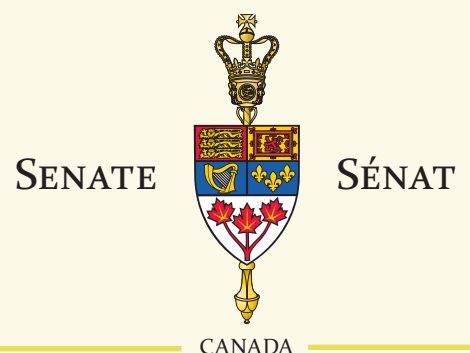


# SMARTER PLANNING, SMARTER SPENDING:

*Ensuring Transparency, Accountability  
and Predictability in Federal  
Infrastructure Programs*

Report of the Standing Senate Committee  
on National Finance

The Honourable Percy Mockler, Chair  
The Honourable Anne C. Cools, Deputy Chair  
June 2017





**Smarter Planning, Smarter Spending:  
Ensuring Transparency, Accountability and Predictability  
in Federal Infrastructure Programs**

Second Interim Report of the  
Standing Senate Committee on National Finance on Infrastructure Spending

**TWENTIETH REPORT**

*Chair*

The Honourable Percy Mockler

*Deputy Chair*

The Honourable Anne C. Cools

June 2017

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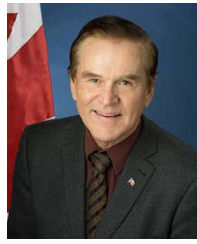


*Ce rapport est également offert en français*

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## THE COMMITTEE



The Honourable  
\*Percy Mockler,  
Chair



The Honourable  
\*Anne C. Cools,  
Deputy Chair

### The Honourable Senators:



Raynell  
Andreychuk



George Baker,  
P.C.



Joseph A. Day



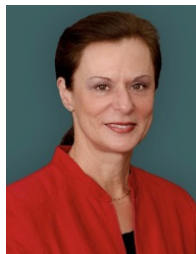
Nicole Eaton



Éric Forest



\*Elizabeth  
Marshall



Lucie Moncion



Richard Neufeld



Victor Oh



André Pratte



Yuen Pau Woo

\*Member of the Subcommittee on Agenda and Procedure

### *Ex-officio members of the Committee:*

Peter Harder, P.C. (or Diane Bellemare) and Larry Smith (or Yonah Martin)

***Other Senators who have participated from time to time in this study:***

Ataullahjan, Batters, Bellemare, Black, Cowan, Dagenais, Dean, Enverga, Housakos, Maltais, Manning, Martin, McIntyre, Mitchell, Moore, Omidvar, Poirier, Greene Raine, Smith and Tkachuk

***Parliamentary Information and Research Service, Library of Parliament:***

Sylvain Fleury and Olivier Leblanc-Laurendeau, Analysts

***Senate Committees Directorate:***

Gaëtane Lemay, Committee Clerk

Louise Martel, Administrative Assistant

***Senate Communications Directorate:***

Marcy Galipeau, Chief, Committees and Outreach

Mila Pavlovic, Communications Officer

## ORDER OF REFERENCE

Extract from the *Journals of the Senate* of Tuesday, February 23 2016:

The Honourable Senator Smith (*Saurel*) moved, seconded by the Honourable Senator Manning:

That the Standing Senate Committee on National Finance be authorized to examine and report on the design and delivery of the federal government's multi-billion dollar infrastructure funding program;

That, in conducting such a study, the committee take particular note of:

- how infrastructure projects are funded;
- the criteria that applicants (provinces, territories, municipalities, Aboriginal governments, organizations, etc.) need to meet to be eligible for funding;
- the type of infrastructure projects that receive funding;
- how to ensure project funding is timely, efficient and economical;
- the way the money is distributed among large and small communities, actually used and, if need be, monitored;
- should conditions be applied to any project approval, how these conditions are tracked and satisfied;
- lessons learned from previous Canadian infrastructure programs and in other jurisdictions; and
- other related matters.

That the committee submit its final report to the Senate no later than December 31, 2016, and retain all powers necessary to publicize its findings for 180 days after tabling of the final report.

After debate, the question being put on the motion, it was adopted.

Charles Robert  
*Clerk of the Senate*

\*\*\*\*\*

Extract from the *Journals of the Senate* of Thursday, 17 November 2016:

The Honourable Senator Smith moved, seconded by the Honourable Senator Martin:

That, notwithstanding the order of the Senate adopted on Tuesday, February 23, 2016, the date for the final report of the Standing Senate Committee on National Finance in relation to its study on the design and delivery of the federal government's multi-billion dollar infrastructure program be extended from December 31, 2016 to June 30, 2018.

After debate, the question being put on the motion, it was adopted.

Charles Robert  
*Clerk of the Senate*

## EXECUTIVE SUMMARY

In February 2016, the Senate authorized the Standing Senate Committee on National Finance to examine and report on the design and delivery of the Government of Canada's multi-billion dollar infrastructure funding program. As part of its study, our committee presented a first interim report, entitled [Smarter Planning, Smarter Spending: Achieving Infrastructure Success](#), on February 28, 2017. The purpose of this second interim report is to review the program in terms of its transparency, accountability and predictability. Between February 14 and May 16, 2017, our committee continued its study and received testimony from 15 other witnesses, including officials from the Privy Council Office, Infrastructure Canada, the Office of the Parliamentary Budget Officer and the Caisse de dépôt et placement du Québec, as well as experts from universities and think tanks.

In the budget it tabled on March 22, 2017, the government reiterated its commitments regarding infrastructure and, taking into account existing programs, planned to spend \$186.7 billion over 12 years.<sup>1</sup> It is understood that this amount needs to be combined with provincial, territorial and municipal infrastructure investments which account for two thirds of the overall funding commitment.

The government's infrastructure funding program is divided into two phases. Phase I, totaling \$11.9 billion over five years beginning in 2016-17, addresses immediate infrastructure needs. Phase II, with an additional \$81.2 billion over 11 years, will focus on:

- public transit;
- green infrastructure;
- social infrastructure;
- trade and transportation projects; and
- transportation and infrastructure in rural and northern communities.

