Hogan (Auditor General of Canada, Office of the Auditor General): Mr. Chair, thank you for inviting us to discuss the planned audit work of our office, including the work on the government's response to the COVID-19 pandemic. With me today is Andrew Hayes, deputy auditor general and interim commissioner of the environment and sustainable development.

My appointment as Auditor General of Canada was effective on June 8. I am very pleased to make my first appearance before a parliamentary committee as the Auditor General, and I look forward to supporting the government over the next 10 years.

When the interim auditor general, Sylvain Ricard, appeared before this committee on May 12, he discussed our audits of the government's investing in Canada plan and the government's response to the COVID-19 pandemic. He also spoke about the resourcing challenges that our office has been facing, and the difficult decisions that we had to make to delay other planned audit work in order to prioritize the investing in Canada and COVID-19 audits.

Today, I will build on the information that Mr. Ricard provided to this committee. Our audit of the investing in Canada plan is well under way. We know that there is considerable interest in this audit. We have been collecting and analyzing a significant amount of information.

We have also designed an audit approach that will allow us to provide as much information as possible to Parliament about the government's implementation and monitoring activities, and the nature of the projects that have been funded under the plan.

With respect to our COVID-19 audit work, we have been focusing on the government's spending related to health and safety protection, support to individuals and businesses, and other liquidity support and capital relief. We are also considering elements of emergency preparedness and early response actions. We expect to be conducting audits related to COVID-19 for many years.

Although our work is progressing, I think that it is worth noting that physical distancing and remote working arrangements present some challenges for our audits. We have seen that it takes more time and effort to work through the audit processes, and to access, receive and exchange information. I would emphasize, however, that we have seen a willingness and a concerted effort on the part of those that we audit to work with us.

We also know that there is important audit work that will have to be done at a later date. For example, information about the effectiveness of some programs and corrective actions that the government may take will only be available for audit in the future. For both the COVID-19 and the investing in Canada audits, we are exploring ways to report our findings to Parliament as quickly as possible.

At this point, it is likely that we will present specific audit reports to Parliament when they are completed, rather than take the traditional approach of setting a date for presenting a collection of reports.

[English]

I would now like to speak briefly about the unanimous motion that was passed by your committee on June 9.

We have always considered a unanimous motion from a parliamentary committee to be a very clear message to our office. The committee's motion calls on us to audit all federal programs associated with Canada's COVID-19 response, to conduct all audits requested by the House of Commons and to complete all previously scheduled audits. The motion also calls on the government to provide us with all the funding we need to carry out these audits and any other work that we deem to be appropriate.

We viewed the committee's motion as reinforcing the importance of our work and its value to Parliament. We pride ourselves in supporting Parliament to the best of our abilities. Given our current resourcing and funding levels, we need to be selective when deciding on the audits that we conduct. We will not be able to audit each and every federal program associated with Canada's COVID-19 response.

When I appeared before the Standing Committee on Government Operations and Estimates on May 29, I mentioned that once I was appointed, one of my first priorities would be to assess our funding needs in light of the current circumstances, which includes the significant work that we have been asked to do. At this point, I do not have an updated number to share, but I am confident that we will ask for a budget increase that will be greater than the \$10.8 million of additional funding that the office requested in 2019 and in 2020. That amount was based on assessments that were done in 2017, and a lot has changed since then.

We are currently engaged in discussions with the Department of Finance about our funding. We expect that those discussions will continue over the next few weeks. Although we still believe that an independent funding mechanism is the best long-term solution, we are committed to exploring solutions with senior public servants so that our current funding needs can be addressed as quickly as possible.

If we encounter difficulties that cannot be overcome, we will be sure to inform Parliament; however, we are not sitting back and waiting. We have taken steps over the last week to maximize the performance of our audit work that we can do in the future. In particular, we launched a hiring process last Friday with the intention of significantly increasing the capacity of our performance audit practice. We know that it will take some time to hire and onboard the highly skilled people we need to do the work that you have asked us to do.

Obviously, we are taking some risks, because we have not received a permanent funding increase. On the other hand, if we do not start the hiring processes, we will not have the people in place to do our work. We will keep Parliament informed about our work and the impact on our resources.

Both Andrew and I would now be happy to answer any questions the committee may have.

Thank you.

• (1210)

The Chair: Thank you very much, Ms. Hogan.

The question lineup for the first round will be Mr. Poilievre first and then Ms. O'Connell, Mr. Ste-Marie and Mr. Julian.

Pierre, the floor is yours. We'll go with a six-minute round initially.

Hon. Pierre Poilievre (Carleton, CPC): Thank you, Auditor General Hogan, and congratulations on your new role.

For the investing in Canada audit, were you planning to do a financial audit or a performance audit?

Ms. Karen Hogan: Our intention is to do a performance audit. We will be looking at the outcomes of the plan, as well as trying to look at the complete list and the nature of the projects within the plan.

Hon. Pierre Poilievre: All right. That's great.

As we know, the Parliamentary Budget Officer has shown that the so-called federal increases in infrastructure spending have not resulted in incremental construction of infrastructure assets across the country, because the money does not actually make it through all three levels of government and then onto the pavement. It gets gobbled up along the way down. The actual increased infrastructure that results from this federal spending is negligible at best and, in some cases, may even be negative, because the lower levels of government are pulling back more than the federal government is putting in, with one cancelling the other out.

It will be interesting to see whether your audit finds that there was any real material increase in the infrastructure that Canadians enjoy as a result of the monstrous increase in costs. Can you complete this work by January?

Ms. Karen Hogan: Obviously, I think it's fair to say that we'll expect some delays. COVID has impacted not only us but also the departments we audit. While we have begun, I do expect that there will be some delays in being able to complete a full audit from start to finish.

Our best is that we are trying to get something to you in the early part of the new year. It might not be the full audit. As I mentioned in my opening statement, we're exploring ways we could perhaps provide some insights into all of the projects and then perhaps deal with outcomes at a later date. We're trying to tackle this so that we can get some information to Parliament, because of the importance of the spending and the attention.

• (1215)

Hon. Pierre Poilievre: All right. I think Parliament does want answers quickly, but we want you to have the time to do a thorough job. We encourage you to tell us what kind of flexibility you need on time frames in order to get a complete job done for Parliament. I think we gave a deadline to the previous AG of January. That said, we understand the work overload and the funding deprivation that you're dealing with. What we really want is a quality job, a complete job, so we encourage you to work with us to tell us whether or not some flexibility might be required on the exact time frame of the final reports.

Secondly, when can you tell us what funding you will need? This committee has shown a desire to give you whatever you ask for, basically, which is a tremendous amount of trust, but can you get us a dollar figure soon so that we can push the government to deliver those dollars to your office?

Ms. Karen Hogan: Thank you for the offer on flexibility. I appreciate that. As you can recall, most of our audits take about 12 to 18 months to complete, and with the little delays with the pandemic, some flexibility is always greatly appreciated. Let me take that back and look at it.

As far as it comes to funding, as I mentioned, today is probably day 11 since my nomination, so we've been working hard over the last couple of weeks in looking at the historical ask and then refreshing it and amending it for all that's happened since then. We're working closely with the Department of Finance, so I would imagine that it would be a couple of weeks before we give them a new figure for our ask. I really would like to see that process work its way through. While I think it's not a perfect process, it's the process we have, and we'd like to work through that to see if we get the funding we need.

As I mentioned, if we feel that we have some issues, in the fall we'll gladly come back to Parliament and let you know if we run into any roadblocks on that front.

Hon. Pierre Poilievre: Excellent. Thank you very much.

The final point I would make is that right now.... You know, 10 years ago, we had the Auditor General doing 28 audits per year. Now we have the Auditor General doing approximately 14 audits per year. Ten years ago, the budget for the Government of Canada was about \$250 billion. Today, it's over \$500 billion. In other words, spending has doubled and the number of audits has gone down by half, so mathematically that means that we're getting a quarter of the accountability we were 10 years ago.

The previous auditor general—Mr. Ferguson, I mean—never accused the then government of having shortchanged his budget, so this is really unprecedented. I'm hoping that the government will correct the shortfall that it has created, and you will have the finance committee as an ally in pushing the government to do that.

Let's move on to the COVID response audit. What is your sense of the areas that you would focus on? You've said that you can't audit all of the COVID programs—it's just too vast—but is there a specific area on which you would like to focus your office's attention?

Ms. Karen Hogan: We're almost at a point where I believe we could publish a list of topics that we're considering looking at. The way we've tackled the broad spectrum of what's going on in COVID is that we've looked at it in a short-term, a medium-term and a long-term aspect. In the short term, in addition to looking at overall preparedness, we are planning and have started to look at personal protective equipment, at Canada's food supply and.... I'm just trying to find the third one that I listed.

I'm sure, Mr. Hayes, you'll remember the third one. We were just talking about it this morning.

• (1220)

Mr. Andrew Hayes (Deputy Auditor General and Interim Commissioner of the Environment and Sustainable Development, Office of the Auditor General): Yes, indeed. The spending and design of the CERB was the other main area that I think we were going to mention.

Ms. Karen Hogan: Thank you, Andrew. It came to mind just as you mentioned it.

Hon. Pierre Poilievre: Yes, that's a big one.

Ms. Karen Hogan: Yes, obviously.

Hon. Pierre Poilievre: Thank you.

The Chair: Thank you, all.

With that we'll move on to Ms. O'Connell.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you so much, Mr. Chair.

Auditor General Hogan, congratulations. I'm really excited to meet you and to be here.

Prior to getting into my questions for you specifically, I'd just like to offer some context.

I'm so glad Mr. Poilievre went down memory lane because I was reading this morning the opening statement from the interim auditor general, Sylvain Ricard, when he appeared before the public accounts committee. It outlined for me why Conservative cuts continue to hurt our democracy and accountability in this country.

In those statements it talked about what Mr. Poilievre brought up about the reduced number of audits that are happening currently. Even though we increased the budget in vote 1, a lot of that money went to fund the underfunded staffing and technology that was needed, which was cut from 2014-15, including payroll and Phoenix, another Conservative scandal that has set us back many years. I think I read in his comments that something like one-third of new funding would still be going to paying back, essentially, the staff who had to be cut in 2014-15. You didn't cut the staff, but you couldn't afford to pay them based on the Conservative cuts.

I bring this context up not to put you, Auditor General, in a political position to comment on that, but these seem to be the facts that were spoken of to public accounts. The fact is that a lot of the existing—and this isn't even COVID-related—expenses are actually due to those previous significant cuts, years of inability to get the expertise as well as the technology needed for these more complex audits, so they couldn't be done and we fell behind. Now a lot of the funding increases or bringing those levels back up really just goes back to playing catch-up, because the Conservatives decided that accountability wasn't important during their mandate.

What brings us to today and my question for you, Auditor General, is moving forward, because I fundamentally believe in an independent, accountable Auditor General for all governments—moving forward, dealing with the fact that we're playing catch-up based on Conservative cuts that are still hurting us today, and moving forward on a situation like COVID, which has had significant, obviously unprecedented, unforeseen changes in every department.

I know that one of the recommendations for moving forward on funding was an automatic annual adjustment based on expenses. If that were the process, notwithstanding the increase needed to catch up, which I understand you're making and will be clear, but moving forward, if an automatic annual adjustment were made and a situation like COVID came up, wouldn't that just blow the budget in terms of expenses and put us in this exact same position of how you both continue the regular operating work of the Auditor General's office and take into account the unforeseen, unprecedented studies and the function of your office?

What is the best mechanism, which COVID is now teaching us, to be flexible and to keep doing the regular work in addition to some of these unforeseen things, so that your office can then provide services to Canadians?

• (1225)

Ms. Karen Hogan: I think some of what we've learned from the past cuts and maybe what COVID is teaching us... Back in 2016 or so, when the entire government went through a reduction in its budgets, we did what we felt was the right thing for us to do as Canadians, and also looked at ourselves and took some cuts.

Since then, there have been new mandates given to us, as you mentioned, that were not funded. Whenever we were faced with that, we had to make difficult decisions that required us to divert some money that would have been invested in IT to deal with some of the financial work, mostly, that we received without funding, as well as an expansion of our mandate on the review of the sustainable development plan. If we fast-forward to what we've learned from COVID, while that was a place where it made sense at the time to slow down our investment, I think everyone across the country is realizing that reliable IT is something that is absolutely important.

I know a good part of our funding request will include helping us deal with that IT gap that we have.

Going forward, what might a funding mechanism look like? There are many options out there. There are other countries that have independent funding mechanisms. As you mentioned, adjusting to expenditures is one way. Some of the difficulty with that is that it's not predictable and could ebb and flow. When an audit office like ours relies so heavily on our human capital, it takes time to attract and hire and retain those people. You can't just hire them and let them go. We do need some form of stable, predictable funding.

When we put in a new funding request to the Department of Finance, we will as well include in there an idea and a recommendation on our front as to what might be a possible funding mechanism. Hopefully we can then open the dialogue on a more long-term solution. I see our funding request getting us through the three to five years, and then hopefully we can look at a more long-term

solution for the back end of my mandate, as well as for the office going forward into the future.

Ms. Jennifer O'Connell: Thank you. I really appreciate that and I'll look forward to that analysis.

Maybe this is yet to come, but do you have somewhat of an idea of how far behind we are on technology? When we look at some of the cuts at CRA for example, we've had to invest in phone lines, let alone anything else, and that was pre-COVID. How far are we from getting caught up and then moving forward post-COVID, recognizing how important technology is? Could you give us some understanding of the technology shortfalls?

Ms. Karen Hogan: I don't know if I could put a year on it. Whether it would be three years or five years, I have no clue. I don't think I could put a year on that. I think what's important to note is that when it comes to technology, it's growing exponentially. We're seeing that in the financial audit world and in the performance audit world, that reliance on IT systems being able to tackle large amounts of data. All of those are very important going forward.

Disruptive technology is creating so many opportunities. Like every other federal organization, we have some legacy systems. We've started to take some measures to replace them. We need to worry not only about that and our IT security but also about upskilling our folks. It's not just the technological gaps that we have. It's also the time and the space to train our people to be comfortable, to be able to use those things.

It's hard to tell you a time frame, but it's about more than just the technology. I want to leave you with that.

Ms. Jennifer O'Connell: Thank you.

The Chair: Thank you.

We turn now to Mr. Ste-Marie, who will be followed by Mr. Julian.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

Ms. Hogan and Mr. Hayes, good afternoon. Thank you both for being here today.

Ms. Hogan, congratulations on your appointment.

Like my fellow members, I understand your predecessor's point about the Office of the Auditor General's funding and its ability to ensure follow-up of all the response measures—a point you've reiterated today. It's certainly a challenge, so I have a related question.

You were asked to audit the programs associated with the government's response to COVID-19. What about your other program audits? The mismanagement of Phoenix comes to mind. The program isn't exactly working. Have you put that on the back burner during the COVID-19 crisis?

Does the same go for the high-speed Internet program? That's another flawed program that has fallen short of its objectives.

Basically, I'd like to know what's happening with the audits of programs not tied to COVID-19?

● (1230)

Ms. Karen Hogan: When we received the requests to audit the investing in Canada plan and the COVID-19 response, other audits were under way, so we had to postpone a few. Instead of tabling them in 2020, we will be tabling them in 2021.

In addition, as you pointed out, we had to cancel or, rather, postpone certain audits to a future date to be determined. That's why we initiated a hiring process on Friday; we are trying to build our audit capacity. Obviously, that decision is not without risk, but it helps us ensure that we have the staff and auditors necessary to undertake audits other than those stemming from the motions in question.

With respect to Phoenix, we conducted a performance audit, which we follow up on yearly through our audit of the Government of Canada's consolidated financial statements. We endeavour to include our findings and the error rate in a report we submit as soon as the Public Accounts of Canada are tabled in the House of Commons. As part of the report, we provide a commentary on all our financial audits, so it may contain a follow-up on Phoenix.

Rest assured that we will continue to address the pay of public servants every year in that financial audit, which is very important work to our office.

