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• (1110)

[*Translation*]

The Chair (Mr. Peter Schiefke (Vaudreuil—Soulanges, Lib.)): I call this meeting to order.

Welcome to meeting no. 69 of the House of Commons Standing Committee on Transport, Infrastructure and Communities.

Pursuant to Standing Order 108(2) and the motions adopted by the committee on Tuesday, February 14, 2023, and on Thursday, May 4, 2023, the committee is meeting to discuss its study on the role of McKinsey & Company in the creation and the beginnings of the Canada Infrastructure Bank.

Today's meeting is taking place in a hybrid format, pursuant to the House Order of Thursday, June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

[*English*]

I wish to inform all members before we begin that all of the witnesses have been sound-tested for the benefit of our interpreters and have passed the test.

Colleagues, we have a number of witnesses appearing before us today. From the advisory council on economic growth, we have Mr. Michael Sabia, member. As an individual, we have the Honourable Lisa Raitt, co-chair of Coalition for a Better Future. As an individual, we have Mr. Patrick Brown, the mayor of Brampton, joining us by video conference. From the Canadian Union of Public Employees, we have Diane Therrien, senior research officer, also joining us by video conference.

Welcome to all.

We will begin today with opening remarks from Mr. Sabia.

I'll turn the floor over to you, Mr. Sabia, for five minutes.

Mr. Michael Sabia (Member, Advisory Council on Economic Growth): Mr. Chair, I'm fine. I don't have any opening remarks.

The Chair: Thank you very much, Mr. Sabia.

We'll now turn it over to Ms. Raitt.

Ms. Raitt, you have the floor for five minutes, please.

Hon. Lisa Raitt (Co-Chair, Coalition for a Better Future, As an Individual): Thank you very much, Mr. Chair.

I'm delighted to be here with you all today. As you may be able to tell, I am not in an office. I actually thought that once I left Parliament it would no longer ruin family vacations, but here I am,

talking to you from Marseilles, France, on a cruise ship. Thank you very much for the opportunity to talk to you today about one of my favourite topics, which has to do with my time in Parliament.

Mr. Chair, I will be short in my remarks as well.

I have taken a look at the topic of the meeting. The meeting is on the role of McKinsey & Company in the creation and the beginning of the Canada Infrastructure Bank. My opening statement will be about my time in Parliament, which was from 2015 until 2019, and before that as a member of the government from 2008 to 2015.

The record will show, and Hansard will show, that as a member of Her Majesty's loyal opposition, I voted against the creation of the Canada Infrastructure Bank. From my perspective, there was a perfectly good Crown corporation that was reporting to the finance minister, known as PPP Canada, which administered the P3 Canada fund.

Since that time, there has been \$1.3 billion in 25 large or complex infrastructure projects facilitated by this fund. I'll give you a few examples—transit in Barrie, Edmonton, Montreal, Saskatoon and Calgary; clean energy in Kokish River and in Surrey; water treatment in Alberta in a number of different places; and housing renewal in Downtown Eastside, Vancouver.

This was a successful Crown corporation that, as I said, reported directly to the Minister of Finance and actually had the knock-on effect and impact of P3 projects and offices being set up in the provinces across the country in order to facilitate smooth working amongst provinces and the federal state. In fact, it was a success. In 2011 Jim Flaherty was named minister of the year by an Infrastructure Investor publication as a result of the creation of this fund.

In 2015, with the success of the Trudeau government coming to power, PPP Canada was no longer going to be in place, for lack of a better term. The Crown was dissolved. In response to that period of time, I believe we saw, or at least I saw when I was still in Parliament, a loss of time when dealing with infrastructure projects. To give you a snapshot, between 2018 and 2023 this loss of time has seen changes in P3s going from Finance or something like it to now reporting to Infrastructure. Ministers have changed four separate times since its inception. It was given its own ministry for a period of time, but now it's back with Intergovernmental Affairs.

I would just say that, in your deliberations, Mr. Chair, governance and structure and focus are very important when it comes to delivering in Crown corporations. I believe a lot more could have been accomplished in the period of time since 2015, and with the same outcomes, through the vehicle of PPP Canada with, of course, the change in mandate that is the right of the government that won in 2015.

Thank you very much. Those are my opening remarks. I'm happy to answer any questions.

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

Next, we have Mr. Brown.

Mr. Brown, the floor is yours. You have five minutes for your opening remarks.