Additionally, the government will create the Canada Infrastructure Bank to provide loan guarantees and equity investments in infrastructure.

The government has established two goals for the investments: to create good well-paying jobs and to deliver sustained economic growth. In order to achieve these objectives most efficiently, our committee makes the following recommendations.

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<sup>1</sup> Infrastructure Canada, [Investing in Canada Plan](#).



## RECOMMENDATIONS

The Senate Standing Committee on National Finance makes the following recommendations:

**RECOMMENDATION 1:** That the Government of Canada release all data on infrastructure projects, except where national defence and security are at stake, and that it also report all provincial, territorial and municipal data on infrastructure projects.

**RECOMMENDATION 2:** In keeping with recommendation 1 from the first interim report, our committee again recommends that the Government of Canada develop a long-term national infrastructure strategy with clear priorities, concrete objectives and specific performance measures. This strategy should take into consideration municipal, provincial and territorial priorities as well.

**RECOMMENDATION 3:** That the Government of Canada report to Canadians on the achievements of the two stated goals of the infrastructure funding program which are job creation and the delivery of sustained economic growth.

**RECOMMENDATION 4:** That the Government of Canada take appropriate measures to make up for delays that can occur in infrastructure spending.

**RECOMMENDATION 5:** That the Government of Canada continue its efforts by focusing on investments in basic and strategic infrastructure, such as broadband Internet connectivity, to improve the quality of life of Canadian communities and enable Canada's rural, Northern and Indigenous communities to fully share in the country's economic growth.

**RECOMMENDATION 6:** That the Government of Canada clearly define the governance of the Canada Infrastructure Bank, its business model, its practices and its strategic objectives.

**RECOMMENDATION 7:** That the Government of Canada ensure the independence of the chairperson and the board of directors of the Canada Infrastructure Bank by drawing on Canadian and international best practices in governance.

## INTRODUCTION

On February 23, 2016, the Senate authorized the Standing Senate Committee on National Finance (henceforth, the committee) to study and report on the design and implementation of the federal government's multi-billion dollar infrastructure funding program. As part of its study, on Tuesday, February 28, 2017, our committee tabled a first interim report, [\*Better Planning, Better Investing: Achieving Success in Infrastructure\*](#), wherein it made six recommendations to the government.

Our committee has since continued its study. As of May 16, 2017, our committee received testimony from 15 other witnesses, including officials from the Privy Council Office, Infrastructure Canada, the Office of the Parliamentary Budget Officer, the Caisse de dépôt et placement Québec, as well as academic experts and think-tanks.

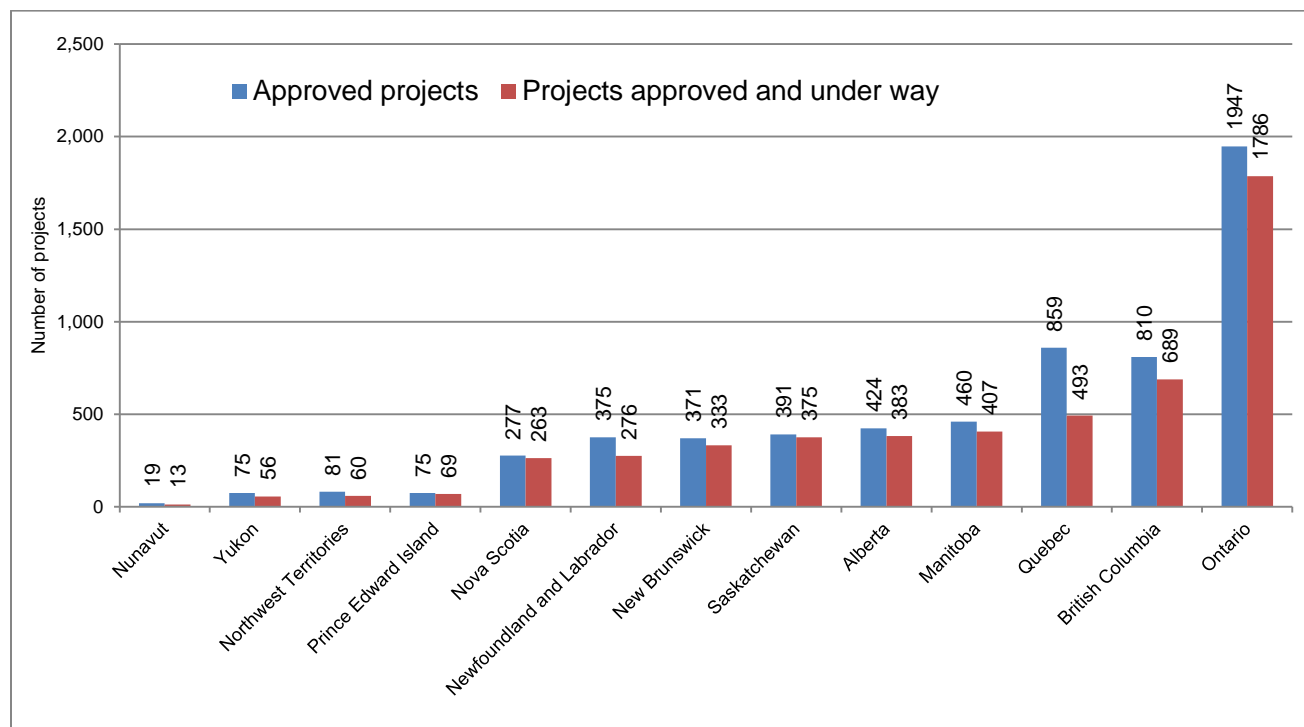
The aim of this report is to assess the results achieved by the infrastructure program so far using, among other methods, a database developed at the committee's request to identify and monitor projects. It is the expressed intent of the members of the committee to share the contents of the database with Canadians in the most cost effective way possible. This second interim report also examines the transparency, accountability, and predictability of government data regarding the infrastructure program and the funding challenges specific to rural areas. Finally, this second interim report addresses the Canada Infrastructure Bank.