Mr. Gabriel Ste-Marie: Thank you, Ms. Hogan. That's very reassuring.

Now I'd like to turn to you, Mr. Hayes. If I'm not mistaken, the environment commissioner's budget is part of the Auditor General's budget. Given the funding challenges her office is facing, I'd like to know how much that impacts your work and ability to carry out analysis.

I'd also like more information on the environmental follow-up on the government's measures. Do you check whether the government is honouring the environmental commitments it undertook as part of its COVID-19 response?

Mr. Andrew Hayes: Thank you for your question.

My work as commissioner is part of the Office of the Auditor General's performance audit work, so that's where my funding comes from. In the past few years, the former commissioner conducted six audits. I, however, plan to conduct just four, and they will be slightly delayed owing to the COVID-19 pandemic. I am actually providing support to the Auditor General right now.

I can tell you that the government's environmental and sustainable development commitments will indeed be examined as part of our pandemic-related work.

Mr. Gabriel Ste-Marie: Thank you. I think this is a really important point of view in the analysis of all the implemented measures. After all, we are talking about hundreds of thousands of dollars, or nearly, so it is very important to ensure that the government is respecting its commitments in this area.

Mr. Hayes, what kind of progress has been made in following up on the commitment the government made in 2009 to end fossil fuel subsidies? I feel that, every time you look into this, you find that no progress is being made and that the government has still not come up with a definition of fossil fuel subsidies.

● (1235)

Mr. Andrew Hayes: Thank you. We have carried out two audits of those subsidies. The first time we submitted a report to Parliament, we said that we did not have the information needed to come to any conclusions. The second time, we received government analyses and concluded that slight progress had been made, but that the definition was unclear.

In my opinion, we cannot do much more on this issue right now because the government has until 2025 to reduce those subsidies.

Mr. Gabriel Ste-Marie: Thank you, Mr. Hayes. Let's hope that it will be done.

[English]

The Chair: Sorry, Gabriel, we are quite a bit over.

We'll go to Mr. Julian, who will be followed by Mr. Cooper.

Peter, you have six minutes.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thanks, Mr. Chair.

Welcome, Auditor General Hogan.

Mr. Hayes, thank you very much.

Congratulations. It's a very important position that you hold. I have no doubt that people right across the country are looking to make sure that money is spent effectively and wisely.

I will start off by mentioning the finger pointing between the Conservatives and Liberals, which I don't think anyone finds credible. The reality is, as we all know, that we look at constant dollars. It is only under minority parliaments that the Auditor General's department has been adequately financed. The moment the Harper Conservatives became a majority government, they started slashing. The current government has continued that practice, a massive slash from a decade ago that has made it very difficult to have the Auditor General do the important work on behalf of Canadians.

The contradiction is very clear. We've seen previous Conservative governments and the current Liberal government splurging on banks and big businesses at the same time as they nickel and dime the Auditor General and that important function to death. I think it's good we have unanimous support around restoring the funding, but the reality is that only happens in minority parliaments. Now we can move forward.

You mentioned earlier the importance of putting in place an independent funding mechanism. You have cited other countries that have in place an auditor general function that is independent from whether or not the majority government can run roughshod over the important function the auditor general performs.

In your mind, what is the best example of other countries that have independent funding mechanisms that should really apply in the case of the Auditor General?

Ms. Karen Hogan: There are a few examples we can look to. There are provinces across our country that have an independent funding mechanism, and there are also the U.K. and New Zealand that have such a mechanism. While we can look to those to inform what we might want to come up with, I do think it's something that even Parliament plays a role in helping shape.

I have been talking with the public accounts committee and their chair about exactly that. There is a role for Parliament to play in oversight once an independent funding mechanism is in there. There is a control function to rightsize, when needed, the Auditor General's budget and to do so in such a way such that it can be stable for the organization.

Mr. Peter Julian: Yes, that's it, and you'll certainly have the support of the NDP on that. We believe it shouldn't depend on a minority parliament whether or not the Auditor General gets the support she or he needs. It really has to be something that is put in place on behalf of all Canadians.

Now I'd like to move to the issue of the COVID-19 funding.

You mentioned some of the areas you're prepared to look at. I want to come back to your opening statement, where you mentioned examining issues such as liquidity supports. As you're probably aware, we've uncovered that the amount of liquidity supports being provided the banking sector, with no strings attached, no requirements, nothing, is an astounding \$750 billion, three-quarters of \$1 trillion.

Are those supports offered through OSFI and other federal institutions part of what you would be looking at, given the fact this is a massive amount of support and that it comes with no strings attached?

• (1240)

Ms. Karen Hogan: Obviously, as we sat back and looked at the scope of everything that's covered by the response to COVID, a few programs stand out because of the magnitude of the dollars associated with them. Dollar amount is just one factor we look at when we decide to select the audits we look at. We'll look at risks, impact on Canadians and so on. Looking at liquidity is one of those. Obviously CERB is another big one.

We have begun to have some conversations with the government about liquidity measures and exactly where decisions are being made about the liquidity measures. As you may be aware, the Bank of Canada is not within our mandate to be looked at, but we have begun discussions with the Department of Finance so that we can figure out the best way to tackle the important programs that are there to provide relief to the economy.

It is on our radar. It might take us just a little bit longer to get started on those because of some of the little technicalities we need to get through in order to get access to some of the information.

Mr. Peter Julian: Thank you very much.

That's reassuring because this has been something that needs to be thoroughly examined, particularly given the significant bank profits we've seen so far in the pandemic.

Another program that raises real concerns is the LEEFF program. Of course, we've seen, under this current government, loan forgiveness. Loans are granted, and then, all of a sudden, they're magically forgiven, which means that they are grants, but it's not done in a forthright transparent manner. It's done in two stages.

We saw the current government forgiving \$196 million in loans earlier this year. They are not releasing the name of the company, the corporation, that benefited from that.

What are the difficulties when you have two stages, where first the loan is granted, and then, magically, the loan is forgiven? In terms of auditing and following up, and making sure the taxpayers' interests are protected, what are the challenges around that sort of two-stage process, which many people fear will be part of the LEEFF program, where first the loan is granted and then it is magically forgiven?

Ms. Karen Hogan: You raise a very important question, as we try to tackle the timing of when we might want to do certain audits, when there is a program that has a two-stage tiering to it, sort of an eligibility criteria and then, depending on whether or not certain factors are met further down the line, there's a forgiveness or a repayment that's needed.

Those are the kinds of programs that maybe we can look at in the beginning, and then we would have to pause and provide you with some information on perhaps how they were designed and how the funds were rolled out, but we couldn't really talk about the intended outcomes until later on in time, when stage two comes out. It presents a challenge from that perspective when you're looking for whether or not there is value for money in what occurred.

From a financial perspective, it's a completely different audit that would impact the financial statements of the entities or the departments that are running that program, so that's a whole other different set of challenges that we would have to examine and look at every year. The complexity of a program adds to the time and effort needed to audit, which again adds to the reasons we need sufficient funding in order to have the right amount of auditors on the ground, looking at programs from financial angles as well as performance angles.

The Chair: Thank you all.

We will now go to Mr. Cooper, followed by Ms. Dzerowicz.

Michael, the floor is yours for five minutes.

Mr. Michael Cooper (St. Albert—Edmonton, CPC): Thank you, Mr. Chair.

Thank you Auditor General Hogan for appearing today. Again, congratulations on your appointment.

You noted in your testimony that it will take years in terms of audits to go through the COVID spending. Just having regard for the scope of COVID and the additional mandate that places on your office, the \$10.8-million request was made at a time when the office had already had its mandate expanded and was already doing additional work without additional resources. Is that not correct?

• (1245)

Ms. Karen Hogan: You are correct. Back in 2017, there was an initial request made by Mr. Ferguson. Some funds were received in 2018. It was about a third of what was requested. Then the \$10.8 million was part of the second tranche that Mr. Ferguson had been looking for.

As you mentioned, that was following some mandates we received that were unfunded. Since then, there have been additional mandates added. Then there are the three orders from the House related to investing in Canada, special warrants and COVID-19. Then, as well, just dealing with our technology gap, we were able to fund some of the other requests earlier on that we need to address.

The \$10.8 million is an outdated request and, as I mentioned in my opening statement, one that we are looking at and hope to be able to refresh very soon.

Mr. Michael Cooper: Would it be fair to say that it's a significantly outdated request?

Ms. Karen Hogan: Three years is a very long time even without a pandemic in the middle of all that, so yes, it would be fair to say that it's significantly outdated.

Mr. Michael Cooper: When interim Auditor General Ricard last appeared before our committee, he noted, "The COVID situation simply demonstrated—times 10 if I can say it that way—the struggle we were living."

Would you agree with that statement in principle?

Ms. Karen Hogan: I would absolutely agree with that statement.

Many organizations are seeing some of the areas that maybe they would have not treated so well as being amplified throughout

COVID-19, especially when it comes to the reliance on technology, the ability to connect and interact virtually with individuals we audit. Yes, it is definitely magnifying some of our issues.

Mr. Michael Cooper: I want to ask you a question about technology, since you mentioned it a couple of times.

Before I do that, interim Auditor General Ricard stated that all audits other than the orders coming out of the House, or the three motions passed in the House, have been put on hold. I presume that remains the case.

Ms. Karen Hogan: As a little clarification on that front, and an opportunity for me to let you all know, we did have a few audits ready to be tabled just before the pandemic struck. I wrote to the Clerk saying that on July 8 we will table those three reports that were sitting there.

Then we had some audits that were ongoing, so they were expected to be tabled in the House in the fall of 2020. We have delayed those into 2021.

Unfortunately, at this time all other audits, other than one audit under the commissioner of the environment, have been cancelled or delayed indefinitely so we can focus on investing in Canada and COVID-19.

Mr. Michael Cooper: Are special warrants audits tied to that?

Ms. Karen Hogan: That's correct. It's my understanding right now that there have been no special warrants issued, but should there be, yes, there would be an audit there.

Mr. Michael Cooper: Finally, in terms of technology, you noted as an issue that the operating system the office is currently using is DOS. Would you be able to elaborate on some of the issues with respect to technology that are creating a barrier to the office being able to do the job it could otherwise be doing?

• (1250)

Ms. Karen Hogan: That operating system was one of our operating systems. It functioned very much like DOS and used F key functions to navigate across the screen. I'm very happy to tell you that a couple of weeks ago we transitioned off that system. It makes many of us happy that we don't have to keep our cheat sheet about what F2, F8 and F6 mean. We're quite happy about that.

In terms of the other technology gaps we have, some of it is like every other federal government, with legacy systems that have reached their end of life and are no longer supported and need to be replaced. For example, our electronic working paper software is one of those we are looking to replace.

Then there is new technology in order to be able to deal with data analytics. While we have some, there is an opportunity there for us to find a creative way to add better value to those we audit.

I would even go so far as looking at communication tools. As I mentioned, we want to be able to report our audit reports in different ways to Canadians. It isn't all about IT. It's about other mechanisms as well, and then making sure we all have the skills to use those tools to the best of their abilities in order to be more efficient and add better value.

The Chair: Okay. Thank you, all.

We'll go to Ms. Dzerowicz, followed by Mr. Morantz.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much, Mr. Chair.

I want to add my sincere and warm congratulations to you, Ms. Hogan, on your appointment to be our new Auditor General. It's an important role. Thank you for your service to our nation.

I want to start by correcting something on the record. My colleague Mr. Julian indicated that the only time there's ever an increase in the Auditor General's budget is when there is a minority government. I think as you just stated, and as the interim Auditor General indicated the last time you met with us, in 2017 there was actually an increase of just over \$7 million. In budget 2018 our government committed to investing more than \$41 million in additional dollars. I know there's more to come, but I wanted to make sure it was on the record that dollars did flow, and in a majority government, in our last Parliament.

My first question for you is with regard to your point 11. You mentioned that our committee's motion calls on the Auditor General to "audit all federal programs associated with Canada's COVID-19 response". Is that the intention? While there is a motion, would it be typical that the Auditor General would audit 100% of the programs or is it the intention that you will do 50%, 70%, 75%?

If you could clarify that, it would be appreciated.

Ms. Karen Hogan: I did raise it, I guess, in order to provide a little bit of clarity to that. To go back to the motion, it did say all programs within COVID and all the audits that we were intending on doing. As an independent audit office, it's very important to be able to have the choice to audit what you want, when you want and to the extent that you want.

I simply wanted to highlight that auditing all of the COVID programs would be astronomical. There are just so many. We would likely be doing just that for many years to come, which we don't believe is the best thing for Parliament and the best for Canadians.

There are many important programs out there that we need to look at. There's military spending. We would love to go back and look at cybersecurity, something that we have delayed. We think the reliance on technology across the entire country has made it very clear that this is an important audit to look at. We'd love to do a follow-up on connectivity in the north. There are so many—

Ms. Julie Dzerowicz: Ms. Hogan, I'm sorry to interrupt. You're just saying that you're not intending on all programs, but it would be a subsection.

Ms. Karen Hogan: We're going to look at risk and at where we'll have the best impact and value, so yes, that is our intention. We just wanted to highlight that we can't look at what the motion said, which was all programs.

Ms. Julie Dzerowicz: Perfect. At this point, you don't have any idea of whether it's 25% or 50%, but you'll just kind of take it as it comes along.

• (1255)

Ms. Karen Hogan: Absolutely. I think we need to be able to have the flexibility to plan right now in the short term. We do have a medium- and long-term plan. It's a little bit in flux, because the pandemic might evolve as we move forward, so I don't have a number or a target. Our intention is to look at what we think will add the most value and is the most important.

Ms. Julie Dzerowicz: Next, you indicated that the work is progressing and is under way.

How is the audit of the spending that's been undertaken and the money that's been borrowed due to COVID-19 different from the audits regularly conducted by your office?

Ms. Karen Hogan: When you say "regularly", do you mean with respect to performance audits? I guess I don't really see it much differently other than it came from an order in the House. It might be somewhat different in that some programs that we focus on are really within one department. This has a much more horizontal impact across many departments which might have a role in either establishing a program or rolling it out. That just adds some complexity.

Some of the programs might be structured in a very different way. We might see lots of controls before money flows. Because of the response in an emergency time, that's usually where you try to get funds out quicker. Your controls then show up a little bit later on in the process—what we, as auditors, would call preventative controls or detective controls. It just changes the approach you might take or the way you might look at a program if there are preventative versus detective controls.

Other than that, it doesn't really change what we're looking at. We still have to gain a great understanding of the program. We'll look at the outcomes and how it might have been established.

The Chair: Ask a fairly quick question, Ms. Dzerowicz.

Ms. Julie Dzerowicz: Thank you. I have one more.

I know we have been talking a little about technology and how far behind and how ahead we are. Is there a sharing of best practices around the world with similar countries or G7 countries on how to be conducting these audits around COVID-19 or where technology needs to be?

Ms. Karen Hogan: We have been engaged with our fellow supreme audit institutions across the world and within the country. I believe we have had several great conversations, and continuing ones, with the Australian National Audit Office, as well as the provincial auditor general offices. We do this regularly, and much more regularly now in the context of COVID, so we can benefit from best practices.

When it comes to technology, every office is very different. Some of the provincial offices, for example, have 25 individuals, so their capacity and technology needs are very different from what ours might be.

Ms. Julie Dzerowicz: Thank you.

The Chair: Thank you.

We're turning to Mr. Morantz, who will be followed by Mr. Sorbara.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you.

I'll offer my congratulations as well, Ms. Hogan. It's a wonderful opportunity, and I'm sure you'll look forward to your service.

I want clarification on a couple of things.

First, you said earlier that all audits have essentially been cancelled, other than the ones you described. The website talks about international obligations. For example, as I understand it, your office audits the International Labour Organization and UNESCO. Are those audits also postponed or cancelled? I think that comes through your membership in INTOSAI.