Mr. Patrick Brown (Mayor of Brampton, As an Individual): Thank you.

Let me say, first of all, that it's great to be here on a panel of such distinguished guests. The Honourable Lisa Raitt was, I think, one of Canada's finest transport ministers. It's so great to be back before this committee.

I'll note that I got a summons to attend this committee. There was no summons needed. I'm happy to share how the Canada Infrastructure Bank has benefited the city of Brampton, and I brought notes from our Brampton Transit department.

I'll tell you why we were very interested in the Canada Infrastructure Bank. One of our finest residents in Brampton was former premier Bill Davis, who, sadly, passed away a few years ago. He created Ontario's first environment ministry. We've always taken our responsibilities under climate change seriously because it's in our DNA in Brampton. We set out a plan to reduce greenhouse gas emissions by 80% by 2050 in our city. With any climate change plan, everyone has good intentions, but how to hold yourself accountable for that plan and how to find the finances to deliver on that plan are always challenges.

We looked at where we have a large source of emissions. It is the transportation sector. We've been struggling with how to deal with that as Canada's fastest-growing big city. We have the fastest-growing transit system in Canada right now. Unfortunately, if we continue with the status quo, we're going to see emissions skyrocket, and that's not consistent with our own plan, or with Canada's environmental aspirations either.

We have an agreement with the Canada Infrastructure Bank. We're very grateful for the support of \$400 million to allow us to have all our buses become electrified. This will save 57,000 tonnes of greenhouse gases. In other words, that's 12,396 passenger vehicles off the road each year. It's a quieter and more comfortable ride for transit users and lower maintenance costs. Because of this agreement.... We would never have had the financial capacity to purchase an entirely new fleet of buses. As one of our traditional diesel buses meets the end of its life, we're now, for every single one, purchasing an electric one. We would not have had that financial capacity. Municipal resources are limited to property tax dollars.

We know that, long term, this is a fundamentally important change for the city, and I would suggest that every city will go this way. Right now, Brampton and Ottawa are in a race. Who's going to be the first to have a fully electrified transit fleet? I believe that, at one point, we're going to see every big city with an electrified transit fleet, so this is critical. I think it is the way every big city needs to go.

The way the agreement works with the Canada Infrastructure Bank is.... This is not a grant to the city. It's a loan, and we pay back the loan based on the savings of fuel. I thought it was a clever way to use the additional financial capacity of the federal government and allow municipalities to transition to this format.

I only have praise for how the Canada Infrastructure Bank has been able to help the city of Brampton with a fundamental transition, and I want to say thank you. I hope this is an example of how the Canada Infrastructure Bank has been very helpful to municipalities. A lot of governments are not able to meet their outlined goals and emissions targets. Sadly, that's been the case in Canada for too long. I look at what we're doing right now in Brampton. We're actually going to meet our city's emissions reduction targets, and this is a huge component of it.

Thank you for having me here today. I brought all of my notes from our transit department, if you have any questions.

• (1115)

The Chair: Thank you very much, Mayor Brown.

Next, and finally, we have Diane Therrien.

We'll turn it over to you for your five-minute opening remarks.

Ms. Diane Therrien (Senior Research Officer, Canadian Union of Public Employees): Thank you very much, Mr. Chair and members of the committee, for having me here today.

CUPE has been keenly involved and interested in the development and implementation of the Canada Infrastructure Bank. I know this committee has previously resolved that the bank should be abolished, but we approach with cautious optimism how it might perhaps be reformed.

CUPE's been consistent in its support for a public infrastructure bank that provides low-cost loans to local governments to finance new public infrastructure and strengthen their communities. The recommendations that CUPE submitted back in March provide suggestions for how to create a truly public bank with public interest at the forefront of its mandate.

During the 2015 federal campaign, the Liberals proposed the creation of a public bank with the mandate to provide those low-cost loans for local government. The original vision of the CIB was in response to the massive infrastructure deficit faced by local governments across Canada, which is over \$52 billion in Ontario alone. Municipal and other local governments, as we've heard, have very limited budgets and routinely turn to senior levels of government for assistance in funding or financing major capital projects.

The idea of a CIB that would provide low-cost loans was a welcome one. A public bank to help communities fund their many infrastructure needs is crucial, and there are examples of public banks in countries such as the Netherlands, Germany, Finland and Norway—I could go on. These banks have been successful because they have remained committed to the core mandate of financing public development, sustainable infrastructure and ensuring public good.