# 1 RESULTS OBTAINED SINCE THE LAUNCH OF PHASE 1 OF THE INFRASTRUCTURE PLAN

In keeping with the Order of Reference to examine and report on the design and delivery of the current government’s multi-billion dollar infrastructure funding program, our committee retained the service of a software consultant to construct a data base that would incorporate all the Infrastructure project data currently available within each of the 32 federal departments and agencies. In order to assist senators in their analysis, the database, called *Infrastructure Project Analyzer (IPA)*, can generate a number of reports. The committee’s first interim report showed 1402 projects were approved at a value of \$5.8 billion. This report shows 6194 projects have been approved, for a value of \$13 billion.<sup>2</sup> Our committee does not have the resources to make the database openly available to all Canadians but in an effort to improve transparency, accountability and predictability, it is open to sharing it with stakeholders where and when it can be done on a cost effective basis. Although it would have been useful to include data from municipalities, provinces and territories in this analysis, access to this data is limited because of jurisdictional issues.

Between April 1, 2016 and May 5, 2017, Ontario received the largest number of approved and started infrastructure projects (see figure 1) as well as the largest amount of federal funding (see figure 2) However, in terms of per capita federal contribution, the Northwest Territories is the largest recipient of funding (see figure 3).

**Figure 1 – Number of Infrastructure Projects Approved and Under Way by Province and Territory, 1 April 2016–5 May 2017**

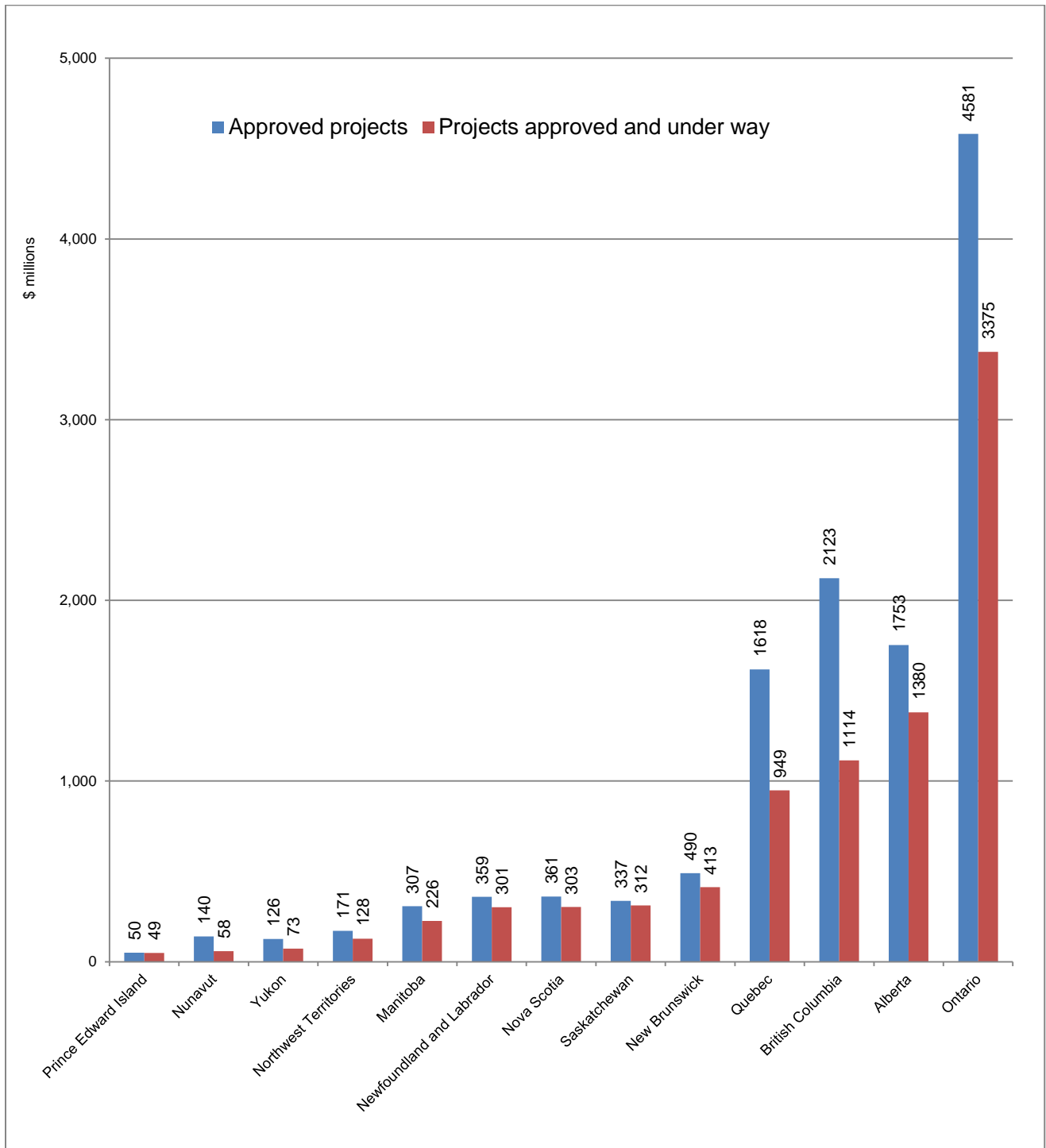


Source: Infrastructure Project Analyzer, Version 2.0.9 (Database created at the request of the Standing Senate Committee on National Finance)

<sup>2</sup> Note: the totals presented here include 30 projects that cannot be attributed to a specific province or territory.

Figure 2 below illustrates the total amount of federal contributions to infrastructure projects for each province and territory. As previously indicated, Ontario obtained the largest share of federal infrastructure investments between April 1, 2016, and May 5, 2017, receiving nearly 37 % of the total envelope for approved projects.