Ms. Karen Hogan: The audits you're referring to for Interpol and UNESCO are done on a cost recovery basis. They are the annual financial audits for those organizations, which we undertook after consultation with Global Affairs Canada many years ago. It is part of a strategy to ensure the Auditor General of Canada has a presence in standards setting, as well as in the international accounting community. So, no, those audits have not been deferred because they are the annual financial audits.

Audits similar to the audits of Crown corporations and the Government of Canada, as well as the three territorial governments, are mandated in legislation to occur annually, and we are honouring all those commitments. Unfortunately, it is our discretionary work, which is the performance audit work, that is seeing the delays.

• (1300)

Mr. Marty Morantz: Okay. I appreciate the clarification. I just wanted to check on that.

A few days ago Commissioner Maynard said there were difficulties with some of the ATIP units. I believe you rely on ATIP and I'm not sure if it's for all or some of your information. Have you had any difficulties getting the information you need? I know the

Parliamentary Budgetary Officer has been struggling to get information on IICP. I'm wondering if you're having similar issues.

Ms. Karen Hogan: I will ask Andrew to pipe up here if I misspeak or if I miss something.

We do not rely on the access to information legislation to obtain our information. We obtain our information through the Auditor General Act. When we run into issues, we work very hard with the departments to work those out. On occasion we have had to involve Parliament or PCO to help us sort them out.

To my knowledge, we don't have any of those issues right now, but I'll turn to Andrew to see if he wants to amend that or add to it.

Mr. Andrew Hayes: I might add a few comments.

In terms of delays in accessing information, right now the biggest obstacle for us is with respect to secret information, as that information can't be transferred over the normal network. In some cases, both on the part of the department and on our part, we need to have people on the ground dealing with paper. I would say that's the most challenging right now.

As Karen was saying, we had the support of Parliament to get an order in council that expanded our access to cabinet confidences. We haven't encountered any problems accessing cabinet confidences. I'll just say the same challenges with secret documents exist there, so we experience delays in getting that information right now.

Mr. Marty Morantz: Thank you.

Ms. Hogan, you said earlier that you're planning on examining the CERB as at least one of the emergency programs. I'm not sure if you want to examine any of the others, but because you mentioned that one, I'm wondering if you have any specific concerns. Why is that the one you want to have a look at?

Ms. Karen Hogan: As I mentioned, we have a great deal of criteria when we choose a topic in order to examine it.

The CERB is one that is a large monetary drain on the government. It has an impact on so many Canadians across the country and is one that unfortunately, as we're all aware, might have some activities that are fraudulent. All of those are factors that increase the risk and importance of a program, hence one that we would need to look at. I believe that if we could provide some advice on perhaps how it was established or rolled out, those could be used as best practices to amend any other programs that are similar or related to it.

Mr. Marty Morantz: Mr. Chair, do I have time for another quick one?

The Chair: Yes, a quick one.

Mr. Marty Morantz: I just wanted to circle back to the independent funding mechanism, because I want to get your perspective on this. It's obviously important for you to have a stable source of funding so that you can conduct your work, but I see the independent funding mechanism as more than that. Your department, as much as any auditing organization, needs to be perceived as being independent of government.

Do you see the independent funding mechanism not only as a source of stable funding but as an added safeguard in the system, basically, to ensure that the public perception of the Auditor General remains independent?

Ms. Karen Hogan: Absolutely. As you noted, it is from two fronts that we need it to be independent, not just for stability. There is an added complexity when you must turn to a department that you audit on a regular basis, both financially and through performance audits, and ask them for money. Obviously, there's a need to have it just be in a better realm, where there is no potential perceived or real conflict.

Mr. Marty Morantz: Thank you very much.

The Chair: That is added complexity, for sure.

Mr. Sorbara will be followed by Mr. Gabriel Ste-Marie.

Francesco.

• (1305)

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you very much, Chair.

Welcome, Auditor General. It's great to chat with you again. As a member of the public accounts committee and a sometimes interim member here at the finance committee, it's great to welcome you again.

I want to say in starting off my comments that we did just finish the week where we celebrated our national public servants. It was National Public Service Week, and I do want to give a shout-out to all on your team over at the Auditor General's office. I think there are almost 600 employees who do a very important job in terms of upholding this and making sure that information flows to Canadians on how their monies are spent and on how there is transparency involved when they pay their taxes and it goes to government. Thank you very much for that.

For my first question, could we just get on record the three reports you mentioned that will be delivered in terms of the three topics at hand?

Ms. Karen Hogan: Do you mean the three reports that will be tabled in July?

Mr. Francesco Sorbara: Yes, the three reports to be tabled in July, please.

Ms. Karen Hogan: Supplying the Canadian Armed Forces, immigration removals, and student financial assistance are the three reports that are expected to be tabled in July.

As well, just for information, because they have already been made public, we will be tabling three special examinations: the Canadian Commercial Corporation, the Standards Council of

Canada and the National Gallery of Canada. Those are three special exams that will also be made public.

Mr. Francesco Sorbara: Okay. Thank you very much for that work. We obviously look forward to receiving those reports in due time.

One of the things we spoke about on the public accounts committee, which I thought was great in terms of relations, was that first, obviously, you've worked with former auditors general Mr. Ferguson and Sheila Fraser, both people who many look up to, so I welcome that, and obviously there is your relationship in terms of your past history, both as an auditor and as a person responsible for preparing financial statements. At the same time, you recognized that the Auditor General's office may have to go through a period of digitization, if I remember your comments correctly.

In thinking about how COVID-19 has impacted, what are your thoughts on being able to proceed with some change management in terms of digitization and also on fulfilling the requirements in terms of the more onerous work schedule that may face the Auditor General's office?

Ms. Karen Hogan: What COVID has taught all of us is that both parties need to be willing to move into the digital age and to be able to work across a medium that's very different from just sitting in a boardroom together and exchanging paper, so it isn't just about the auditors. It's also about the department and the Crowns and the corporations that we audit having the same goal and wanting to be on the same path when it comes to moving in that direction.

We're definitely seeing that there were quite a few hiccups at the beginning of all of this. We were able to deliver on many financial audits for Crown corporations that were ongoing at the time, when everyone hunkered down into their homes. We saw some delays. We did see some difficulties. We did see us having to find more creative ways to come up with sufficient and appropriate audit evidence. It has actually forced both the auditors and the financial statement preparers to really be more in tune with what their financial or IT systems can do and can't do. I believe that everyone is learning that investing in technology and collaboration tools, like the one we're all using today, is important and needed moving forward.

Mr. Francesco Sorbara: Excellent.

I do know that when we came into office in 2015, there were various departments that had undergone very draconian spending cuts by the Conservative government. For example, we invested over a billion dollars into the Canada Revenue Agency. A lot of it went into technology. You see some of those investments paying off in the ability to undertake the Canada emergency response benefit, whereby Canadians applied on a Monday morning and received a direct deposit into their accounts sometimes within 24 or 36 hours. You heard that anecdotal evidence and, for that matter, the reality that it was.

We need to ensure that the Auditor General's office has the resources, and not only the human capital but also the technological wherewithal, to move within a more digitized period. For me, it's something that we need to do. Transparency and accountability are bedrock in my principles as a parliamentarian and as someone who sat on the Accounting Standards Board user advisory committee in Canada for almost a decade. Those are two things that have been drilled into me. It's very important.

In terms of the workflow or the workflow plan, you said that you were out hiring. I read this morning that there's an engineering firm in Montreal that's looking to hire as well, but they're having difficulty in hiring. We are seeing some green shoots in the economy, but because of the traditional way of hiring someone—screening them and meeting with them—it's not happening as quickly as possible. Can you give us some feedback in terms of your hiring process? Can we get the individuals in, interviewed and going through that process, or are you finding some difficulties there?

• (1310)

Ms. Karen Hogan: Prior to the pandemic, as most audit shops across the country will tell you, we were having difficulty attracting individuals. There's just a high demand for them.

In this context, we just launched our process on Friday in order to increase significantly our performance audit practice and some of our HR group and in order to be able to onboard all of these individuals. We're still working through the mechanics of what that might look like, but we know that it's absolutely going to be in a virtual forum, a virtual interview. Even recruiting events are now going to be virtual across our social media platforms. It's going to take a little time for everyone to get used to that.

Onboarding will be different for individuals, and we've also started to train our managers, given that managing a remote workforce brings a whole set of different challenges. We need our managers as well as our employees to be at ease with what that might look like. We're not the only ones living through this. The entire federal public service is living through this. The private sector is living through this. We've been talking with many people in order to learn about best practices and hopefully leverage that.

What I can guarantee is that I think it will take some time, a little longer than we normally expect, which is why we decided to still launch our hiring process without the funding so that we could get the ball rolling.

Mr. Francesco Sorbara: Okay. Thank you, Auditor General.

Thank you, Wayne.

The Chair: Thanks, all of you.

We'll go to Mr. Ste-Marie and then Mr. Julian for a couple of minutes each. Then we'll go to Mr. Cumming, Mr. Fragiskatos and possibly Ms. Koutrakis for about three minutes each.

Gabriel.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Ms. Hogan, right after your testimony, we will hear from the Canada Infrastructure Bank. You mentioned that you were currently

studying the invest in Canada plan, an important infrastructure program that has some issues. For instance, money is not coming out or it is not coming out fast enough. Do you have the mandate to study and audit what the Infrastructure Bank is doing?

In that regard, are you worried that the information on the success or failure of infrastructure programs that are confined to a non-government entity, such as the Infrastructure Bank, is more difficult to obtain?

Ms. Karen Hogan: Yes, we have the mandate to study and audit what the Canada Infrastructure Bank does in two ways.

We just completed the third audit of the Infrastructure Bank's financial statements. I don't think that last year's financial statements have been made public yet, but I know that we approved the Auditor General's report a few days ago.

We also have the mandate to audit performance in terms of everything that goes through that entity.

I don't expect it to be difficult to obtain information, although it is always more complicated when money is transferred to another level of government. However, we expect the federal entity to keep its documentation and to at least have information to give us on the progress of all the investments, even if some of them occurred at the municipal or provincial level.

Mr. Gabriel Ste-Marie: Okay, thank you.

Mr. Hayes, you also have the mandate to study what the Canada Infrastructure Bank does. Are things going well?

• (1315)

Mr. Andrew Hayes: Yes. As Ms. Hogan said, we have that mandate, but I would add that it is one of the mandates for which we have not received additional funding to carry out our audits.

Mr. Gabriel Ste-Marie: It's been noted.

Thank you very much. That wraps up my questions.

[*English*]

The Chair: Mr. Julian.

Mr. Peter Julian: Thanks very much, Mr. Chair.

I have a brief comment replying to Ms. Dzerowicz. The Library of Parliament information that we've received, in terms of funding, clearly shows that the peak for funding for the Auditor General was 2011. It was a minority government going into a majority government. It was \$95 million, and it's fallen to \$87.9 million. You don't need to be an auditor general to know that \$95 million is considerably more than \$87.9 million. That's in current dollars. In constant dollars, the difference between what the Auditor General should be getting and what it is getting is even greater.

Again, Liberals and Conservatives have been finger-pointing. They've both been awful and they both should be ashamed of themselves, but a minority Parliament will restore the appropriate funding, and hopefully, Ms. Hogan will be able to get that independent funding mechanism. That's vitally important.

I have a couple of questions for Mr. Hayes, and one for you, Ms. Hogan.

The issues of the infrastructure bank, I assume, will include what has been flagged by a number of people, the executive bonuses that have been part of the infrastructure bank and the massive staff turnover. That's my question for you.

Mr. Hayes, in terms of the commissioner of the environment, when will a permanent person be chosen? As I understand it, you continue to be an interim commissioner. On July 8, will any reports be released by the commissioner of the environment and sustainable development?

Finally, on subsidies for oil and gas—

The Chair: We're going to have to leave it there, Peter. You're pretty near your two minutes.

Mr. Peter Julian: —what is the problem, in terms of being able to document and respond to that?

Thank you.

The Chair: Ms. Hogan.

Ms. Karen Hogan: In the interest of time, I'll probably answer two of those and then I'll leave the last one for Andrew.

When it comes to executive compensation, that is absolutely one of the areas we look at during every financial audit, and if we had any concerns with executive compensation at the bank, we would have raised them with its board of directors throughout our financial audit.

When it comes to the interim commissioner and when there might be a permanent one, that is also something I am responsible for, which would be to appoint a permanent commissioner of the environment.

As Mr. Hayes mentioned earlier, there isn't a lot of room right now for the commissioner to do things that I'm sure a brand new commissioner would love to wrap his or her teeth around. I'm using the opportunity right now to get a process ready so that I can hire a permanent commissioner in the coming months, but it isn't much of a priority right now as we're all turning our minds and focusing on COVID-19. I would imagine that in a few months we'll get that launched so that we can find a permanent commissioner.

Andrew, I'll leave the last question to you.

The Chair: Mr. Hayes.

Mr. Andrew Hayes: Thank you.

In terms of upcoming reports, we do have a report that was scheduled to be tabled in May of this year and that will be presented in the fall. It's on the transportation of dangerous goods. That will come along with my annual obligation of presenting my findings on sustainable development plans and petitions.

In terms of fossil fuel subsidies, I would guess, in terms of where your question was going, the challenge is to identify a clear definition on what is an inefficient fossil fuel subsidy in the context of Canada's national circumstances.

The Chair: Thank you, all.

We'll go to Mr. Cumming, followed by Mr. Fragiskatos.

Go ahead, James.

Mr. James Cumming (Edmonton Centre, CPC): Thank you, Mr. Chair.

Thank you, Ms. Hogan, and congratulations. I look forward to working with you on this committee. I wish you all the best in your new role.

When you testified at the public accounts committee, I think the number you said was that roughly 575 employees are with the Auditor General. Can you tell us today how many of those are auditors? What's the split between performance and financial audits? Are there plans to change that balance, given the scope of the audits you have under way?

• (1320)

Ms. Karen Hogan: Right. I'm going to give you what's in my mind, and then I'm going to hope that Andrew can confirm it and not dispel it. I would hate for a lawyer to tell me, the accountant, that I got the numbers wrong, but we'll try.

From a financial auditors perspective, our practice there has about 220 individuals out of our 575. In the performance audit practice, I believe we're about 120 individuals. The rest would then be our HR, IT and all of our support services. We do also have some support from a technical aspect that supports both financial and performance audits for methodology and changes in standards. They would not be included in those numbers but they are very much needed in order to support an audit practice.

Andrew, did I get those numbers right? He is nodding yes. There we go.

Mr. James Cumming: Well, you successfully passed that test, from Andrew's position.

You talked about technology. I used to be involved with a public accounting practice. One of the drivers for them was the implementation of technology to improve productivity, to keep their staff counts stable, or even down, and be able to deliver more audits and more performance. Is it your philosophy going forward to try to update from a technology standpoint so that you can produce more, maybe with AI or maybe with analytics? Perhaps you can give us a bit of your thought process on the improvements in that area.

Ms. Karen Hogan: That is absolutely one of our angles in trying to modernize how we work and bringing in more technology. It comes with the understanding, at least in my experience, that in a new technology project, a new IT system or whatever links it to IT, there is a period when you need to increase your workforce in order to deal with bringing that on board. You're training individuals, investing in understanding the tools and working with the entities you audit in order to get quality data, to be able to use these systems. After a couple of years, you then start to see the efficiencies of making that investment over the long term.

You mentioned data analytics and artificial intelligence. IT brings about not only efficiencies but also better analysis, better value and better focus on outcomes. We're hoping that we'll see efficiency and better recommendations and advice to the departments and the Crowns we audit.

The Chair: Thank you.

We will now go to Mr. Fragiskatos. Then we'll have time for one question, if Mr. Poilievre wants one, and one from Ms. Koutrakis.

Go ahead, Peter.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Mr. Chair.

Congratulations, Auditor General, on your appointment.

Mr. Hayes, it's nice to see you again.

Auditor General, I'm not sure if it was in your opening remarks or in response to a question, but either way, you said you were interested in taking a look at PPE and the experience we've had in Canada in terms of purchasing over the past few months. You mentioned CERB and one other area. Can you just remind me of it, if you don't mind?

