

## Infrastructure agency insight needed for mega projects

by Angela Gismondi Sep 15, 2016

A new report suggests the establishment of an advisory agency is needed to inform the federal government about big decisions for large-scale infrastructure projects across Canada over the next decade.



"The really important point of the report, the key, is to recommend this idea of the 'centre of excellence,' that brings together the idea of project evaluation support with project delivery support and project financing advising," said author Matti Siemiatycki, a University of Toronto associate professor of geography and planning.

"It's really those three key functions, bringing those under the same roof and creating a national institution that can provide support across the country...to all levels of government as well as First Nations. That's really, I think, where the power of the idea of that agency lies."

The report, Implementing a Canadian Infrastructure Investment Agency (CIIA), was commissioned by the **Residential and Civil Construction Alliance of Ontario (RCCAO)**. In it, Siemiatycki explains that over the next 10 years, the federal government plans to deliver \$120 billion in infrastructure funding to boost the economy. He recommends an arm's-length agency be formed to provide advice on allocating funding for the country's mega projects.

The report is a follow-up to the February 2016 report Creating a Canadian Infrastructure Bank, also commissioned by the RCCAO.

Andy Manahan, executive director of the RCCAO, said the organization commissioned the first report as a result of the Liberal government's announcement that it planned to establish an infrastructure bank.

"It had been on the RCCAO's agenda for quite some time," said Manahan. "It was something we thought, as a concept, made sense to look into."

In April, Siemiatycki presented the first report at an Institute on Municipal Finance and Governance roundtable discussion with 30 participants. "We did receive a lot of positive feedback as well, but there were questions...around the institutional arrangement across Canada and how the bank would fit into that," said Manahan.

The follow-up report focuses on guiding the formation and implementation of the CIIA and Siemiatycki provides a variety of options for doing so. One of his recommendations states that the CIIA would play an advisory role with no decision-making capacity. Others include developing standard evidence-based project evaluation tools to assess mega projects with capital values of \$100 million or more by private/government backers seeking federal funding, and creating high standards for transparency, accountability and capacity building.

He said the report responds to an assessment of where the challenges lie in the Canadian infrastructure landscape. According to Siemiatycki, the Canadian governments have three key problems: how to effectively select infrastructure projects (the most significant projects that are going to deliver the best public benefit with limited resources); how to deliver projects effectively once they have been selected; and how to pay for all the infrastructure being built while making sure that capital and operating costs are covered.

"What the agency does, it creates a central hub under one roof to respond to those challenges and co-ordinate the federal government's role in these activities," said Siemiatycki.

The evaluation process would play a big role in the agency.

"The way I have structured this is the agency would provide evaluation support — they would create frameworks or tools that applicants for federal funding would use to evaluate their projects to make sure we're doing rigorous evaluations," said Siemiatycki. "The agency is best placed, with their technical expertise and independence, to be able to evaluate those and provide a recommendation on whether they meet the standard."

The agency would be targeted for large projects, over \$100 million. According to the report, at any given time in Canada, there are between 250 and 350 public- and private-sector-initiated infrastructure projects with capital values over \$100 million that are in various stages of planning and delivery.

"For these big projects, you need democratic oversight in our system and the way that the democratic oversight comes in is from our politicians," said Siemiatycki. "The agency, as I'm constructing it, is advisory in that it will review the technical evidence that is put forward and

make recommendations that are made public and then ultimately, the politicians at different levels of government will decide if they want to proceed."

Siemiatycki pointed out that borrowing money is not the issue as there is no shortage of investors that will lend the Canadian governments money, whether it's at the federal, provincial or municipal level.

"The key hurdle that our governments have is not borrowing money, it's paying the money back," said Siemiatycki. "There are lenders out there...that will lend Canadian governments money that they can allocate to infrastructure. The issue that the governments at all levels are struggling with is what revenue sources they're going to use to pay the money back."

Based on what he's seen with similar models in Australia and the United Kingdom, the CIIA would have to be independent from direct government intervention so that it could provide unbiased advice.

"I looked to Australia in particular because they have a federal system," said Siemiatycki. "You can see how a national agency can serve as a co-ordinating body without intervening into the responsibility of their subnational governments. I think in Canada, that's critical. "

He noted there is no interest in having the federal government pick which projects to build.

"Their role is to encourage all of the governments who apply for big grants, big projects, if they want federal government money, (they have) to screen their project through a rigorous evaluation process that's then examined by an arm's-length, neutral body to make sure we are spending money in the best places," he explained.