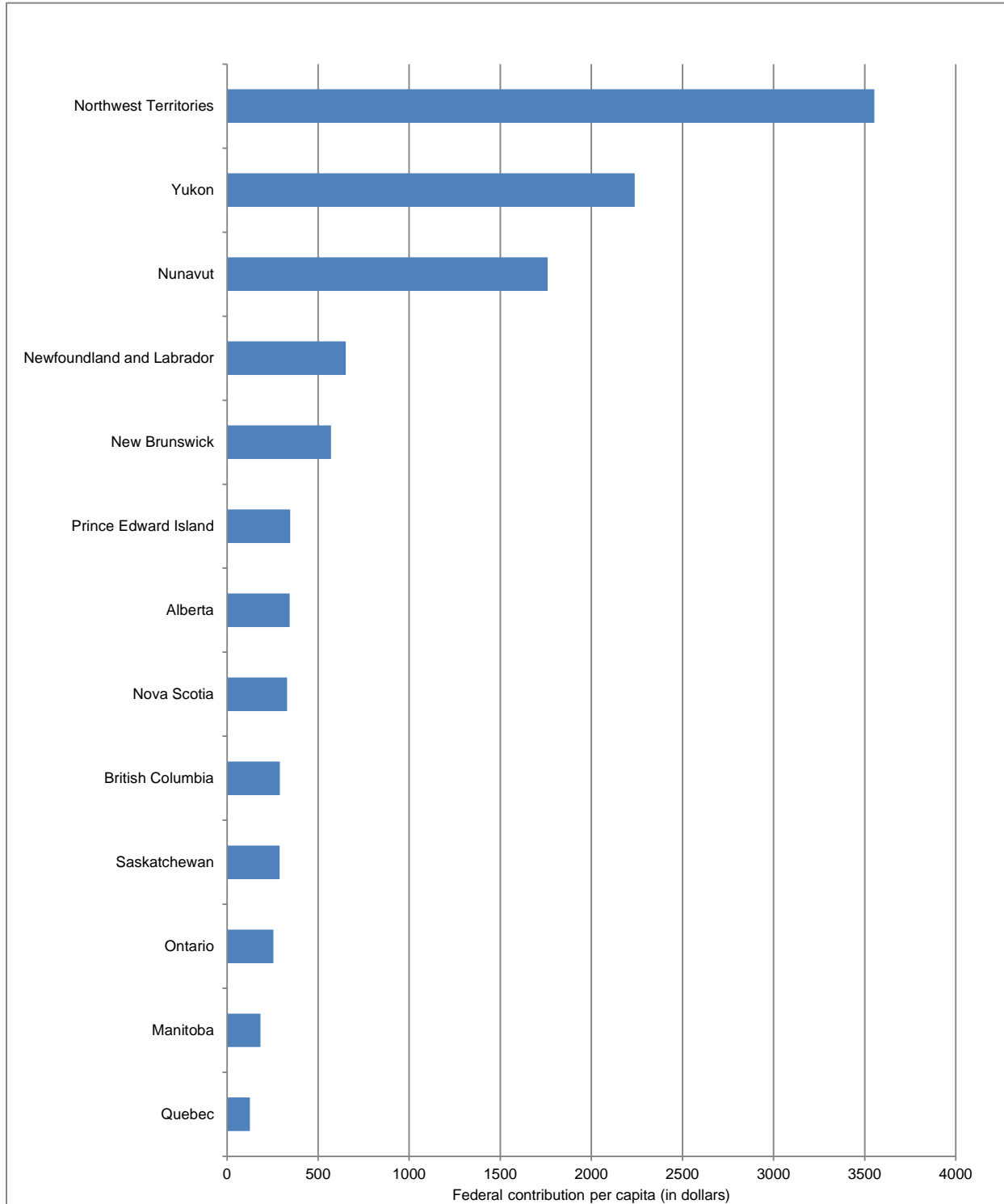
**Figure 2 – Federal Contributions to Infrastructure Projects Approved and Under Way by Province and Territory, 1 April 2016–5 May 2017 (\$ millions)**



Source: Infrastructure Project Analyzer, Version 2.0.9.

Figure 3 below illustrates federal contributions per capita to infrastructure projects approved in each province and territory.

**Figure 3 – Federal Contributions per Capita to Infrastructure Projects Approved by Province and Territory, 1 April 2016–5 May 2017**



Source: Infrastructure Project Analyzer, Version 2.0.9.

## 2 TRANSPARENCY AND AVAILABILITY OF INFRASTRUCTURE DATA

The Government of Canada has expressed an increased desire for transparency, as indicated by its Open Government initiative, which seeks to “create greater transparency and accountability, increase citizen engagement, and drive innovation and economic opportunities through open data, open information, and open dialogue.”<sup>3</sup> This is further demonstrated by the creation of the Results and Delivery team at the Privy Council Office. Matthew Mendelsohn, Deputy Secretary to the Cabinet, himself made the following statement:

It is important for the public and parliamentarians to be able to see how much money is spent and to understand inputs and activities in a clear way so that at the end of the day we are not spending money just to spend money. We are not undertaking activities just for the sake of activities. There is always a clear result, outcome or impact in mind.<sup>4</sup>

Our committee appreciates the intentions behind this approach and recognizes the importance of transparency and accountability. However, in the course of its study our committee has found that it is still difficult to obtain data on some important government programs, particularly infrastructure programs.

In its first interim report, our committee noted that it is difficult to monitor the use of infrastructure funds because the Government of Canada has an array of programs managed by over 30 departments and organizations, each with its own priorities, performance indicators and timelines. According to Mr. Mendelsohn, the government is working on a more horizontal and government-wide approach. Consequently, our committee sees this commitment by Mr. Mendelsohn as a welcomed addition to the infrastructure initiative, given the noted challenges around transparency, accountability and predictability.