Ms. Karen Hogan: Obviously, it's overall preparedness for the pandemic. The other specific area is Canada's food supply.

Mr. Peter Fragiskatos: Thank you very much for that.

What sort of issues are you particularly interested in examining?

Ms. Karen Hogan: That's probably a harder one to tackle. Each of them brings a unique angle we would need to look at. As with any audit we might approach, we will obviously look at the design of the audit, controls around it, whether or not it was rolled out in that individual's new would-be objective and outcomes and did they have a way to measure that they're achieving them. We'd like to see departments doing a self-assessment and correcting as they go.

I think one of the unique things about auditing a program in response to an emergency as this pandemic is, is that initially you might start a program with an intended objective because you believe it's very short term and quick. Then as you realize that it might need to last a little longer, the program needs to grow and amend.

That's the kind of self-assessment we would like to see departments doing and ensuring that throughout they are making sure they've put down their rationale and that they've designed it well, thinking about needed controls around handing out a program or funds in such a fashion.

• (1325)

Mr. Peter Fragiskatos: When you say design, what do you specifically mean? You said design of the audit. Do you mean design of the policy? I'm misunderstanding your point.

Ms. Karen Hogan: When I said design of our audit, it's how we might approach it, what we might look at. When you look at a topic area, you don't necessarily audit a topic from A to Z. You might pick bits and pieces of it to make sure you're hitting the riskier areas. When it comes to a program, we won't be looking at a policy, but we will be looking at the intended outcomes of the policy or the program decision and making sure that a department rolled it out in such a fashion or set it up in a way that will meet those intended outcomes.

Did that help?

Mr. Peter Fragiskatos: It did help very much. Thanks a lot.

The Chair: Thank you.

We'll go to you, Ms. Koutrakis, and then come back to Mr. Poilievre for the last question.

Ms. Annie Koutrakis (Vimy, Lib.): Thank you, Mr. Chair.

I would also like to offer you my congratulations, Ms. Hogan, as the new Auditor General. Your role is essential to our democracy, and I am certain I speak for all when I say you will have our full support and collaboration, and we are eager to work with you.

We know that generally Canadians are unlikely to submit fraudulent claims for government subsidies and support programs. That being said, we must also be prepared for the reality that some people will try to take advantage of federal COVID-19 support programs through fraud. Will the Office of the Auditor General play a role in evaluating fraudulent CERB claims? How can the office evaluate the federal government's COVID-19 response plan and similar programs in the future? What can you put in place to make sure these programs are audited as they should be and I'm sure they will be.

Ms. Karen Hogan: When it comes to any program that is set up in response to these times, obviously decisions are made quickly. Maybe processes didn't follow the traditional processes that normally would have occurred when a new program is rolled out. Unfortunately, there are individuals who will take advantage of that, as you mentioned, and fraudulent claims could be made.

As an auditor, when you know there is an increased likelihood or an inherent likelihood that there would be fraud in a program or something you are auditing, you will design your audit to look for that.

In the case of CERB, we'll be able to focus on the design and controls in a first short-term quick audit so we can provide some best practices for future programs. To be able to look at whether or not there was fraud that we have intentions of targeting, that will likely be a little later on. You need to allow the system to self-identify those problems and be able to try to implement corrective measures to recover monies, if needed. While you might not see it in the short term, we intend to look at it.

Any audit is always approached by making that assessment about inherent risk that might alter or amend the kinds of procedures we plan.

The Chair: With that, we will have to call it quits and go to our next panel.

I'll just remind members that at the start of the next panel we will deal with a motion on the committee budget for COVID-19. We have to get that done.

On behalf of the committee, Ms. Hogan and Mr. Hayes, we sincerely want to thank you for appearing. We know this is the second time we've had the Auditor General before us—two different individuals—in a few short weeks.

I know economic papers aren't always the most fun to read, if I can put it that way, but I highly recommend that people read the Auditor General's reports. Whether it's a department, an agency or a project, you do such a wonderful job of explaining the background, so that we may understand what was intended here in the policy approach or whatever, and then get into your results, more or less, in terms of the audit. I want to congratulate you on that as a department over the years. I've seen many of them in 26 years, and I do find them a real education in areas that may not be my expertise.

Thank you again, and we wish you and your whole department and staff all the best going forward to do your work as we look back on these interesting but difficult times.

• (1330)

Ms. Karen Hogan: Thank you.

The Chair: We will suspend for about two minutes and come back to the next panel of witnesses.

The meeting is suspended.

• (1330)

(Pause)

• (1335)

The Chair: We shall reconvene, and I'll call the meeting to order.

This is the second panel of meeting number 39 of the House of Commons Standing Committee on Finance. Pursuant to the order of reference from the House, we're meeting on the government's response to the COVID-19 pandemic. Today's meeting is taking place by video conference, and the proceedings will be made available on the House of Commons website.

I want to welcome the witnesses for this panel. From the Canada Infrastructure Bank, we have Annie Ropar, chief financial officer and chief administrative officer; John Casola, chief investment officer; and David Morley, group head, corporate affairs, policy and communications.

Welcome to all of you. I expect somebody has a presentation to make.

Before I get there, though, we do have a little bit of committee business that we need to attend to. Members were emailed the request for the project budget, which is the COVID-19 study, and the amount requested is \$17,000. The costs are allocated in that paper that was extended to you. Does anybody object to that expenditure? Are there any objections or questions on it?

Are we all in agreement on the budget of \$17,000 for our study, which we've been doing for a while?

(Motion agreed to)

The Chair: We have agreement on that. Thank you.

We'll turn then to the Canada Infrastructure Bank. Ms. Ropar, the floor is yours.

Ms. Annie Ropar (Chief Financial Officer and Chief Administrative Officer, Canada Infrastructure Bank): Thank you, Mr. Chair. I'll be starting my remarks in French.

[*Translation*]

Mr. Chair and members of the committee, good afternoon.

My name is Annie Ropar. I am the chief financial officer and chief administrative officer of the Canada Infrastructure Bank. I am glad to be speaking to you today. I am joined by my colleagues John Casola, chief investment officer, and David Morley, group head of corporate affairs, policy and communications.

Thank you for giving me the opportunity to discuss the importance of investing in infrastructure and the role of the Canada Infrastructure Bank, the CIB. At the CIB, we know that new infrastructure is a powerful lever for recovering productivity and growth, now more than ever. New infrastructure can generate considerable economic, social and environmental benefits over time.

Fortunately, Canada has a great deal of experience in infrastructure projects carried out through public-private partnerships. We also have a solid ecosystem of companies that support investment in infrastructure. Those companies include construction and consulting engineering companies, as well as financial institutions. Cooperation with public sector partners is at the heart of the CIB's actions. We have discussions periodically with federal, provincial and territorial governments, as well as indigenous communities on their needs and their priorities in infrastructure.

Although we bring to projects a thorough knowledge of industry and investment capital, it is public sponsors—in other words, governments of all levels—that generally have the assets and manage projects. Those are our clients. We have announced our participation in 10 new projects. Those projects are located in different regions of Canada and involve various investment sectors.

• (1340)

[English]

We have announced participation in 10 new projects. They are in different regions and in various sectors.

We are helping bring to life projects that are priorities for governments. A key rationale for creating the Canada Infrastructure Bank was that governments alone could not underwrite all the required investment in infrastructure. That was the view before the pandemic struck. Public budgets will be even more strained in the near term. Expanded partnerships with the private sector are needed to spark activity and get new assets built. That's where we come in. The CIB acts as a catalyst to encourage new financing approaches.

CIB was established by legislation in 2017 and became operational in 2018. It has a mandate to invest \$35 billion dollars as one element of the government's investing in Canada plan. Our objective is to advance a new partnership model and transform the way infrastructure is planned, financed and delivered in Canada. We focus on revenue-generating projects. Projects must be linked to national, provincial or local priorities. Our current priority sectors are green infrastructure, public transit, trade and transportation, and broadband infrastructure.

In those sectors, we have three key roles.

First, we advise governments across Canada, at all levels, on revenue-generating infrastructure projects and innovative investment options. We offer specialized expertise in structuring financial instruments and provide financial advisory and project structuring. Second, we invest in projects and seek to attract private and institutional capital to co-invest alongside us. To be clear, we do not provide grants or traditional government funding. Rather, we can extend loans, take equity positions in a project, or use other innovative tools to help get a project built. Third, with partners, we develop and share infrastructure knowledge and research.

Our activities and efforts have yielded results. We have, so far, announced participation in 10 projects across Canada, with more to come.

Infrastructure is a long-term asset class. The capital costs of transformational projects can range from hundreds of millions to billions of dollars. Projects often entail complex design and analysis work, with dozens of expert parties involved.

In some projects, we act as early-stage advisers to governments. In cases where projects are more advanced, we are investors. With our public and private partners, we work to understand infrastructure problems and create financial solutions that are tailored to each project. That is a unique feature and a net benefit for us being a federal organization that adapts to the needs of our partners.

Good ideas for necessary and valuable infrastructure can stall, for many reasons. There might be a lack of public funding or an in-

ability to attract private capital. At the CIB, we play an active role to identify and address the gaps, thereby supporting projects that would likely otherwise not proceed without our involvement.

As mentioned before, we do not provide grants, but we also need to ensure that we don't crowd out private capital, meaning that we don't invest where there is otherwise institutional financing available. A few examples can demonstrate our positive impact.

We announced a \$300-million facility to build the Contrecoeur port terminal in Montreal. This expansion will increase container-handling capacity and meet forecast demand from international shippers, as well as Canadian exporters and importers.

We are advising on the proposed Kivalliq Hydro-Fibre Link. It involves the construction of a new, 1,200-kilometre, 150-megawatt transmission line from Manitoba to Nunavut. The project would deliver renewable and reliable hydroelectricity and broadband infrastructure to the Kivalliq region.

In Richmond, B.C., we are working with the municipality's Lulu Island Energy Company to expand the city's existing district energy system, and this month we were pleased to announce our first partnership with the Government of Alberta, on the Calgary-Banff rail project. This rail link would support Alberta's economy by connecting the Calgary International Airport to the city's downtown and Banff National Park.

Our advisory and investments team has deep knowledge in our priority sectors. My colleague John, for example, despite his very youthful appearance, has more than 20 years of experience advising on project finance and transactions. His senior team has the experience and knowledge to work with the public sector, mobilize private capital, and manage risks.

At any given time, the team is evaluating a long list of ideas and confidential proposals. These come from governments or public agencies, as well as from the private sector. In the most recent fiscal year, we assessed 172 potential projects. The proposals covered all provinces and territories. There is a great supply of creative ideas on how to successfully align private and public interests in delivering infrastructure.

• (1345)

Twenty-four months ago, there was nothing: no staff, no risk management program, nothing was operationalized. It takes a lot of heavy lifting to set the right foundation to ensure proper controls and processes surrounding the stewardship of taxpayer money, and to make sure we have consistent, rigorous due diligence processes in our review and structuring of investments, but even during that time period, while we were building, we got a lot done.

The CIB operates at arm's length from government. We have an independent, professional board of directors. This provides independence to make investment decisions based on commercial assessments and analysis. The board, led by our new chair, Michael Sabia, provides expert governance and strategic guidance. It ensures oversight and accountability. The directors bring a balance of professional skills, infrastructure expertise and investment experience. They reflect gender, linguistic, cultural and regional diversity. Our board truly understands the important links between government and business.

All of us at the CIB take our purpose very seriously. We have a culture that is committed to public service, and the experience and drive to achieve results in a business-like way. We are headquartered in Toronto and have strong representation in Montreal and Calgary. We also have an expert focused on engaging with indigenous communities about their infrastructure priorities.

I am very proud of our diversity. We are a small team of about 50 people, and we are an inclusive organization. Some 41% of our team members identify as visible minorities, 40% of us are women, and 33% are bilingual.

We are also committed to transparency as a public institution. Our corporate plan, quarterly financial results, annual report, annual public meeting, expense and other disclosures are available on our website. During the pandemic, our business continuity plan allowed us to continue working while ensuring the health and safety of our employees. We are still very actively engaging with partners across the country.

The pandemic has required collaboration and creativity in government, business and communities, but it is obviously going to leave financial and economic scars. The CIB offers infrastructure advisory and investment expertise that will help revitalize Canada's economy. New forms of investment are required to address our pressing needs, and new infrastructure delivers both immediate and long-lasting benefits to our country.

Thank you, and we look forward to your questions.

The Chair: Thank you very much, Ms. Ropar, especially for the quite informative background on the Canada Infrastructure Bank.

The questions for this round will start with Mr. Poilievre and then go to Mr. Fragiskatos, Mr. Ste-Marie and Mr. Julian.

Mr. Poilievre, the floor is yours.

Hon. Pierre Poilievre: Thank you very much.

My question for Ms. Ropar deals with the methods of financing that the Infrastructure Bank provides.

Ms. Ropar, you said that you don't do grants. That said, discounts on interest rates for a project are effectively grants. They have a commercial value to them. They transfer public funds to a project. Giving loan guarantees and then having those guarantees cashed in, in the event of a project cost overrun, is effectively a grant. When you guarantee a project and that guarantee is called, then you're granting funds. Do you not worry that what you're effectively doing is providing grants in the most complicated manner and therefore making it actually more difficult for the public to follow what cost the bank is absorbing and what benefit they're getting in return?

As a supplementary to that, is it not just simpler to give a grant and say, "This is what we're contributing, and this is what we're getting"? Taxpayers can be the judge as to whether or not it is a worthy transaction.

Thank you.

• (1350)

The Chair: Ms. Ropar, I'll let the question go to you, and you can direct it to one of your colleagues, if you care to do so.

Go ahead. The floor is yours.

Ms. Annie Ropar: Certainly, I'm not sure if I would agree with it being easier to give a grant. I don't think.... Depending on the situation, it may not be the best route to take in terms of leveraging taxpayer dollars available.

As I said, we don't give grants. The big difference is that we actually structure our transactions with the anticipation, the diligence, to get that capital back. Once you get that capital back, you can then redeploy it into other transformational projects. That's going to be the big difference, obviously, between ordinary government grants, which are done in a different process and absolutely have a place, versus what we're doing, which is filling a different gap in the market.

Hon. Pierre Poilievre: But if you were going to get the money back, then we wouldn't need you to do it in the first place. There would be a private financial facility to do that. We have extremely advanced and highly sophisticated capital markets that have trillions of dollars available and love to lend to large-scale projects with predictable payout schedules. We wouldn't need the Infrastructure Bank to put up public money if it was all going to be paid back. That's why we have pension funds and other institutional investors to do it.

Obviously, the reason the federal government has funded a bank to do this is that either the risks are too high or the returns are too low for the private sector, in which case we are in fact subsidizing the project, which is in reality—as complicated as we might like to make it—a grant. I'm worried that whenever you complicate things, rather than just having a simple statement of what the government is doing, those who have the most sophisticated methods, the most political influence and the best lobbyists and consultants tend to profit, and then the public, who is paying for it, tends to lose, because they don't have the time, energy or resources to figure out what's going on with these extremely complicated transactions.

Second, I want to move on to some of these projects that you are involved with, such as a port terminal, a wind farm and some hydroelectricity projects. These are all projects that are supposed to generate their own revenue through user fees. They all have the capacity to charge user fees, and that's why they are typically funded privately. Why is the government getting involved in these? Your bank was set up to attract private funds to public projects. In these cases, it sounds like what you're doing is the opposite. You're taking public funds into what would otherwise be private projects. You're going in the opposite direction of what your bank was set up to do.

The Chair: Ms. Ropar, go ahead.

It's not your bank. It's our bank, Canadians' bank.

Hon. Pierre Poilievre: Whether we like it or not....

Ms. Annie Ropar: Actually, as you're asking specific deal-related questions, I am going to turn that over to my colleague John.

Mr. John Casola (Chief Investment Officer, Canada Infrastructure Bank): Perfect. Thank you, Annie. I'd be happy to take that question.