There was concern when McKinsey was hired to provide advice about the CIB, and those fears were realized when it managed to convince the federal government to divert the bank from its original proposed purpose. After McKinsey's and its affiliate BlackRock's involvement in the development of the CIB, there was a major shift in mandate. The objective shifted to focus on leveraging private capital to finance infrastructure projects, and to invest and seek to attract investment from private sector investors and institutional investors, which would supposedly generate revenue. We know now, five years in, that the bank has failed to achieve these objectives.

In our democracy, it is vital that consultants should not be influencing policy. There have been other hearings about McKinsey and its extensive government contracts, which I will not delve into today, other than to remind the committee that the interests of McKinsey are not the interests of Canadians. Rather, McKinsey is interested in increasing value for its shareholders. The same is true of BlackRock, which played a large part in lobbying the government to change the original mandate of the CIB.

A real public infrastructure bank should provide low-cost financing to municipalities and local governments, and it must be accountable and transparent. McKinsey's focus on revenue generation for public infrastructure will likely mean user fees and charges, and a mandate to attract investment from private sector investors is really a way of codifying a mandate to privatize public assets.

The CIB has not reached its target of attracting up to five dollars of private financing for every public dollar. It hasn't even been able to maintain a 1:1 ratio.

We have seen the rejection of the attempts to privatize in municipalities like Mapleton, which refused to outsource the construction and operation of their municipal wastewater treatment plant back in 2020. It's important to remember that consultants hired to do service reviews are not the experts in municipal infrastructure or government service delivery.

McKinsey, which has received at least \$116.8 million in federal contracts since 2015, operates under the direction of its shareholders council, which is another name for a board of directors. That its top governance structure is called the shareholders council reaf-

firms the fact that McKinsey, like other major consulting companies, is working primarily for the benefit of its shareholders.

Examining the role of McKinsey in the creation and development of the CIB makes it clear that diverting from the original proposed vision of the public bank was a mistake, and that the influence of McKinsey and BlackRock over what became the CIB's mandate was never truly in the best interests of Canadians or our communities. McKinsey, again, is not accountable to the residents of Canada but to its shareholders. Its advice, therefore, should not be taken in good faith, given the historical and ongoing criticisms of how such firms have undermined public services and advocated for the privatization of public services.

The primary benefactors of the CIB must be municipalities and local governments in Canada and the residents across our country who have been waiting for major infrastructure projects to improve their quality of life and their communities. Unfortunately, this has not been the case with the CIB, and the government's overreliance on multinational firms like McKinsey has been part of the problem.

CUPE knows, through an inquiry to the ministry, that at least three other consulting firms have been given contracts by the federal government as part of the five-year review of the CIB. The infiltration of government by multinational consulting firms has been a rising problem since at least the 1980s.

CUPE, as the largest union in Canada with members in all sectors, including municipal infrastructure, has a vested interest in seeing the CIB transform and succeed.

● (1120)

We made recommendations to that effect: The CIB must change its core mandate and reorient back towards a truly public model, wherein the beneficiaries are citizens, community members and Canadians across the country. The CIB also must be more transparent and its governance more representative, including having board members from municipal and local governments, the labour movement, civil society and infrastructure users. The CIB must also advance truth and reconciliation through meaningful ongoing relationship building with indigenous communities and make sustainability a requirement for CIB funding, ensuring that climate mitigation and adaptation are included in all funded projects.

To conclude, the CIB, as such, has failed to meet its objectives, and McKinsey's and BlackRock's advice prevented the CIB from becoming a truly public bank. Multinational consultancies like McKinsey, again, are accountable to their shareholders and not to the Canadian public, thus they have no real reason to prioritize the very real needs of community infrastructure. McKinsey and other consultancies are notorious for providing advice to governments that undermines the work of the public service and seeks to continue down the neo-Liberal path of privatizing those public services.

CUPE encourages the committee to revisit the original proposal for the CIB, which would provide low-cost financing for new infrastructure projects. There are models of successful public banks around the world that we can turn to for guidance. We simply need to choose to take a path forward that is bold, innovative and results-driven, and that places the people and communities of Canada at the forefront of any decisions.

Thank you, Mr. Chair, for your time. I'm happy to answer any of the questions of the committee.

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

We'll begin our line of questioning today with Dr. Lewis.

Dr. Lewis, the floor is yours. You have six minutes.