Since presenting its first interim report, our committee obtained more information and relevant data on the infrastructure projects and expenditures of the various federal government organizations due to the work of the Office of the Parliamentary Budget Officer. However, a number of gaps remain regarding access to information. For example, our committee was unable to obtain details on 2,632 projects worth nearly \$1.7 billion, as the departments and organizations responsible for them consider this information confidential (see Table 1).

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<sup>3</sup> Government of Canada, [Open Government](#).

<sup>4</sup> Senate, Standing Committee on National Finance, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 16 May 2017.

**Table 1 – Confidential and Non Confidential projects Data of Infrastructure Projects, by Organization**

<b>Organization</b>	<b>Non Confidential Projects</b>	<b>Confidential Projects</b>
Indigenous and Northern Affairs Canada	0	1682
Fisheries and Oceans Canada	96	549
Parks Canada	0	124
Innovation, Science and Economic Development Canada	72	86
Health Canada	49	73
Canada Border Services Agency	0	70
Natural Resources Canada	19	30
Public Services and Procurement Canada	0	14
Treasury Board of Canada Secretariat	0	1
Royal Canadian Mounted Police	7	1
National Gallery of Canada	0	1
Atlantic Canada Opportunities Agency	142	1
Western Economic Diversification Canada	321	0
VIA Rail	5	0
Transport Canada	13	0
Shared Services Canada	4	0
National Research Council Canada	7	0
National Defence	66	0
National Capital Commission	4	0
National Arts Centre	1	0
Marine Atlantic Inc.	3	0
Infrastructure Canada	1796	0
Environment and Climate Change Canada	2	0
Employment and Social Development Canada	643	0
Economic Development Agency of Canada for the Regions of Quebec	197	0
Canadian Space Agency	2	0
Canadian Northern Economic Development Agency	19	0
Canadian Heritage	172	0
Canadian Food Inspection Agency	1	0
Canada Science and Technology Museum	1	0
Canada Mortgage and Housing Corporation	2334	0
Agriculture and Agri-Food Canada	14	0
<b>Total</b>	<b>5990</b>	<b>2632</b>

Note: these data do not come from the IPA database and may not agree with details presented elsewhere in the document.

Source: Office of the Parliamentary Budget Officer.

According to Peter Weltman, Senior Director, Costing and Program Analysis, Office of the Parliamentary Budget Officer, Infrastructure Canada is the only department that disclosed its projects to the Canadian public, although Treasury Board urged all departments to do the same. Again, our committee is troubled by the fact that there is no one federal department accountable to Parliament for this \$186 billion program spanning across 32 departments and agencies.

Our committee recognizes that some projects must remain confidential until they are announced or for security reasons. However, our Committee finds it difficult to understand why some departments, such as Indigenous and Northern Affairs Canada and the Canada Border Services Agency, do not disclose any information on the infrastructure projects they fund, especially given the Minister of Indigenous and Northern Affairs committed during question period in the Senate to publish all their projects on the department's website by March 31, 2017.

### **RECOMMENDATION 1**

**That the Government of Canada release all data on infrastructure projects, except where national defence and security are at stake, and that it also report all provincial, territorial and municipal data on infrastructure projects.**

#### **2.1 Federal Spending on Infrastructure Is Lagging Behind Schedule Compare to the 2016 Budget Forecast**

The Office of the Parliamentary Budget Officer (PBO) anticipates that about half of the infrastructure funds proposed in 2016–2017 will be spent as planned. This delay will be, according to his estimates, partly caught up in 2017–2018. According to the PBO, by the end of the first two years of its program, the government will have spent 89 per cent of what it had planned (see Table 2). The DPB therefore expects that some of the government's planned infrastructure spending will be delayed.

**Table 2 – Parliamentary Budget Officer: Expectations for Federal Infrastructure Spending**

	2016–2017	2017–2018	Total
Federal infrastructure spending (\$ millions)	1,910	8,176	10,086
Infrastructure spending relative to Budget 2016	48%	112%	89%

Note: The above percentages show the amount of spending forecasted by the Office of the Parliamentary Budget Officer, compared to what was announced in the 2016 budget. It should be noted that Parliament must approve the government's spending plans.

Source: Office of the Parliamentary Budget Officer, [Economic and Fiscal Outlook](#), April 2017, p. 27.

Jason Jacques, Director of Economic and Financial Analysis, Office of the Parliamentary Budget Officer, explained that since the government spent only half of the money announced in Budget 2016, the increase in the gross domestic product has been reduced by half to about 0.1 per cent.



### 3 ECONOMIC GROWTH AND PERFORMANCE INDICATORS

In our first interim report, our committee recommended that Infrastructure Canada develop a long-term national infrastructure strategy with clear priorities, concrete objectives and specific performance measures.<sup>5</sup> In Budget 2016, the government stated that its infrastructure spending would create “good, well-paying jobs” and “deliver sustained economic growth for years to come.”<sup>6</sup>

Given that making strategic infrastructure investments will involve difficult choices, Tiff Macklem Dean of the Rotman School of Management at the University of Toronto, who appeared as an individual told our committee that these investments must have a clear policy anchor and clear indicators to assess their economic value. In his view, the goal should be to increase medium- and long-term productivity growth measured as GDP per worker. Yet Mr. Lammam, Director, Fiscal Studies at the Fraser Institute, made the following argument:

In principle, sound infrastructure projects can improve our country's productive capacity by allowing Canadians to produce more and to reduce the costs of delivering goods and services to market. A needed road, railway or port that helps move people, goods and resources more efficiently and at a lower cost can indeed help build a more prosperous economy. In practice, however, not all of the federal government's infrastructure spending fits this bill. In fact, a mere 10.6 per cent of the nearly \$100 billion in new infrastructure spending is earmarked for trade and transportation. In other words, the government plans to spend almost 11 cents of each infrastructure dollar on the types of projects most likely to improve the productive capacity of our country.<sup>7</sup>

Nonetheless, Mr. Mendelsohn believes that, while productivity and economic growth are important, other indicators matter too:

This government would not focus exclusively on economic measures but a broad range of measures including economic growth and productivity, environmental sustainability considerations and social considerations, all of which together contribute to good economic growth and quality-of-life possibilities.<sup>8</sup>

In his opinion, these factors could also increase economic opportunities. He believes that it is more difficult to empirically measure the economic impact of social and green infrastructure than that of trade and transportation infrastructure.