I must say it's a bit of a peculiar way to look at things to say that complexity, if I'm understanding you correctly, is making a case for being less disciplined and less rigorous about the way to spend Canadian taxpayers' money. Not a day goes by, not a meeting we have, not a paper we write...none of that gets done without the very acute responsibility we have that we're investing taxpayer money.

If you take the REM investment of almost \$1.3 billion, in Montreal, that was originally thought to be structured potentially as a grant, and in the very early days of the CIB, before any of us were there, they structured it as a loan. Look, we can talk about that for a very long time. At the end of the day, as a result of that intervention and as a result of the CIB's participation, taxpayers are now getting back \$1.3 billion, where they wouldn't have before. If—

• (1355)

Hon. Pierre Poilievre: Well, that's not quite true, because taxpayers—

The Chair: Pierre, Mr. Casola has the floor, and he has a little time. We'll let you in.

Go ahead, John.

Mr. John Casola: Thank you.

The CIB won't enter into any deal not expecting to get its capital back. Of course, it is a lender. It is an equity investor. We can par-

ticipate in all different facets of the capital structure of any particular deal.

You're quite right when you state that a below-market loan is potentially the equivalent of a subsidy.

Hon. Pierre Poilievre: Yes.

Mr. John Casola: I think that's quite an accurate statement, but I want to really stress, though, that where we do get involved, it's to fill some gap that the private sector won't take and that exists in the project and prevents it from coming to market. It's not that we're displacing private capital. It's quite the opposite. We believe in the vast majority of these projects. Those projects would never actually get to market to allow the private sector to participate without us there.

Hon. Pierre Poilievre: Right, but what we have seen—

The Chair: Last question, Pierre.

Hon. Pierre Poilievre: First of all, it's not true that taxpayers are getting money from the discounted loan. The taxpayers are providing the discounted loan. They're the ones paying the full cost of any discount of basis points on the financing. The Infrastructure Bank is a taxpayer-funded institution, so any discount you're providing the project is paid for by taxpayers, which is effectively a grant, a very complicated grant, and a hard one for the average taxpayer to figure out. In fact, most people on our committee wouldn't be able to figure out what the actual cost is to taxpayers. You're basically wrapping up a grant in a much more complicated delivery vehicle, making it even more difficult for us to know whether we're getting value for money.

The other thing I would point out is that there are some large-scale projects that should not happen. Large-scale projects that don't pay for themselves and ultimately cost vastly more than they produce in benefit are actually a reduction in the value of our economy. You can look at, for example, the subsidies that went to wind and solar in Ontario: about nine cents of subsidy for every one penny of electricity. Well, a project like that should not happen, because it costs more to the people than it benefits them.

The more complicated you make your subsidy schemes, the more likely it is that taxpayers get ripped off, and the more likely it is that some very sophisticated players, who have the right consultants and lobbyists, walk off with a big fortune.

I guess my question is, if a project is not viable, then why would we want to fund it, and if a project is viable, then why would we need to fund it?

The Chair: Mr. Casola, go ahead.

Mr. John Casola: Let me give you an example. Look, none of us would disagree with your statement that there are projects that ought not to proceed. I think what you see is a very experienced and disciplined group of people on the investment team who conduct exactly that analysis and that due diligence to see whether it makes sense.

I'll give you an example. There are risks inherent to certain projects that the lending community simply will not take. An example of that is—

Hon. Pierre Poilievre: For good reason.

Mr. John Casola: No, not for good reason. In some cases it's for good reason, but if you'll let me explain the example.... In the Port of Montreal—or in any port, for that matter—it requires significant capital to build additional capacity in order to enhance Canada's trade position and contribute to Canada's GDP and to all the good things that enhanced trade does. A lender will not come to the table until that capacity has proven itself out, so one of the positions, one of the things—

Hon. Pierre Poilievre: They do it all the time.

Mr. John Casola: We know it's going to take some time to ramp up to that steady state. You can't attract that capital until it gets to steady state—

Hon. Pierre Poilievre: That's not true.

Mr. John Casola: It is absolutely true.

Hon. Pierre Poilievre: It's not true.

Mr. John Casola: We have a team of experienced investment professionals who can provide you with many examples where that is the case. A ramp-up risk is simply one example.

Another example is if there is a much-needed service, such as broadband or electricity transmission, to communities where the end-user base simply won't support the cost. That would be a perfectly good role, for necessary and needed infrastructure, for the bank to make up that difference.

Those are just a couple of examples of when valid risks exist and we think we fill a very important and needed role.

• (1400)

The Chair: We're five minutes over, Pierre. I let it go longer because I know you're passionate about this issue and because we needed some answers on the record.

I will have to go to Mr. Fragiskatos, but I want to come back to one point. It was inferred that you might have been involved in some of those energy projects in Ontario. Were you or were you not, so the record is clear?

Mr. John Casola: We have not made any investments in any energy projects in Ontario.

The Chair: That's what I thought. That was the previous provincial government.

We have Mr. Fragiskatos, followed by Mr. Ste-Marie.

Mr. Peter Fragiskatos: Thank you, Mr. Chair.

Thank you, Ms. Ropar and Mr. Casola, for coming today.

I always appreciate the interventions of my colleague Mr. Poilievre, as you know, Mr. Chair, but I wonder where his passion was, in terms of getting infrastructure built. I wonder where Stephen Harper's passion was, when it came to getting infrastructure built. We all know that hardly any infrastructure was built in Canada between 2006 and 2015, and perhaps if that passion and interest had been there, we wouldn't need the Canada Infrastructure

Bank, but there is a dearth of infrastructure in Canada when it comes to large-scale projects. Our government has taken action on that, and that's why we moved in the direction that we did in 2017.

I have a related point. It's about timing.

In August 2019, Jim Leech—who, as I'm sure you know, is the former head of the Ontario Teachers' Pension Plan, which has a large amount of investment in infrastructure globally—said the following:

It took Teachers' [the pension plan] more than three years to invest the amount CIB has already committed [in its first year, which is more than \$3 billion]—and that was by purchasing complete projects, not building from scratch. Startup projects take considerably more due diligence and analysis. Putting money out the door is never a challenge—investing wisely for the betterment of Canadians takes time and talent.

Mr. Casola or Ms. Ropar, can you speak to the point I think Mr. Leech has made here, which is that transformational change takes time? When you introduce a new way of doing things, seeing the sort of transformational change that's intended does take time.

That's what I take from this comment, but I'm happy to hear what you think.

Ms. Annie Ropar: I think what would be useful here is an example of all the work that's involved before you can get an investment to a funding-ready stage.

Mr. John Casola: Thanks. I am happy to provide that.

I think the question states the truth of large, transformational infrastructure projects. Infrastructure is complicated. If you take the Port of Montreal, for example—which has come up already a couple of times, so I may as well stick to that—they started planning for that expansion in 2013.

These are very long-term projects. It takes time to complete engineering studies and engage in procurement processes to get the right kind of expertise on board—legal, technical and financial—to create business cases that are going to validate—or not, as the case may be—the need for additional infrastructure and the spending of taxpayer and port money.

Look at the Calgary-Banff rail line announcement last week. That didn't happen after a phone call to Alberta. We've been engaged with the Province of Alberta in a very constructive and collaborative way for over a year on that project already, and what needs to be done to bring it to the next level involves planning a route, hiring engineers to plan that route and consulting all the groups that are affected on that route. It involves negotiating agreements with other rights holders on that route. It involves assessing the technology: electrification, potentially hydrogen, in the interest of being more green.

The complexity inherent in these projects is tremendous, and the suggestion that projects could get out the door the day after we were established is doing precisely the opposite of what was intended by our creation, which is to invest money in a more accountable, transparent and intelligent way.

• (1405)

Mr. Peter Fragiskatos: Ms. Ropar, in your opening statement you said that the CIB is involved in 10 projects. Are you able to tell us how many projects the CIB is actively considering?

Ms. Annie Ropar: There are a number of projects that the CIB has in its current pipeline. I'd say they're all at various stages of assessment. I could give you a hard number, but it's a blend of different deals that are at different stages at this time point in time. There are certainly many.

Mr. Peter Fragiskatos: I'm wondering if you could also speak to broadband. I know this is a key focus, as it should be. I can't tell you the number of times this committee has heard about broadband. Mr. Chair, I think you would definitely second this—he's waving his arms, I see. No doubt in P.E.I. broadband is a concern. In rural and remote parts of the country, broadband remains a concern as well. It's great to see that the CIB has, through the government of course, prioritized this as an issue to move forward.

Where are we at in terms of the CIB's focus on broadband? Are there any thoughts or comments on that? Even though I represent an urban riding, I know that in our country we are really held back because of the lack of access that so many Canadians, particularly in rural and remote areas, have to broadband Internet.

Mr. John Casola: I'm happy to answer that question.

You're absolutely right that broadband was always important. We were engaged even before COVID, but I'm sure for all of us here today and everywhere else, without exception, COVID has really underscored the incredible importance of broadband.

We have been engaged in meetings with representatives from the Inuit in the north. They have told us that one of their huge challenges is that, without a broadband connection, they can't get students to finish their high school education there. A proper broadband connection at school enables them to finish their education and not have to leave home at such an early age. That has all sorts of incredibly important and positive social spinoffs.

Broadband is a key sector for us. We are engaged very actively with the folks at ISED, who have the technology and mapping capability and have run programs like connect to innovate in the past. There is also their universal broadband fund, which is yet to come. I think Minister Monsef said it will be released later this summer.

We are also engaged with the CRTC to have a good, hard look into how we can participate in their programs and leverage their programs with CIB money to have even more of an impact. We're in discussions about creating additional and complementary programs that we would work on with the CRTC in order to have a significant impact across the country and connect homes in ways that matter, ways that are much quicker than the original target of 2030, which was ambitious. I think the COVID situation has created a greater awareness that speed is definitely of the essence.

The Chair: We have to move on, as we're substantially over our time on this question.

Mr. Ste-Marie, go ahead.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Ms. Ropar, Mr. Morley and Mr. Casola, thank you for joining us this afternoon.

I would first like to properly understand the operation of the Canada Infrastructure Bank, or the CIB. I will say what I have understood and you will correct me if needed.

Currently, 10 projects have been announced, including the REM and the Contrecoeur port terminal, which Ms. Ropar talked about. The CIB will fund a portion of those projects. That is the equivalent of a loan. As far as the REM goes, for instance, the Caisse de dépôt et placement du Québec will take the money, carry out the project and refund the money with interest. That means that the Infrastructure Bank does not own part of the project; it is just providing the funding. That is the first portion.

If I have understood your presentation correctly, Ms. Ropar, the money provided by the CIB comes from the private sector or institutional funds. Therefore, you share the amount of money in your portfolio with investors, so that they would invest money with the CIB, which would then fund projects. That is guaranteed by the state. This way, the money you are loaning to us does not come from the government, but rather from private or institutional investors, as you mentioned in your presentation.

Is that correct?

• (1410)

[*English*]

The Chair: Ms. Ropar.

Ms. Annie Ropar: To clarify, if I'm understanding the question correctly, we would provide a part of the financing, whether it's structured as a loan or equity with interest, but then private sector investors would invest alongside us. They may come in at a different level, and obviously potentially it could be at a different amount or at a different rate, but all those monies collectively, generally from a structural perspective, would go into a special purpose entity that's been established to ring-fence a specific project in order to ensure that all the returns and economics are captured. Obviously, it's important to do that from a control and governance perspective around the delivery of a project.

I'm not sure if that answers the question. Hopefully I understood it correctly.

The Chair: Gabriel.

[*Translation*]

Mr. Gabriel Ste-Marie: I will clarify my questions, as there were several of them in my statement.

For example, does the CIB money that will fund, for instance, the Montreal Metropolitan Express Network, come from government coffers, or is it rather money you got from the private sector?

[*English*]

Ms. Annie Ropar: I understand. Our portion of the financing, whatever CIB is participating in, does come from government, and it does come from the taxpayer. Any funds provided by third party investors are done through those institutions. Again, generally those funds are then collectively put into a special structure or financing vehicle to deliver the project.

[Translation]

Mr. Gabriel Ste-Marie: Thank you.

In this case, it is hard for me to understand the CIB's value added. Why wouldn't the government fund the REM project directly instead of the Infrastructure Bank, which takes money from the government to fund the REM network? What value added do you bring to this transaction?

[English]

The Chair: Who wants to take that?

Go ahead, Ms. Ropar.

Ms. Annie Ropar: I can start. John, if you want to, jump in at any time.

We need to make sure we articulate well the idea of risk transfer. A big part of bringing in private sector capital is that they take on a number of the risks associated with any given project, as a result of taking on this financing. A perfect example in a project could be taking revenue risk out of that project and taking that on directly in exchange for getting a return on their investment.

The Chair: John.

Mr. John Casola: If I could, I'll just add to that.

Just to illustrate Annie's point numerically, if the cost of a project is \$100, you're quite right to say that the government could fund 100%. If it's 100% in the case of the REM, private sector capital would not come in because there are too many risks inherent in that project, but if the CIB, after looking at it and doing all its financial due diligence and structuring, suggests that we would be in for 40% of the \$100, or 35% of the \$100, that may be enough. It's that sweet spot we're looking for to fill that gap. That may be enough to entice the private sector to then come in with 65% or 60%.

What you have at the end of the day is the very same project. In the first scenario, it gets built with 100% taxpayer money. In the second scenario, that very same value-added project gets built with 35% or 40% taxpayer money. That's the magic of crowding in private capital. If we're not there for any amount, they won't be either, so it's about getting that balance right, and that's what the team of investment professionals does on a regular basis.

• (1415)

The Chair: I'll go back to Mr. Ste-Marie for one final question.

Would it not be true that the Canada Infrastructure Bank also takes the politics out of it? If it's strictly government, you might have some politics in it, where it's good politics in a certain area to do something. You look at it from a risk and long-term needs point of view. Would that be fair?

Ms. Annie Ropar: Yes, that is a fair point. I can walk through the independence of our investment process if the committee would like to hear about that.

The Chair: We'll see. We'll let Gabriel finish his questions first.

I'm sorry for interrupting there, Gabriel.

[Translation]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Thank you for your answers.

Mr. Casola, I really liked your example of 100%. The CIB is funding 45% of a project and is launching a call for funding at 55% through the private sector. In my opinion, the government could have done that. According to our committee's chair, that depoliticizes the process. However, the government does spend a tremendous amount of money on infrastructure every year. In any case, that is one argument.

If the government was funding at 45%, and if the CIB did not exist, the private sector could still provide 55% of the funding. Therefore, your value added is to network with institutional investors and the private sector, which the government is less skilled at doing.

So those are the two arguments for the CIB's value added. Is that correct?

[English]

The Chair: Mr. Casola.

Mr. John Casola: Thank you for the follow-up question.

No, it's not correct to say the banks would have been there anyway, so why are we bothering because they would have come in? To say the government could have done it, absolutely, the government could have done it all. We think the beauty and the magic of the bank's mission is to take either 100 to build one REM, or to employ the methodology we're using by filling whatever minimum gap there is to crowd in private capital for the rest, and now all of a sudden we can build two or three REMs with that very same hundred.

It really is a question of spending taxpayer money more responsibly, of leveraging that \$35 billion that we have to create some multiple of that. Because of all the private sector capital, we're able to crowd in financing and really expand the reach of building new and needed infrastructure across the country.

The Chair: Mr. Julian, followed by Mr. Cumming.

Mr. Peter Julian: Thanks, Mr. Chair, and thanks, Ms. Ropar, Mr. Casola, and Mr. Morley for being here today. We hope your families are safe and healthy.

I want to start by asking a very simple question. How much money has the Infrastructure Bank received from the federal government to date, over the length of its existence, and what have been the operational expenses?

Ms. Annie Ropar: I can take that question.

We can divide up the appropriations between two parts. There are capital appropriations, which are amounts that are funded for investments. As of the end of Q3 of the 2019-20 fiscal year, which is the last set of financials we have published, that totals just over a billion dollars. Obviously, that was in support of the REM transaction.

