

Intelligence MEMOS



From: Bert Clark
To: The Hon. Amarjeet Sohi, Minister of Infrastructure and Communities
Date: February 3, 2017
Re: **WHAT SHOULD YOUR INFRASTRUCTURE BANK LOOK LIKE (PART 2)**

In recent years, a consensus across political parties and levels of government has emerged around the need for major investments in public infrastructure. The recently announced Canadian infrastructure bank could play a major role helping renew Canadian infrastructure. In my [previous Intelligence Memo](#), I noted the role the bank could play on large complex projects - with and without user fees. There is another area where the bank could play a role and that is by financing smaller projects designed to address deferred maintenance.

Many federal, provincial and municipal projects have serious “state of good repair” deficits. Capital budgets are easy to cut in the short term because the immediate consequences are small. And almost all public assets have suffered from this fact over the last few decades. Unfortunately, poor asset management is extremely expensive in the long run and the cumulative impact of underfunding is often unreliable public service (e.g., disruptions to public transit service or closure of affordable housing units).

One important way the bank could help encourage municipalities address “state of good repair” deficits is by making long-term, low-cost loans available to encourage them to undertake that work. Most smaller municipalities do not have access to long-term affordable financing given the size of their borrowing needs. By making loans to municipalities, the federal government would be taking on municipal (or if done through a provincial vehicle, provincial) credit risk. The alternative is that municipalities will not undertake this important work, they will request federal or provincial grant programs for state of good repair work, or they will continue to borrow through provincial borrowing agencies that have costs that are significantly higher than what the federal government could provide.

Whether it is delivering a project itself or funding or financing a project to a material extent, the bank ought to ensure that rigorous procurement procedures are followed. The most important of these practices relate to fair, open and transparent procurement processes. Sole source transactions undermine the most powerful tool governments have to ensure prices are as low as they can be: the creativity of multiple teams in the bidding process.

While the concept of unsolicited proposals gets talked about often in academic environments, in the context of actual large public projects where the planning and regulatory approvals stage is long and projects often evolve considerably during this period, there are often limited benefits to the concept of unsolicited proposals. In fact the concept can be distracting. The government would be better off simply streamlining the planning and regulatory processes and bidding all projects out.

Bert Clark is former President and CEO of Infrastructure Ontario and now CEO of Investment Management Corporation of Ontario.

To read Part 1 of this Intelligence Memo, [click here](#).