However, Mr. Lammam expressed serious concerns about the economic value of such social infrastructure projects: “Although these initiatives may be appreciated by the communities in which they are built, there is little evidence that such spending will increase the economy's long-term potential. In fact, the federal government may end up hurting the economy by focusing on such

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<sup>5</sup> Standing Senate Committee on National Finance, [Smarter Planning, Smarter Spending: Achieving Infrastructure Success](#), Ottawa, February 2017, p. 8.

<sup>6</sup> Department of Finance Canada, [Growing the Middle Class](#), Budget 2016, p. 86.

<sup>7</sup> Senate, Standing Committee on National Finance, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 3 May 2017.

<sup>8</sup> Senate, Standing Committee on National Finance, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 16 May 2017.

projects, especially if the productivity gains of the infrastructure projects are less than the economic costs imposed by the taxes required to fund them.”<sup>9</sup>

Our committee is open to accepting a broader interpretation of the infrastructure funding program, but reminds all stakeholders of its stated objectives: to create good well-paying jobs and to deliver sustained economic growth.

## **RECOMMENDATION 2**

**In keeping with recommendation 1 from the first interim report, our committee again recommends that the Government of Canada develop a long-term national infrastructure strategy with clear priorities, concrete objectives and specific performance measures. This strategy should take into consideration municipal, provincial and territorial priorities as well.**

## **RECOMMENDATION 3**

**That the Government of Canada report to Canadians on the achievements of the two stated goals of the infrastructure funding program which are job creation and the delivery of sustained economic growth.**

## **RECOMMENDATION 4**

**That the Government of Canada take appropriate measures to make up for delays that can occur in infrastructure spending.**

## **4 RURAL INFRASTRUCTURE**

Our committee also took an interest in the infrastructure needs of rural communities. On this issue, some witnesses noted the challenges of infrastructure development in rural areas, citing the example of the infrastructure needed to provide broadband Internet connectivity. According to Mr. Lamman, 80% of infrastructure costs stem from operation and maintenance.<sup>10</sup>

Professor Ryan Gibson of the University of Guelph, who appeared as an individual, emphasized that the remoteness and low population density of rural areas need to be taken into account when analyzing rural programs or policies owing to differences in resource availability and the diversity of rural communities.<sup>11</sup> Accordingly, one of the goals of rural infrastructure projects is to serve communities appropriately while minimizing distance-related costs. Important aspects of rural infrastructure include the need for stable funding mechanisms, measures to ensure the fiscal effectiveness of infrastructure projects and infrastructure policies that are tailored to the needs of rural regions. Professor Gibson asserted that rural infrastructure is essential to Canada’s economic development, as it is needed by the businesses that extract natural resources in rural regions, and that such infrastructure generates economic and technological development opportunities. For example, better access to broadband Internet would open the door to new markets.

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<sup>9</sup> Senate, Standing Committee on National Finance, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 3 May 2017.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

Professor Gibson noted the value of broadband Internet connectivity in attracting youth and businesses that are looking for investment opportunities. In his view, broadband Internet could make rural communities more competitive with international rivals. He cited a study conducted in Churchill, Manitoba, a community that was connected to broadband Internet over the course of three or four years in the early 2000s.<sup>12</sup> The study showed that ending access to these services had a negative impact on employment and business productivity in the region; the same effects have been observed in Nova Scotia. Mr. Lammam also argued that investment in better broadband Internet access could increase productivity in rural areas.

For his part, Professor Gibson said that in rural, Northern and Indigenous communities, basic infrastructure, such as drinking water, should take priority over infrastructure that increases economic activity, as the people living in these regions sometimes have to relocate because of a lack of basic services.

## **RECOMMENDATION 5**

**That the Government of Canada continue its efforts by focusing on investments in basic and strategic infrastructure, such as broadband Internet connectivity, to improve the quality of life of Canadian communities and enable Canada's rural, Northern and Indigenous communities to fully share in the country's economic growth.**

## **5 CANADA INFRASTRUCTURE BANK**

### **5.1 Steps Leading to the Creation of the Canada Infrastructure Bank**

In its *Fall Economic Statement 2016*, the Government of Canada officially proposed the creation of the Canada Infrastructure Bank. The Bank would work with institutional investors, such as public and private pension funds, to identify potential infrastructure projects and investment opportunities.<sup>13</sup>

In Budget 2017, the government specified that the Canada Infrastructure Bank would be responsible for investing at least \$35 billion over 11 years. The Bank would make these investments by focusing on large, transformative infrastructure projects such as the following:

- regional transit plans;
- transportation networks; and
- electricity grid interconnections.

On April 11, 2017, the government took another step forward by including in Bill C-44 — the first bill to implement some measures of the 2017 federal budget — the founding law of the Canada Infrastructure Bank. Some members of our committee are of the opinion that legislation of this scope and complexity does not fit into a budget implementation act and should instead be the subject of a separate bill to enable its proper study.

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<sup>12</sup> Rural Development Institute, Brandon University, [Industry Canada Broadband Economic Impact Study](#), Final Report, 31 August, 2005.

<sup>13</sup> Department of Finance Canada, [Fall Economic Statement 2016](#), Ottawa, November 2016, p. 26.

On 8 May 2017, the Honourable Amarjeet Sohi, Minister of Infrastructure and Communities, announced that the future Canada Infrastructure Bank would be located in Toronto and that the government has launched selection processes for its senior management. The goal is to have the Bank operational in late 2017.<sup>14</sup>

As part of our study on infrastructure spending, our committee has continued to closely monitor the work of the Standing Senate Committee on Banking, Trade and Commerce, to which the Senate assigned the task of considering Division 18 of Part 4 of Bill C-44, which would enact the Canada Infrastructure Bank Act. On June 8, 2017, this committee presented its report in the Senate and published it on its website.