In terms of operating costs and expenses, the most recent fiscal quarter, this would be December 31, 2019, the total operating costs are roughly about \$16.6 million on that front.

I want to point out that obviously that is the cost side of the equation, but there is also a revenue side to the equation. As of the end of Q3 of that same period, we roughly have about \$9.7 million in accrued interest revenue on our transactions.

Mr. Peter Julian: So \$16.6 million a year, or \$16.6 over the last two years?

• (1420)

Ms. Annie Ropar: I'm sorry, that's just for the year-to-date fiscal Q3, December 2019. Last year, our full year fiscal expenses were about \$11.4 million, the last fiscal year ending March 2019.

Mr. Peter Julian: Pierre Lavallée stepped down after 24 months at the Infrastructure Bank. Can you confirm that he received a bonus of \$720,000 when he stepped down in April?

Ms. Annie Ropar: Just to back up on that question, it's important to note to the committee that our CEO's base salary is disclosed via the OIC appointment, and that is disclosed on the OIC website.

In addition, to give people the colour around our transparency, we do disclose in our annual report, under our key management personnel notes to the financials on an aggregate basis, total compensation paid to the executive team as well as the board of directors.

Unfortunately, I cannot comment on a specific individual's payments or terms, as these are subject to confidentiality, obviously, of their employment agreement.

Mr. Peter Julian: François Lecavalier stepped down after 12 months in December. Nicholas Hann stepped down after nine months about 11 months ago. Could you confirm that bonuses were paid in their departures as well?

Ms. Annie Ropar: Again, all of our disclosures around compensation appear in our notes to the financial statements, but I cannot comment on the specific terms of any one individual's employment agreement.

Mr. Peter Julian: The Auditor General just appeared before us and stated that she is auditing the Infrastructure Bank, including the issue of executive bonuses, and that she would be sharing that information and recommendations directly with the Infrastructure Bank. Can you commit today to releasing that information to the finance committee when that audit is completed?

Ms. Annie Ropar: Right now we are in compliance with all of our disclosure requirements for all financial aspects of our cost structure at the bank in accordance with current Treasury Board and Financial Administration Act guidelines. Obviously, the Auditor General, along with the private sector auditor, BDO, audits us on an annual basis and goes through all of the HR matters. They go through all of our disclosures and whether or not we've met the requirements under the Financial Administration Act. I'm happy to say that we've had clean audits to date.

Mr. Peter Julian: Thank you, but that wasn't my question. My question is: Will you share that information with the finance committee?

Ms. Annie Ropar: In our notes to the disclosures to the financial statements, once our annual report is submitted, which will be shortly, those notes to the financial statements will disclose, again

on an aggregate basis, the compensation of the executive team as well as the board of directors.

Mr. Peter Julian: I'll take that as a no.

Could you indicate what the staff turnover has been, at least anecdotally? Within the executive suite that turnover has been 100% over the last 11 months. What has been the overall staff turnover? You mentioned earlier, Ms. Ropar, that there are 50 people currently working in the Infrastructure Bank. What has been the staff turnover since its inception?

Ms. Annie Ropar: Maybe I'll also preface that to give you a little view on the number of people we've had along the way.

On March 31, 2019, we had 35 people. Now we're roughly at about 50 people. In the last fiscal year, our turnover rate was just about 17%. We had the two departures of executives and then a small number of people at the more junior levels.

Obviously, with a small organization, any departure will create a larger percentage impact on a turnover number.

Mr. Peter Julian: You've announced five investments in two and a half years, so that's once every six months on average. Of those five investments, a number of them, of course, had already been announced. Can you confirm to us how many of these five projects had already been announced as receiving funding from the federal government before the Infrastructure Bank took them on?

Ms. Annie Ropar: I'm sorry, are you referring to the 10 projects that we had specifically—

Mr. Peter Julian: No. You have five projects that you have indicated specific financing for. I'm not counting memorandums of understanding or—

Ms. Annie Ropar: I see.

Mr. Peter Julian: This is just in terms of the five projects where funding has been announced and there are concrete figures. Of course, REM, as an example, had already been announced as being funded by the federal government, so how many of the five had already been announced by the federal government before the Infrastructure Bank then re-announced, with federal government funding, supports for the projects?

• (1425)

Mr. John Casola: Could I help with that question?

The Chair: Go ahead, John.

Mr. John Casola: I don't think any of them had—not to our knowledge. REM was the only one.

The other announcements with dollar numbers attached to them are Mapleton, Contrecoeur and the GO RER in Ontario. I'm not sure if I'm missing one. I think that's it with dollar numbers attached.

To our knowledge—to my knowledge, I'll speak for myself—none of those had any commitments from the federal government attached.

The Chair: This is the last question.

Peter, we've let everybody roll along here in this first round, so you have time for one more.

Mr. Peter Julian: I'd like to come back to the GO expansion, because my understanding was that the funding had already been announced for that project prior to the Infrastructure Bank took it on, like REM. Can you confirm that?

Mr. John Casola: I don't believe that's the case. In fact, that's not something we're aware of that actually happening. There was no public announcement that we're aware of. If you are aware of one, we'd love to see it, but there's none we're aware of.

The Chair: Okay.

We will move on to the second five-minute round. We'll go to Mr. Cumming, Ms. Koutrakis, Mr. Cooper and Mr. Sorbara.

James, the floor is yours.

Mr. James Cumming: Thank you, Mr. Chair.

Thank you to the witnesses for appearing.

The purpose of the bank 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.

I want to better understand the point about economic growth. If you're trying to get funds coming into investments, and if the private sector is fulfilling that demand and you're backfilling some of it, what filters are you putting on to determine what that economic growth looks like? There are a lot of projects out there that may not make economic sense. They may be heavily subsidized, and they're never going to be self-sustaining.

I just want to understand your filtering process. How would you determine which projects rank higher?

Mr. John Casola: The first thing we do is to assess all projects against the criteria you well articulated. Is it infrastructure that's in the public interest? Then we ask ourselves what that means. What that means, as we interpret it, is to ensure that despite the independence of our board, and a very rigorous and well-articulated investment and approval process, the investments we make will always have a policy alignment with the government.

We look at what those policies are, what policies have been articulated. We know for a fact that we are looking constantly at whether there is a greenhouse gas emissions reduction in many of the projects we look at, whether they be transit projects, renewable energy storage projects, transmission projects, moving interties to fossil fuel burning provinces from clean producing provinces. That's the kind of analysis we conduct.

We also look at contribution to economic activities, to long-term sustainable growth. It has to be value-added and sustainable in the longer term. It's not a question of digging holes here and filling them up there. It is really value-added infrastructure that is going to improve people's way of life. As in the example I gave you of

broadband connectivity in the north, it has to enrich the education and livelihood of people living there. It's that sort of thing.

Mr. James Cumming: We have a very difficult situation with COVID, and we're building massive deficits and debt. You talk about the generation of revenue. If we're in this game of projects that are going to create significant revenue so that we can actually start to pay down some of this debt, should there not be a focus on backing infrastructure projects that are going to create that revenue, potentially export revenue? I get the ports, to a certain extent.

Should we not have a stronger focus on that area?

• (1430)

Mr. John Casola: We do have a very strong focus on that area, to answer your question, but I think it's a mix. It's a balance, like everything else. There are very important infrastructure projects throughout the country, in all areas, and some of them are more sustainable, economically viable, and revenue generating than others. That's really part of the assessment we conduct every time we look at a project.

How important is important? How value-added and needed is that infrastructure, and what's the trade-off when you're looking at it in terms of the ability to generate sufficient revenue and spur trade? It's not all about trade. It's not all about GDP growth. It's about quality of life as well. It's about environmental impact. It's all of those things. Every day we engage in that balancing act to ensure that we're making the best possible investments.

Mr. James Cumming: How much evaluation is done on the business plan of each of these individual projects?

The concern I have is the enormous amount of public debt taken on, plus the bank getting behind some of these projects. Some of these projects are highly subsidized by municipalities because the customers aren't paying the full fare. We have subsidy upon subsidy, and the reality is that all these levels of government are struggling with operating costs and the ability to operate these infrastructure projects.

Is that part of the analysis? Going forward, it strikes me that it's going to be a huge issue.

Mr. John Casola: Yes, that is part of the analysis. Our starting point is that if it's just us as being one of two or three different layers of government that's going to subsidize something with no private capital, it's very difficult to get us all in that project. Our *raison d'être* to this point has been not only to facilitate the building of new green infrastructure but also to crowd in private capital while doing so.

Is that necessarily going to be the case every time? I would hate to draw a line in the sand, because somebody is always going to find an exception that makes sense for us to do. As a general rule, part of the value we would bring would be to work with those public sponsors to say, “Why do you feel that you can do this with all of this money? Can we do it a separate way if we structure it by bringing in private capital that will create room in your budget to do other things, lower your borrowing limits, etc?”

It does play into virtually every assessment we make.

Mr. James Cumming: On each of these investments you've made, if we fast forward three or four years those measurements that are put in place in your mandate, would we be able to see those measurements and be able to actually see documented information of where it increased economic growth, where it was sustainable, where it reduced greenhouse gases—actual evidence that we actually delivered what we said we were going to deliver?

Mr. John Casola: You will see all of those issues addressed. We do the best job we can without being staffed with a bunch of economists and environmental engineers, and so on. We request that type of information. We're rigorous in what our expectations are, and we absolutely assess whether each of those criteria have been met. Or, if the claim is that you ought to do this project, or you ought to help us with this project, because it will result in a certain amount of GHG reduction, then we would certainly want evidence to support that, whether from third-party engineers who have the capability to do that sort of thing. In general, yes, you'd see all of those topics addressed in our extended business cases.

The Chair: Ms. Koutrakis, followed by Mr. Cooper.

Ms. Annie Koutrakis: Thank you, Mr. Chair, and thank you to our witnesses for their testimony this afternoon. It's a very interesting conversation. Thank you for all you do.

I see that one of the projects you're reviewing is VIA Rail's \$6 billion high-frequency project to provide frequent, reliable, rapid, and electronically powered intercity rail service between Quebec City, Montreal, Ottawa, and Toronto.

As a relatively low-impact engineering and construction project, it is my understanding that VIA's high-frequency project could be done at about a third the cost of high-speed rail, while achieving most of the economic and environmental benefits. This project was first proposed five years ago by VIA Rail, and it is still being studied.

Could you please inform us on the merits and the status of what I consider to be a very appealing project for Canadians that could be expanded into southwestern Ontario? Could it also serve as a good stimulus for our economy in this economic downturn as a result of COVID-19?

• (1435)

Mr. John Casola: I'll take that. Thank you for the question.

The VIA HFR project is an incredibly important project for the government and for Canadians in serving the most populous corridor of the country. The original business case you refer to I think caused the government of the day to look at it and ask, “Is there a way that we can do this better, more effectively and more efficiently, by bringing in private capital, and is there a way that we can

achieve great results of the type proposed by VIA by doing it a slightly different way?” At least, it said, let's look at all the good ways to do this, the potential ways that make sense.

The government asked us to work with VIA in a joint project office, or the JPO, as we call it. It's a combined staff office of VIA Rail and the CIB. We did a global search for a director to lead the office. He's an independent and globally recognized rail expert. We moved him here to do this project, and he has, in no time at all, won the praise and respect of all parties involved, of the stakeholders and other participants.

The purpose of that JPO was to look at the project and the options for the project in terms of alignment. How would we build it? What are the procurement options? What are the payment options? What are the ridership options? Should we electrify it? Should we not electrify it?

All of those questions are being asked and assessed. I'm pleased to share with you today that there is tremendous progress being made. The team is working extremely hard with external world-class engineering firms and is quickly narrowing down several alignment options, route options. All of those come with different studies that are necessary. We're going to start consultations in the next month or two with all of the affected groups along the various alignments so that we can report back and take the social impact of a particular route or alignment into account.

The CIB team is working very hard in leading that finance and procurement piece to ensure reliability of costs, ensure the ridership numbers make sense and ensure that the procurement options to bring in private capital potentially are on the table and well informed. Then, of course, there's that all-important issue of journey time.

Although the mandate of the JPO is for the Quebec City-to-Toronto corridor, you talked about southwestern Ontario. Part of that analysis at this point is to not extend it to southwestern Ontario, but if the journey times from Toronto to Montreal or Toronto to Ottawa are reduced sufficiently because of all the good work, how does it widen that catchment area if you can get to Montreal from London or from Kitchener-Waterloo in an hour and a half or two hours less than would be the case prior to this? It makes a huge difference.

All of that good work is ongoing at the moment. We're making very, very good progress and we hope to have some good advice for the government by the end of the calendar year.

The Chair: You last question, Annie.

Ms. Annie Koutrakis: Thank you for that response. It makes me very happy to hear that, because VIA Rail is one of the best services we have in our country, and I think there's a lot of potential there to be even more beneficial to all Canadians, in that corridor especially.

You mentioned that the CIB is currently supporting a number of large-scale projects, including the REM in Montreal. You also mentioned the Contrecoeur port terminal and the GO expansion on the corridor, just to name a few. How feasible would many of these large-scale projects be without the investment and other supports that could be offered by the CIB?

The Chair: Ms. Ropar, we'll let you go first, and then we'll go to Mr. Casola.

Ms. Annie Ropar: Again, because of the large scale of these projects, they obviously require a huge amount of capital, and to bridge that gap, that's where our specialized investment and project development team comes in to figure out what is the optimization of the capital in that structure, to make sure these projects can be delivered in a financially efficient way. That's kind of updated for the broad strokes, and that's where our financial structuring update and our incredible amount of project finance experience, etc., come into play, first of all to convene parties and stakeholders, obviously, with provincial, territorial, municipal and indigenous governments being our clients, and to convene those parties together to actually make things happen.

• (1440)

The Chair: Mr. Casola.

Mr. John Casola: I think Annie covered it.

It's important to note, particularly in the case of large-scale transit infrastructure, that there are very few examples globally—a “count on one hand with a few fingers left over” number of examples—of self-sustaining projects that actually make money on their own without some kind of government subsidy.

What we do when we get involved in a project like that is that we ask what the best form of that subsidy would be. Can we structure it in a way that is transparent, that provides more accountability for taxpayers and that results, possibly, in a return of some of that money? This is sharing in the upside to the extent that it takes off, as opposed to writing a grant cheque and giving less thought to the upside scenarios and the structuring.

I'll leave it at that.

The Chair: Mr. Cooper.

Mr. Michael Cooper: Thank you, Mr. Chair.

Mr. Poilievre was on such a roll that I'm going to reserve the balance of my time for him.

The Chair: Okay. Pierre, you're on.

Hon. Pierre Poilievre: Thank you very much, Mr. Cooper, for sharing your time with me.

I want to return to my previous line of questioning.

Mr. Casola, you said, for example, that the instruments you're using are subsidies, and I thank you for being honest about that. They are indeed subsidies, even if they're not called grants.

For example, with the Réseau express métropolitain, what is the net present value of the full Infrastructure Bank subsidy for that project?

Provide just the number, please.

Mr. John Casola: I don't have that number.

Annie, I'm not sure if you do.

Ms. Annie Ropar: I can provide that number.

We did actually disclose that in the notes to our last quarterly statements.

Effectively, just for context, what we do is a market-to-market analysis where we look at what the return required would be based on the risk of the project, etc. in the private sector. We then discount that back against the effective interest rate that we're actually charging on that loan over the course of the 15-year term, and that number is \$495 million.

Hon. Pierre Poilievre: Is \$495 million the value of the subsidy?

Ms. Annie Ropar: No, it's basically a comparison of the value of what would be required on the same basis with that same piece of paper for the private sector, and that is discounted against our interest rate.

Hon. Pierre Poilievre: If you could share with us the value, in net present dollars, of the subsidy you're providing that project, I would really appreciate it.

Mr. Casola said the private sector doesn't fund these kinds of large-scale infrastructure projects until they're actually built and running [*Technical difficulty—Editor*].

