Public Service Alliance of Canada
Alliance de la Fonction publique du Canada

PSAC submission regarding Division 18 – *An Act to establish the Canada Infrastructure Bank* of Bill C-44, *An Act to implement certain provisions of the budget tabled in Parliament on March 22, 2017 and other measures*

to the

House of Commons Standing Committee on Finance

May 2017

The Public Service Alliance of Canada (PSAC) is the largest federal public sector union, representing more than 180,000 people from coast to coast to coast. While the majority of PSAC members work for the federal government and its agencies, PSAC also represents workers in the private sector, in territorial governments, and in the broader public sector including universities.

The proposed Canada Infrastructure Bank

PSAC is concerned that the proposal set out by the government for the Canada Infrastructure Bank (CIB) will double the cost of much-needed new investments, place important decisions that affect the public behind closed doors, and erode the quality of the services that the CIB is meant to invest in. While we urge the government to pursue ambitious plans to invest in Canadian infrastructure, we recommend public financing as the most prudent and responsible way forward.

Private financing will double the cost of infrastructure projects

The federal government can borrow at exceptionally low rates, which is a strong advantage when tackling big infrastructure projects over the next decade. It is unclear why we would squander this advantage by relying on private financing, which requires returns at much higher rates. While the federal government can borrow at rates as low as 2.2 per cent over 30 years[1i], private financiers expect returns of at least 7 to 9 percent[2]. That is a significant difference, and it will have a huge impact on federal budgeting in the future.

Using this higher-cost private finance could more than double the interest costs of infrastructure projects. One scenario pegs this amount at $153 billion more during a project's life span than if the government borrowed directly at 2.5 per cent[3]. That is equivalent to $5 billion more per year. The primary beneficiaries of these added costs are private investors, not the users of the service or the wider public.

There are also significant added transaction costs with private financing, including fees paid to lawyers, financial advisors, accounting firms and other consultants. Based on previous examples of public-private-partnerships, these can be double what we would see in the public sector[4].

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[1] *Ali Khan and Bartlett, 2017. Where were they going without ever knowing the way? Assessing the Risks and Opportunities of the Canadian Infrastructure Bank.*
[2] *Sanger, 2017. Creating a Canadian infrastructure bank in the public interest.*
[3] *Ibid.*
[4] *Ibid.*

Lack of transparency and accountability in project bidding and management

The current legislation does not include sufficient safeguards and checks to prevent conflicts of interest and ensure responsible management of its budget. Given the projected budget of $35 billion, this is a recipe for significant mismanagement and risk. The legislation does not include adequate whistleblower protection, and important project details and contracts may be treated as confidential business documents. To address these issues, the appropriate safeguards must be put in place. These are:

- Enhanced whistleblower protection
- Public disclosure of contract details and agreements
- Public third party objective project planning and analysis based on credible, evidence-based analysis.

Private control of public projects

A consistent concern with public-private partnerships is that key decisions rest with private firms, even though it is a question of public investment, publicly generated assets, and public services. During a project's lifespan, cost overruns and missed deadlines are as common in public-private-partnerships as they are in public projects. These situations can impact the expected revenue of private investors and create situations where decisions are not made in the public interest; for example, putting in place user fees and cutting back services.

Given the scale of projects envisioned for the Canada Infrastructure Bank, Canadians should retain the utmost control to ensure that these projects continue to benefit the public, and new hidden fees, costs, and cutbacks are not forced on the public. It's not clear this is possible under the current proposal.

Public financing and public control are a better approach

There is certainly a need to invest in public transit, green infrastructure, social services like universal childcare, and in rural and northern communities. But new infrastructure investments must be guided by fiscal prudence and an unwavering public commitment to excellence in planning and delivery. The proposed private financing as laid out in the Canada Infrastructure Bank (CIB) meets none of these criteria.

The CIB as outlined in this legislation has the potential to significantly increase overall costs to taxpayers while privatizing the most high-return, low-risk infrastructure assets[5]. We are concerned that this advantages only the most profitable projects with the lowest risk, and does not respond to public needs or

[5] *Ali Khan and Bartlett, 2017.*

what is best for the public good. Why would we take our most valuable assets and sell them to the private sector?

For these reasons, we recommend low-cost public financing for large infrastructure projects, accompanied by a robust set of safeguards to ensure transparency and project delivery in the public's interest.