## 5.2 The Canada Infrastructure Bank's Potential

The government's announcement of the creation of the Canada Infrastructure Bank provoked a great deal of interest from our committee members and from a number of witnesses who appeared before our committee. These witnesses offered their opinions and expertise while the legislation on the Canada Infrastructure Bank was still before Parliament.

According to Bill C-44,<sup>15</sup> the Canada Infrastructure Bank's purpose is to invest in, and seek to attract private sector and institutional investment to, revenue-generating infrastructure projects in Canada or partly in Canada that will be in the public interest.<sup>16</sup> To achieve this objective, the Bank's board of directors, composed of a chairperson and between 8 and 11 other directors,<sup>17</sup> will be able to use innovative financial tools.<sup>18</sup>

A number of witnesses told the committee that the Bank would be a useful and effective additional tool to enhance the government's capacity to carry out major infrastructure projects by leveraging the strengths of the private and public sectors. However, other witnesses and some committee members expressed concerns about the Bank, arguing that the government already has all the tools it needs to achieve its infrastructure goals.

In his appearance before our committee, Michael Sabia, President and Chief Executive Officer of the Caisse de dépôt et placement du Québec and member of the Advisory Council on Economic Growth, like multiple several other witnesses, explained that Canada faces major infrastructure investment gaps, although the estimates of its size vary widely from \$200 billion to \$1 trillion. Mr. Sabia stated that governments alone cannot provide adequate infrastructure funding in Canada, in part because of their debt levels.

The testimony that our committee heard suggests that there is an immense need for infrastructure investments in Canada and that, when these investments are well targeted, they make Canada more competitive internationally. According to Michael Sabia, "if we have more efficient ports we're better able to compete. If we have more efficient airports, we're better able to compete. If we're better able

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<sup>14</sup> Infrastructure Canada, "[Government of Canada launches Leadership Search for the Canada Infrastructure Bank](#)," News release, 8 May 2017.

<sup>15</sup> Bill C-44, Part 4, Division 18, Canada Infrastructure Bank Act.

<sup>16</sup> Bill C-44, Part 4, Division 18, clause 6.

<sup>17</sup> Bill C-44, Part 4, Division 18, clause 8.

<sup>18</sup> Bill C-44, Part 4, Division 18, clause 7(b).

to connect the country together, we're better able to compete and more productive. The whole issue of building a modern infrastructure for the country is like building the foundations for growth".<sup>19</sup>

Mr. Sabia explained to our committee that the creation of the Canada Infrastructure Bank is also motivated by social objectives and that it would attract many investors to Canada. He argued that

Ultimately the infrastructure bank is about putting in place an institutional capacity to take perhaps some government money. The government has indicated that it's committing capital to that bank. It will draw on people like us, on our counterparts in Canada and on funds from around the world. All of them would line up to invest in Canada. Why not do that and free up resources to build a better health care system, a better education system and a better deal for Indigenous Canadians, all the things that we talk about in the newspapers every day? That is why I say being creative about how we finance infrastructure is at the end of the day not just an economic issue but a social issue.<sup>20</sup>

Mr. Macklem explained that a well-designed Canadian infrastructure bank could play an important role in supporting strategic infrastructure in Canada. He believes that an enormous amount of private capital is searching for long-term, real returns. A Canadian infrastructure bank could take equity positions or offer government guarantees to address some of the uncertainties involved, particularly early in projects. He offered the following observation:

We've seen this both in the [United Kingdom] and in Australia, where we reduce regulatory uncertainty by getting [...] approvals from the government early in the process; where we have highly professional infrastructure experts that have experience dealing with the private sector in structuring, delivering and executing these projects."<sup>21</sup>

Mr. Lammam said:

The current government has, for whatever reason, moved away from that model, and that model has actually been shown to be quite successful, not just within Canada but in the U.K. and Australia. Canada became a leader in part due to the efforts of the B.C. government on P3s, and the reason why they've been shown to be beneficial is that they don't say anything about whether the particular project is productivity enhancing, but if the government is going to choose to deliver a bridge, a road, they can do so in a more efficient and innovative manner than traditional procurement.<sup>22</sup>

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<sup>19</sup> Senate, Standing Committee on National Finance, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 February 2017.

<sup>20</sup> Ibid.

<sup>21</sup> Senate, Standing Committee on National Finance, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 14 February 2017.

<sup>22</sup> Senate, Standing Committee on National Finance, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 3 May 2017.

He said that “now we're going into this new infrastructure bank where the government's going to try and leverage private capital. It's not clear exactly how that's going to be different from P3s and how it will be beneficial.”<sup>23</sup>

Jean-François Tremblay, Deputy Minister, Infrastructure and Communities, and Glenn Campbell, Assistant Deputy Minister, Infrastructure Finance and Investment, Canada Infrastructure Bank Transition Office, reassured committee members about the Canada Infrastructure Bank’s mandate possibly overlapping with the mandates of Crown corporations such as Export Development Canada and the Business Development Bank of Canada. The two officials stated that no government entity currently fills the role set out for the Canada Infrastructure Bank. They asserted that private investors do not have access to a tool designed to help them invest jointly with the public sector, as envisioned for the Canada Infrastructure Bank.

In light of the testimony heard, some members of our committee remain concerned that the Canada Infrastructure Bank’s mandate could place it in competition with other federal Crown corporations.

## **RECOMMENDATION 6**

**That the Government of Canada clearly define the governance of the Canada Infrastructure Bank, its business model, its practices and its strategic objectives.**

### **5.3 Federal Funding for the Canada Infrastructure Bank**

In its infrastructure plan, the Government of Canada indicated that it would invest \$35 billion in the Canada Infrastructure Bank, including \$20 billion in repayable capital and \$15 billion in non-repayable funding from the infrastructure plan.<sup>24</sup> The portion drawn from the infrastructure plan would be allocated as follows:

- \$5 billion for public transit systems;
- \$5 billion for trade and transportation corridors; and
- \$5 billion for green infrastructure projects.<sup>25</sup>

Mr. Campbell explained that the government would not transfer the \$35 billion in a single lump sum, but rather in accordance with the Bank’s operational needs. That way, the Bank would not need to manage a large treasury function.