The Chair: Mr. Poilievre, you're breaking up a little.

We'll get you to start that question again, and we'll give you back your time.

Hon. Pierre Poilievre: Thank you.

Mr. Casola said that the private sector does not fund these projects.

In fact, that is not true. The private sector does fund these projects upfront without government money all the time, all around the world, whether it's pipelines, gas plants, mines or other natural resource projects. They are regularly funded without government guarantees, even in the tens of billions of dollars, as is the case with LNG Canada, a \$40-billion project, all privately financed.

It is not true that we can't build anything in this country without having government guarantees or subsidies in order to do it.

I want to move on to a different question, which is on the bonus received by the outgoing CEO of the Canada Infrastructure Bank. Can somebody please tell us how much that bonus was?

The Chair: I think we were on that earlier, but go ahead, Ms. Ropar.

Ms. Annie Ropar: I'll repeat my previous answer, which was that we do disclose total compensation by category for the entire executive team in our notes to our financial statements in our annual report, but I'm unable to comment on any individual person's compensation.

• (1445)

Hon. Pierre Poilievre: That's unacceptable.

I can tell you that every member of this committee has their compensation disclosed. The chairman has a compensation, and all of us as MPs have a different compensation. Everybody knows what we're paid.

Why do you think that you and your other executives should be able to keep your compensation, which is funded by taxpayers, secret from those same taxpayers?

Ms. Annie Ropar: We're actually following the exact same guidelines that other Crown corporations follow. I would welcome the opportunity.... I think you should take a look at the statements produced by some of our other financial Crowns, and you'll find the exact same method of disclosure.

Hon. Pierre Poilievre: You don't think that taxpayers are entitled to know what a failed executive was paid on the way out the door?

The Chair: I'm going to interrupt here because I really think that's a question that may be more appropriate for the Minister of Finance. I don't want to put Ms. Ropar on the spot, but she can go and answer how she sees fit. It's not the Canada Infrastructure Bank's decision. It was somebody else's up the line. If we want to challenge that, we can; I'm not in disagreement with that.

Ms. Ropar.

Ms. Annie Ropar: I do want to say that we do disclose total compensation, again, for key executives and the board of directors. That is fully transparent and disclosed in our financial statements.

Hon. Pierre Poilievre: But the outgoing CEO's compensation on his way out the door, that will not be made public?

Ms. Annie Ropar: That is effectively embedded in the key-management personnel disclosure.

Hon. Pierre Poilievre: It's embedded, but we can't actually find out the number for that individual on his departure, correct?

Ms. Annie Ropar: Correct.

Hon. Pierre Poilievre: That is really unfortunate. It's a serious lack of transparency.

Has the bank completed any projects since it was founded in 2017?

The Chair: Who wants to take that?

Ms. Ropar, go ahead.

Ms. Annie Ropar: I think, as John enumerated, just the long lead time to get projects done.... Obviously, the REM project is currently under construction, and I believe—John, correct me if I'm wrong—it has a six year construction period, which is ongoing. If the member is specifically referring to completed, ribbon-cut, then no.

The Chair: Okay, we have to move on to Mr. Sorbara.

Coming out of this round of questioning, I hope somebody at some point can.... There's a dispute over what is a subsidy and what isn't. If somebody can answer that, it would be great.

Going down the line....

Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Mr. Chairman.

Thank you to the members of the Canada Infrastructure Bank for coming today and being here virtually.

First of all, I think the expansion of GO Transit here in Ontario is of paramount importance for our commuters. We're under different times, virtual times, so the volumes are being impacted due to COVID-19, but when we do get back to more of a normal pace, volumes will go up. There's a \$2-billion commitment from the Canada Infrastructure Bank, which is very welcome, to ensure we get a further build-out of GO transit times, so I want to say thank you to the executive team there.

Moving back to the mandate of the CIB, Canada Infrastructure Bank, when I think about the CIB versus the Canada pension plan, PSP, OMERS, the teachers, HOOPP or any of the other major pension plans, institutional investors, out there.... First of all, do you have a set hurdle rate when you're looking at projects? Second, are most of your projects on the greenfield side or the brownfield side? It seems to be more so on the brownfield side. Would you care to comment on that?

Ms. Annie Ropar: John, do you want to take that one?

Mr. John Casola: Sure.

In terms of a hurdle rate, or a return rate, we don't have one. Unlike those institutions, those comparator ones that you noted—those were created to generate returns for their plan members, of course; they need a return to be able to meet their obligations going forward—our imperative, our mandate at its core, is to build new value-added and important infrastructure for Canadians. As we discussed earlier, oftentimes we can do that by taking equity. We can do that by providing market-based loans. We can do that by providing subsidized loans on a subsidized-interest-rate basis because that's the only way they make economic sense.

We measure, really, how much new value-added infrastructure we were able to facilitate and participate in and how much private capital we welcomed into those deals that wouldn't otherwise have been there.

• (1450)

Mr. Francesco Sorbara: I—

Mr. John Casola: On—

I'm sorry. Go ahead.

Mr. Francesco Sorbara: Please, John, finish up.

Mr. John Casola: I was just going to say that with regard to the second part of your question—about brownfield versus greenfield—just so we're on the same definitional page, we view brownfield as being existing infrastructure and greenfield as being new infrastructure. At the moment, we're very firmly in the camp of... Our mandate is to build new greenfield infrastructure. To the extent that there's any brownfield element of it, it could be a new greenfield portion of an existing asset, so an expansion or what is, in effect, an overall replacement of something because it's at the end of its useful life or something like that, but very squarely greenfield.

Mr. Francesco Sorbara: When I think of the Canada Infrastructure Bank, here in Ontario, we have Infrastructure Ontario, and in the City of Vaughan we have a \$2 billion hospital near completion in my riding, and a \$700 million expansion of Highway 427 that is going on right now. We have Infrastructure Ontario playing its side with the appropriate procurement process.

When I think of CIB, I think of our Canadian transportation corridor and strategic investments in that. It was great to hear the announcement with regard to the City of Calgary, and the review of that process of potential investment there. Those are the types of projects I think of when I hear about the Canada Infrastructure Bank.

I would love to see some equity investments come from the bank, albeit not just on the debt side, the loan side, though I understand that. We need to come out of this COVID-19 pandemic with key infrastructure expansions taking place, key announcements taking place, to literally move, or continue to move, our economy forward, but also what we like to call “longer-term increases”. We need to strengthen and raise our standard of living, our productivity within our economy. I view CIB as a critical link in that process. If you'd like to comment on that, it would be appreciated.

Mr. John Casola: Yes, you've accurately portrayed it. We're actively seeking out priority projects, important projects across the country, with the provinces, municipalities, first nations, Inuit, and Métis groups across the country. We're having active, daily discus-

sions with all of those groups to ask how we can help with their priority needs, but priority needs that are going to have some revenue generation, because that's how our investment will be repaid. If we're going to crowd in private capital, private capital expects a return, and that needs to be repaid as well.

Good things can happen by capitalizing that private capital by our involvement, giving them good high-level advice at the beginning of the structuring to put them in the right direction, and help them to structure something that achieves all of their goals, while being responsible stewards of taxpayer money.

Mr. Francesco Sorbara: Thank you for that.

The Chair: Mr. Ste-Marie for a couple of minutes, then Mr. Julian, and then we can get to Mr. Morantz, Mr. Fragiskatos, Mr. Cooper, and Ms. O'Connell.

Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

I will begin with two comments.

My first comment is about what my colleague Mr. Poilievre said. I think it would be important for the severance pay of the Canada Infrastructure Bank's former CEO to be made public, since that is public money. We must be transparent. At the Caisse de dépôt et placement du Québec and at Hydro-Québec, among others, compensation—including premiums and indemnities—is disclosed. In my opinion, the public would benefit from that. We have no reason to hide it.

My second comment has to do with what my colleague Ms. Koutrakis said about the high-frequency rail. I don't have the right words like the ones she used about that project. It in no way replaces the high-speed train. As far as the environment goes, a high-speed train would directly compete with air connections. There would be several advantages to pass along. That's not really the same thing.

As far as cars go, they will be built in California rather than in Quebec or in Ontario. In Europe or in the United States, rail projects support rail companies set up on their territory. It would not have been complicated to impose a minimum of local content in order to maximize Canadian economic benefits. It was not a great idea.

I now go to my question. As I was saying earlier, the CIB is essentially used for project funding. Does the CIB eventually plan to undertake direct participation, such as a portion of infrastructure.

If so, I would like to bring your attention to the following issue. If the bank became a direct partner and had an interest in a municipal infrastructure project, the infrastructure would become federal in terms of jurisdiction because the bank is a federal corporation. When infrastructure under federal jurisdiction is involved, municipal regulations and provincial laws no longer apply. What should be done to guarantee that municipalities will still be masters of their own domain to establish environmental requirements, for instance?

Do you intend to accept direct participation? If so, what will you do for municipalities and provinces to remain masters of their own regulations?

• (1455)

[English]

Ms. Annie Ropar: I believe the question is really around potentially taking an equity position in any given project. Absolutely that is a tool that is available to us. As part of our act, that is one of the financial tools that is available to us. Whether or not we would use it any particular case.... As John said, what we do is we solve for the gap in the financing. In some cases, equity may be required. In some cases, the best solution or the most efficient use of capital is in fact going to be a loan. However, that will be project-specific, depending on the economic needs of that specific project.

The Chair: Thank you.

John, did you want to add anything further?

Mr. John Casola: No, I think Annie covered it. Thank you.

The Chair: Okay.

Mr. Julian, you have two minutes.

Mr. Peter Julian: Thank you very much, Mr. Chair.

We've seen a number of collapses of P3 projects. Most recently in British Columbia there were massive cost overruns. The principle seems to be to socialize the risk on taxpayers but to privatize the profits.

My question is twofold.

First, what is the return that is expected around these projects? Of course, that increases the cost of the project. The CCPA estimates it doubles the cost. When we talk about Mapleton, one of the five projects and one of the few new announcements, what are the user fees that are contemplated? One of the former CEOs of the Infrastructure Bank said that "users will fund the bulk of the operations and of the returns to investors through user-fees". This is actually something that I would say is patently not in the public interest—people paying for water so the return on investment can be enhanced for private sector investors.

What is the bank's plan for privatizing assets like that, assets that should be held in common, to privatize, to impose user fees, and what are the user fees going to be in the case of the Mapleton water and waste-water project?

Mr. John Casola: I'm happy to answer that one, Annie.

First, let me make it absolutely clear, without any hesitation, the CIB is not in the business of privatization, full stop. None of the

projects we are involved in involve privatization, nor will we go there, full stop.

In the case of Mapleton, it's important to understand the town was embarking on an ambitious and very innovative way to fill a very serious and real need for them. The town had already engaged other experts and was going down a path, and then they approached us and said, "Can you help us out here because despite what we want to do, we still feel there's a gap". When the mayor of Mapleton approached us, he made it very, very clear that there were two criteria that were non-negotiable, and we absolutely bought in and agreed. One was that the Town of Mapleton calls the shots on the asset. It owns the asset at the end of the day. Two, Mapleton and their representatives set the rates. That's the way that program is being structured.

When you talk about a user fee, what I think we're really talking about is the rate base. You pay for a water bill the same way I pay for a water bill, the same way all of us on this call pay for a water bill every month. That's really what it's about. It's about the user base, not an additional or special fee. The real costs of building new infrastructure, we think, need to be recognized, and they made the decision—"they" being the Town of Mapleton—that they would recognize those costs by having the users of the water pay for the real costs of that water.

• (1500)

Mr. Peter Julian: That's the problem. The increased costs of financing and the return on investment actually mean the project is more expensive, and ultimately, as we've seen in other projects, user fees have to be imposed.

The Chair: Peter, we're over your two and a half minutes by quite a bit.

We'll let that statement stand, and we'll go to Mr. Morantz.

I think I missed Ms. Dzerowicz at some point, but we'll get her in.

Mr. Morantz.

Mr. Marty Morantz: Thank you, Mr. Chair.

I just want to get some clarification.

In your mission statement it says your mission is to work with, among others, "private sector investor partners". Do you have any private sector investment partners currently in any of the 10 projects you've announced?

Mr. John Casola: I think it's fair to say that all projects that are under consideration, those ones that have been announced—

Mr. Marty Morantz: Are there any...? That's in your mission. It's a simple question.

Mr. John Casola: Yes. They're in all those projects. Correct.

Mr. Marty Morantz: What would that look like? Are they equity owners? Are they lenders? What's an example? Actually, give me a project where there's a private equity investor.

Mr. John Casola: Mapleton, which we just talked about, will have an equity investor with private money in it. Contrecoeur will have equity and private debt in it, and will likely at this point play a role of subordinated debt. However, that's still to be determined.

Mr. Marty Morantz: How do you define "private" investment, then? Is it a loan? Is it equity? Is it—

Mr. John Casola: It can be any and all of the above. It depends on what it is in the structure.

Mr. Marty Morantz: Are there any current private equity investors, not debt but equity investors, in any of these projects? Because that's what your mission statement says.

Mr. John Casola: To be clear, as we discussed earlier on, only one of the investments has actually closed. The structure, and the participation of each of the investors, is known on that. The other ones are being worked on at the moment. There's nothing final to announce, so it's premature, but I can confirm that discussions are ongoing with parties. The intention is to structure it with some form of private sector participation at various levels.

Mr. Marty Morantz: "Some form": so it could be equity.

Mr. John Casola: It could be, yes, sure.

Mr. Marty Morantz: Earlier you said that none of these projects would be privatized. To me, when you have private sector equity, that's a form of privatization—I'm fine with it, personally, although maybe others aren't—where you have a private equity partner in a publicly funded project, isn't it?

Mr. John Casola: No, I don't think so; not necessarily. I mean, it can be. The kind of structure we're contemplating is that there would be equity in a special purpose vehicle. Really, the equity would be in a vehicle created to create the rights to cash flows coming from those assets. Those transactions can be structured in various ways, so those are very definitely not regarded as privatizations. Those would be, in many cases, concessions where you'd have equity and debt in it, but the actual underlying asset would generally, not always, revert to the public sector.

Mr. Marty Morantz: So there couldn't be a situation where a private equity investor has a majority or controlling interest in any of your projects—or could there?

Mr. John Casola: Sure. There could; it just depends on what it is.

Mr. Marty Morantz: How can you say that none of these projects could ever be privatized, or future ones, if you can have a private investment equity partner who has a majority of the investment? Certainly, that's the definition of privatization.

Mr. John Casola: Let me clarify, if I've confused things. There are classes of infrastructure. In certain classes of infrastructure, they are traditionally publicly owned. It would not be our mission to help finance privatizing those. I want to be perfectly clear.

However, if you look at renewable energy, if you look at renewables storage, if you look at broadband, the government traditionally, the public sector traditionally, doesn't own those assets. Would

we help bring broadband to needed communities across the country, even if they're privately owned, with the support of the public sector in some way? Yes, we would do that. That's the model.

• (1505)

Mr. Marty Morantz: With regard to the Kivalliq project, I just had a look on your website with respect to the memorandum of understanding. I didn't see Manitoba Hydro on there as a partner. Given that they're the sole supplier of hydroelectricity in Manitoba, I'm wondering why they're not in the memorandum of understanding.

The Chair: That's your last question, Marty.

Who wants to take that—Mr. Casola?

Mr. John Casola: Sure, I'll take that.

The MOU is really very early-stage. Despite the fact that Manitoba Hydro is not a party to that agreement, I can assure you that they are party to the discussions. As you quite rightly point out, they're a very important party to make that project happen. As noted, the MOU as between the parties is without Manitoba Hydro, but that doesn't mean they're not involved in the discussions.

The Chair: Did you have a quick supplementary on that, Marty, or was it not related to Manitoba Hydro?

Mr. Marty Morantz: It's okay. I'm good.

Thanks, Mr. Chair.

The Chair: All right.