He also pointed out that, under the rules of accrual accounting for Crown corporations, the government would reflect the \$15 billion in its financial accounts. Since the government would receive an asset in exchange for its investment of the additional \$20 billion, this amount would not have a net impact on the government’s accounts. This conclusion is in line with the government’s *Fall Economic Statement 2016*.

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<sup>23</sup> Ibid.

<sup>24</sup> Josh Wingrove, “[New Infrastructure Bank Would Seek to Clear Billions in Backlogs](#),” *Bloomberg*, 21 March 2017.

<sup>25</sup> Infrastructure Canada, [Canada Infrastructure Bank](#), 23 May 2017.

## 5.4 Governance Respecting the Canada Infrastructure Bank

According to the Bank's enacting legislation, its president would be appointed by the Governor in Council to hold office during pleasure for a term that the Governor in Council considers appropriate.<sup>26</sup> The fact that the government can terminate, remove or suspend the President of the Canada Infrastructure Bank in this way has raised concerns among some witnesses and members of our committee over the independence of the President of the Crown corporation with respect to the government. Tiff Macklem told our committee that to be effective, the Infrastructure Bank will need to have a clear mandate and enough operational independence to attract the best infrastructure talent and produce expert project assessments.

To strike the right balance between the public interest and the independence required to properly fulfill its mandate, Mr. Macklem believes that the governance structure of the Canada Pension Plan Investment Board would be a good model. Pursuant to the *Canada Pension Plan Investment Board Act*, the Board's chairperson is appointed by the Governor in Council "to hold office during good behaviour for such term as the Governor in Council deems appropriate."<sup>27</sup> It is important to note that this legislation also provides that the Governor in Council may nonetheless remove the chairperson for cause.<sup>28</sup>

Mr. Tremblay, in contrast, believes that the Bank would be very independent and would decide which projects to be involved in while still having an ongoing dialogue with the government. He said that this is essentially the same approach used at other Crown corporations.

### RECOMMENDATION 7

**That the Government of Canada ensure the independence of the chairperson and the board of directors of the Canada Infrastructure Bank by drawing on Canadian and international best practices in governance.**

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<sup>26</sup> Bill C-44, Division 18, clause 8(3), Canada Infrastructure Bank Act.

<sup>27</sup> [Canada Pension Plan Investment Board Act](#), section 12(1).

<sup>28</sup> [Canada Pension Plan Investment Board Act](#), section 12(2).

## CONCLUSION

Given the public infrastructure gap in Canada, estimated to range between \$200 and \$1,000 billion<sup>29</sup>, and the limited fiscal capacity of the provinces and municipalities, the witnesses generally agreed that the Government of Canada is right to invest in infrastructure. Nevertheless, they did not all agree on the scale and the type of the investments the federal government should make.

However, it is vital that these investments – which total over \$180 billion over 12 years for the federal government alone – meet their two stated objectives: to create good well-paying jobs and to deliver sustained economic growth, although other objectives were discussed regarding quality of life and productivity. These Infrastructure spending must be based on sound planning decisions and have demonstrable concrete benefits.

The government must be transparent, accountable and predictable, and release its data on infrastructure projects to the public. It must show prudence in establishing the Canada Infrastructure Bank. Finally, if it wishes to achieve the economic growth objective it set for its infrastructure spending, the government must fund appropriately targeted projects.

As stated in its first report, our committee believes that the Government of Canada must develop a long-term national infrastructure strategy with clear priorities, concrete targets and specific performance measures. This strategy should also take into account municipal, provincial and territorial priorities.

As the government moves forward with its multi-billion dollar infrastructure plan, our committee will be monitoring how it spends funds on its stated objectives for this infrastructure funding program. Our committee will also monitor the operation of the Bank's governance model. When done well, infrastructure can create lasting benefits by building healthy communities, enhancing prosperity and productivity in Canada, and laying the foundation for the future.

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<sup>29</sup> Senate, Standing Committee on National Finance, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 February 2017



## APPENDIX 1 – WITNESSES WHO APPEARED BEFORE THE COMMITTEE

### **Caisse de dépôt et placement du Québec**

Michael Sabia, President and Chief Executive Officer  
Macky Tall, Executive Vice-President, Infrastructure  
(15-02-2017)

### **Fraser Institute**

Charles Lammam, Director, Fiscal Studies  
(03-05-2017)

### **Infrastructure Canada**

Jean-François Tremblay, Assistant Deputy Minister, Infrastructure and Communities  
Darlene Boileau, Assistant Deputy Minister, Corporate Services and Chief Financial Officer  
Marc Fortin, Assistant Deputy Minister, Program Operations  
Glenn Campbell, Assistant Deputy Minister, Infrastructure Finance and Investment, Canada  
Infrastructure Bank Transition Office  
Alain Desruisseaux, Director General, Strategic Policy and Priority Initiatives  
(16-05-2017)

### **Office of the Parliamentary Budget Officer**

Jean-Denis Fréchette, Parliamentary Budget Officer  
Peter Weltman, Senior Director, Costing and Program Analysis  
Jason Jacques, Director, Economic and Fiscal Analysis  
(03-05-2017)

### **Privy Council Office**

Matthew Mendelsohn, Deputy Secretary to the Cabinet, Results and Delivery  
Francis Bilodeau, Assistant Secretary to Cabinet, Results and Delivery  
(16-05-2017)

**Ryan Gibson**, Libro Professor of Regional Economic Development, School of Environmental Design  
and Rural Development, University of Guelph  
(03-05-2017)

**Tiff Macklem**, Dean, Rotman School of Management, University of Toronto  
(14-02-2017)