There's lots of interest in this panel for sure. Mr. Fragiskatos is next, and then it's either Mr. Cooper or Mr. Poilievre, Ms. O'Connell, Ms. May and Ms. Dzerowicz. We'll go to four-minute rounds.

Hon. Pierre Poilievre: If you don't mind, Mr. Chair, it will be Mr. Cooper for us.

The Chair: Okay. I will go to Mr. Fragiskatos first, and then it will be Mr. Cooper.

Peter.

Mr. Peter Fragiskatos: Thank you, Mr. Chair.

I'd like to ask a question relating to the economic restart and recovery that will certainly take shape over the next months and, as it looks like, years. Infrastructure always figures prominently when it comes to putting in place strategies on the part of governments, in terms of stimulus.

Does the bank currently have the resources to execute an infrastructure investment policy that would meet the needs at the moment? I know that \$35 billion was allocated in 2017. On the face of it, that's a heck of a lot of money, but we are facing the most difficult economic moments of our lives.

I wonder if either Mr. Casola or Ms. Ropar could comment on that.

Ms. Annie Ropar: Certainly, I can get started on that.

In terms of what we're doing internally, obviously, to your point, we have a difficult road ahead of us as a country. We're looking at all the projects we have in our pipeline. Are there things we can do to capitalize and accelerate activity? When you accelerate activity in infrastructure, it means engineering, design and analysis. Those are all high-quality, good jobs that get generated, so we are definitely taking a look at what we can do, more broadly speaking, in terms of accelerating anything we can do in our pipeline.

Mr. John Casola: I'll just add that we are stepping up our deliberations with our public sector partners across the country. We are constantly assessing new ideas that either come in the door or that we're working on ourselves.

We recognize the circumstances in which we find ourselves. The best we can do to help the country at this time is to do everything we possibly can to accelerate the projects we have in the door on which we're making progress. We're taking steps to do that, but we're also very aware of new projects, and things we can get involved in that have the added benefit of being helpful in the shorter term.

Mr. Peter Fragiskatos: Do you have enough leverage to entice private capital to engage in infrastructure investment in the way that was originally intended, in the current context of COVID-19?

Mr. John Casola: Yes, we believe we do.

Mr. Peter Fragiskatos: What are some of the crucial challenges you see for the bank going forward in the next few years? Obviously, the difficult economic situation would rank quite highly. Is there a concern that, for example, private capital could hold back, because of the economic difficulties we're facing? Any thoughts on that?

• (1510)

Ms. Annie Ropar: Infrastructure is a very attractive asset class for private sector investors. Certainly, for pension funds, etc., those are long-term assets they need to invest in to match off against their long-term liabilities with respect to pension amounts, so it's definitely an attractive asset class. We're meeting with our private sector partners to make sure they're involved in all of our transactions in the pipeline.

Mr. John Casola: I can also add that when this all started, a couple of months ago now, we were very much ears to the ground, and consulting with all the contacts we have in the capital markets and among investors to see whether there would be a hiccup.

While there was a short-term pause to see where things were, the future seems very bright. Record amounts of capital are still being raised. Funds are being closed on a weekly basis, globally, to invest in infrastructure. To really hammer home Annie's point, infrastructure was an attractive asset class before COVID. It will continue to be after COVID, and maybe more so, given the alternatives that will be available to investment.

The Chair: Mr. Cooper, followed by Ms. O'Connell.

Mr. Michael Cooper: Thank you, Mr. Chair, and thank you to the witnesses from the Canada Infrastructure Bank for appearing.

I want to go through some of the projects to get a better understanding of the role of the Canada Infrastructure Bank. Upon reviewing the 10 projects, is it correct that four are strictly in an advisory capacity?

Mr. John Casola: That's correct. That reflects the stage those projects are at, for the most part.

Mr. Michael Cooper: The other project for which there is a memorandum of understanding is the Lulu Island energy company project. That project will likely be more than a strictly advisory capacity. Is that correct?

Mr. John Casola: That's correct.

Just to clarify, as Annie discussed earlier, a very important part of our mission is our advisory capability and capacity. To be clear, most of that capacity will be focused on early-stage advice on projects in which we think there is a possibility or the potential of an investment down the road.

Mr. Michael Cooper: Okay, so four advisory projects, one in its very early stages, a \$1.28-billion investment in the REM, which simply replaced \$1.28 billion of funding that the federal government had committed in 2017. That essentially leaves the Canada Infrastructure Bank with three projects. One is the GO Expansion—On Corridor project, which may or may not have already been committed to before, and then three relatively small infrastructure projects: \$55 million for VIA Rail, \$20 million towards green infrastructure for the Town of Mapleton, and then the Montreal Port Authority project. That's it; is that correct? Am I missing something?

Mr. John Casola: I believe the status of the projects is correct.

You're not missing anything. We would disagree that's the measure of progress because of all the necessary and time-consuming work that had to go on before we reached the stage of announcing the projects.

Mr. Michael Cooper: Putting aside whether or not the Infrastructure Bank is a good model for a good concept—and I would certainly endorse the comments made by Mr. Poilievre—certainly, from the standpoint of rolling out dollars, investing in large transformational projects, after three years that doesn't sound like a success.

I note that on page 15 of the annual report for 2018-19, it states, "We expect to invest approximately \$1.5 billion to \$4 billion per year in the near term". I note no investments in 2020. Am I missing something?

• (1515)

Mr. John Casola: Honestly, again I think it's important to reiterate some important facts.

The bank has been functionally operational for 18 months. That's a fact. You can't close deals without people, policies, structure in 18 months.

The level of activity, the number of activities, to invest intelligently and in a disciplined manner.... In 18 months we were building up a team; setting policies in place; meeting with all the public sector sponsors across the country; forming those relationships; looking at those priority projects all across the country; and then whittling down the ones that would have the greatest likelihood of a potential investment and that meet all the criteria, and beginning to work on them. From the perspective of being operational in 18 months, we've accomplished quite a significant amount.

You may want to look at it as phased when you're starting something from scratch. As Annie said, two years ago there was nothing. We're very happy we got phase one. We have all that hard work done. We're quite—

Mr. Michael Cooper: I take your point, but zero investments in 2020. Are you going to meet the target for 2020?

The Chair: Okay. We are going to have to move on. I think—

Mr. Michael Cooper: I asked a specific question. I wasn't getting an answer. It is a simple question. Is the target going to be met?

The Chair: Do you want to take a stab at that question, Mr. Casola? Then we'll have to move on.

Mr. John Casola: Annie, did you want to take a stab at that one?

Ms. Annie Ropar: Yes. I wanted to mention this because it's an important point, absolutely.

On an annual basis, as a result of our corporate planning process, we have to frame some level of targeted investment commitment obviously, so the government can plan for resources, etc., around funding. As we mentioned earlier in the statements, these projects can take various levels of time, depending on the amount of due diligence required, etc. We absolutely have targets that we try to meet. We absolutely try to push them along as much as we can, but we have to be mindful. We have to apply rigorous due diligence to make sure that the first dollar out the door is a smart dollar.

The Chair: Thank you, and we'll leave it there.

We'll go to Ms. O'Connell, Ms. May and Ms. Dzerowicz.

Jennifer.

Ms. Jennifer O'Connell: Thanks, Chair.

Thanks to the witnesses.

I won't have a lot of time for questions, but I want to talk about broadband.

Ms. Ropar, you said at the beginning of your presentation that one of the roles you have is advising government at all levels on investment opportunities. I tried to write your exact words, so correct me if that's incorrect.

Then, Mr. Casola, you also spoke in lines of questioning, I think from Mr. Poilievre, about the importance of the investments, and you said that maybe the private sector wouldn't be there. For me and my community, broadband is a perfect example.

We are right next to Toronto, so investing in the infrastructure for broadband in our community is not worth it to the private sector right now, because they have a customer base in Toronto that is growing and huge, and going 20 minutes away or any bit further north—and I'm talking even in urban Pickering, let alone the rural parts of my riding—it's not an economic investment worth making for those telecom companies. However, there would be an economic benefit to our country if more people had access to broadband.

How or what are you doing to work with, for example, municipal levels of government that desperately want to get into the broadband delivery to provide this resource? Then, can you maybe speak to what we can expect, because this is the number one issue in my riding, and how will the Infrastructure Bank be able to help tackle this enormous need in our community?

• (1520)

Mr. John Casola: I mean no disagreement with anything you said, of course. The importance is there, the need is there, and we are in active discussions, daily discussions, with ISPs looking at different models for delivering broadband. We are happy to engage with any municipalities that have that concern and would like to be more involved.

I think that, at the end of the day, our models and the things we are considering are really focused on the government's commitment to connect every Canadian to 50/10 high-speed Internet—50 megabytes per second download and 10 upload, the CRTC-mandated definition—by 2030 and sooner than that. That includes people in ridings like yours who are close enough that it's really frustrating, but not close enough that they're going to make the investment.

You know, the circumstances you describe are absolutely on the radar screen. They're absolutely being discussed. We're not there yet in terms of models, but I can tell you they are actively discussed on a daily basis, and we're moving forward very quickly on trying to solve that.

The Chair: Thank you.

You have about four minutes each, Ms. May and Ms. Dzerowicz.

Elizabeth.

Ms. Elizabeth May (Saanich—Gulf Islands, GP): Thank you very much, Mr. Chair.

Thank you to the witnesses.

This is a brief response to something that Mr. Poilievre put before us, which was the claim that LNG Canada didn't have any government subsidies.

I'll just correct you, Pierre. There's \$5.3 billion in subsidies from the Government of British Columbia, plus \$275 million in direct subsidies from the Government of Canada, plus a \$1-billion tariff waiver issued by Bill Morneau so the company doesn't have to buy Canadian steel and aluminum.

By the way, of the advertised 10,000 jobs in building that facility, 5,500 of them will be in China at a construction facility at Zhuhai, which is in Guangdong province. The construction is being done by a consortium of a Texas-based company, Fluor, and a Japan-based company called JGC, and they've managed to move the fabrication out of Canada and into China. I know how much you like funding projects in the People's Republic of China, so I just thought I'd make sure you had that.

Turning to our witnesses from the infrastructure development bank, I'm very interested in knowing more about how you're structuring projects in infrastructure in interties. I understand that you can't fund the publicly funded grid, such as Manitoba Hydro, but you can support the development of interties, which are much needed to ensure we have an effective national grid. Are other projects with interties in the works? Is it part of a larger concept?

I'd really love to hear from whoever feels equipped to speak to that.

Mr. John Casola: Yes, we are actively engaged on a number of intertie projects. It's just fundamentally that we want to move clean power from provinces that have it into provinces that don't have it and are still using power that is not quite as clean. There are several east-west types of initiatives that we're engaged in right now. We have seen all sorts of things come across our desks—north-south, east-west—and we're actively engaged in those projects. Those are full of potential and many of them are making great strides.

They're a little more complicated because, as you might imagine, you start to get two or more provinces having to co-operate when they put their needs on the table and so on. It's just complicated. It's expected, but it's complicated, so we'll take a bit more time, but we're actively engaged with a number of provinces over a number of those projects, so yes.

Ms. Elizabeth May: On the one you've structured so far, as was mentioned, Manitoba Hydro, of course, is the source of power, and it's running north. How much private capital is in that? I ask specifically because I was approached by some investors—I think more than a year and a half ago now—who were based in Montreal and were looking at getting interties in order to deliver to the territories. I'm wondering if it's the same project.

Mr. John Casola: The actual structure isn't done yet. There's a lot of work to be done, so we're working on that. They have publicly announced a partnership that they're working with. The teachers' pension fund of Ontario is actively involved in looking at that project as well. We're working collaboratively with them and with the first nations, Inuit and Métis groups up there to structure something that makes sense, but it's at too early a stage to tell at the moment.

• (1525)

The Chair: You can have a fairly quick one, Elizabeth.

Ms. Elizabeth May: That's okay. Those were my main questions.

I'm really encouraged by where you're putting the money in this bank.

Thank you.

The Chair: Thanks, all of you.

Ms. Dzerowicz, you'll wrap it up. You have four minutes.

Ms. Julie Dzerowicz: Thanks so much, Mr. Chair.

Thank you, Ms. Ropar, Mr. Casola and Mr. Morley, for joining us today and for being so great with all these questions.

In my riding of Davenport, it's very clear that my constituents want to make sure that as a national government we don't reduce our focus on climate change and moving to a more sustainable low-carbon economy. I have two questions related to this.

One, how are you ensuring that you're picking projects that will help Canada become more sustainable? Two, as you're picking infrastructure projects to invest in, how do you assess the risks that represent climate change and how does the bank plan to mitigate those climate risks?

Mr. John Casola: I'll start. Annie, if you want to chip in, that would be great.

It's very much a focus of everything we do. We are actively involved, to build on Ms. May's question, in interties in transmission to the north. Anything that results in getting remote communities off diesel is a good thing, and we're actively exploring models for that.

We are looking at renewable projects where it makes sense to do so. In other words, if there's a funding model in the market where they can get private sector capital, they don't need us, but there are instances where some of the risks involved do need us because of the peculiarities of the market and so on. We have a funding project in the Pirate Harbour Wind Farm in Nova Scotia, where the main benefit of that project really is that it helps to balance the Nova Scotia grid and provide more reliable power to that entire province.

The lens goes beyond renewable projects. We're looking at storage projects, at battery and pumped storage, and at all types of projects across the country. In addition, even when we're looking at transit projects, we're always looking at the option of electrification. There's always a cost trade-off, obviously, and those are policy decisions that public sponsors will need to make, but we always put those options on the table for consideration and try to get some measure through external validation of GHG reductions value.

Everything has a value and everything has a cost, so we view it very much as our job to do the work and to put good and valid options on the table for all the levels of government with which we collaborate.

Ms. Julie Dzerowicz: Thank you.

Do you have anything else to add, Ms. Ropar, or can I go to my last question?

Ms. Annie Ropar: No, I have nothing to add there. Thank you.

Ms. Julie Dzerowicz: This is actually a question that our chair raised. I think there was some confusion around subsidy versus loan. Is this maybe the right moment for someone to clarify? I think we started off with grants, moved to loans and then moved to subsidies. Can you provide a very clear definition of what it is that we're actually providing in terms of loans or subsidies?

Ms. Annie Ropar: I can start.

I agree that a lot of terms and terminology are being mixed together. A loan is a type of product that we would contribute to a project. It could have varying interest rates attached to it, but it is just one product, if I can call it that, or one type of instrument that we can use. As we've mentioned before, we can use equity or some other form of financial instrument to fill the gap in the capital structure of a project. That's how we frame what our opportunity is set on and the things we can offer to a specific project.

Mr. John Casola: I'd like to make one short comment, to add to that.

I think it's important to separate the actual capital that we provide, the big number of dollars, from the interest rate or the return that we charge, the interest rate and prime. The actual capital, taking the REM as an example, is roughly \$1.3 billion. That is not a subsidy or grant; it is a repayable loan. Where the subsidy portion of it may come in is if we charge an interest rate of 1% and they would have been paying 3% or 4% if they went to the market. The

difference between the 1% and the 4% could potentially be characterized as a subsidy. However, that doesn't negate the fact that using that structure, we still get the \$1.3 billion back and wouldn't in a full grant scenario. I'll just leave it at that.

● (1530)

Ms. Julie Dzerowicz: That's perfect.

The Chair: I think that is helpful.

Witnesses, thank you very much for your appearance today. I think we had a great discussion on a number of fronts and cleared up quite a number of issues. Certainly we want you investing intelligently. It is taxpayer money.

Committee members, we get a bit of a break because of what's happening with maintenance in Ottawa, so the next meeting will be on July 7. There will be two panels. One is the Financial Consumer Agency of Canada. The second panel will be the Office of the Superintendent of Bankruptcy Canada.

I want to thank committee members for their endurance over the last four or five weeks. We've heard from about 350 witnesses, so members are to be commended for all their efforts.

Thank you again to the witnesses. I wish you well in all the work you do on behalf of Canadians.

With that, the meeting is adjourned. Have a good week.

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