Ms. Leslyn Lewis (Haldimand—Norfolk, CPC): Thank you, Mr. Chair.

My first line of questioning is going to be for Mr. Sabia.

Mr. Sabia, you sat on the advisory council from 2016 to 2017. I understand the council was instrumental in providing advice to the bank. Is it fair to say that you had a good understanding and knowledge of the design and construction of the bank as an advisory council member?

Mr. Michael Sabia: I think we need to pull back a little bit here and think about the role of the growth council overall. The growth council, to the best of my recollection, was intended to be a source of additional ideas to the government to address a big challenge that faced Canada at the time and that continues: to enhance Canada's potential rate of economic growth, particularly on a per capita basis. The role—

• (1125)

Ms. Leslyn Lewis: Was that what the deep-dive infrastructure agency was about, Mr. Sabia? Does that tie in to your answer there?

Mr. Michael Sabia: Yes, it certainly does because growth is about the combination, as you know, of labour force growth and productivity, and infrastructure is an indispensable part of improving Canada's productivity. Now it requires other things as well, but infrastructure is an important piece of it.

My point here is—

Ms. Leslyn Lewis: Thank you, Mr. Sabia, for the answer. I have very limited time. You did answer the question sufficiently. Thank you.

You were also president and CEO of Caisse de dépôt et placement du Québec, CDPQ, from 2008 to February 2020 while you sat on the advisory council, the council that provided advice and rec-

ommendations to the bank. You had both positions at that same time. Is that correct?

Mr. Michael Sabia: My employment was being the CEO of Caisse de dépôt et placement du Québec. On a volunteer basis, I accepted to participate in the work of the growth council.

Ms. Leslyn Lewis: Wonderful.

That knowledge of the creation of the bank actually paid off because the very first investment the Canada Infrastructure Bank made after its creation was in the amount of \$1.28 billion, which was awarded to a project run by the institutional investor that you were president and CEO of at the time. Is that correct?

Mr. Michael Sabia: Yes, but those two things are completely unconnected.

Ms. Leslyn Lewis: They may be, but do they not look like a conflict of interest to you, sir?

Mr. Michael Sabia: No, they don't.

Ms. Leslyn Lewis: During the time with the Quebec pension fund, did you engage in contracts with McKinsey?

Mr. Michael Sabia: We did use McKinsey from time to time at CDPQ. I think we did, yes.

Ms. Leslyn Lewis: Let me refresh your memory. In fact, during the time as president of the pension fund, your organization awarded contracts to McKinsey.

Do you recall the value of those contracts?

Mr. Michael Sabia: I'm sorry. I don't.

Ms. Leslyn Lewis: Were any of those McKinsey projects in relation to the CDPQ Montreal REM light rail project?

Mr. Michael Sabia: I do not recall precisely, but I think not, although I could be corrected on that.

Ms. Leslyn Lewis: Let me jog your memory. An access to information request, in fact, showed that McKinsey was awarded \$6.5 million in contracts between 2019 and 2021.

Does that refresh your memory, sir?

Mr. Michael Sabia: Yes, but that doesn't necessarily mean it was involved with anything to do with the REM. Those would have been broader sets of contracts that we would have issued that could have been for a whole variety of things. As you know, CDPQ manages a portfolio today of over \$400 billion of assets invested around the world. The activities of CDPQ are very extensive and touch a full range of asset classes. That number doesn't necessarily imply any particular involvement in the REM.

As I sit here this morning, I can't recall whether or not McKinsey was specifically involved in that, but I believe not.

Ms. Leslyn Lewis: That's a fair answer.

When you were appointed chair of the board of the Canada Infrastructure Bank, did you have any concerns about the perceived conflict of interest around engagement with McKinsey by the bank and McKinsey actually benefiting from the deep understanding of the CIB, and by extension benefiting McKinsey clients, one of which would have been the organization you were CEO of, the CDPQ?

Did you have any concerns about that?

• (1130)

Mr. Michael Sabia: No, but wait a second. You don't have the chronology right. When I accepted to chair the board of the Infrastructure Bank, by then I was no longer the CEO of CDPQ.

The Chair: Thank you very much Dr. Lewis and Mr. Sabia.

Next, we have Mr. Rogers for six minutes.

Mr. Churence Rogers (Bonavista—Burin—Trinity, Lib.): Thank you, Mr. Chair.

Welcome to all of our guests today.

I have some questions that I would like to focus on with Mr. Sabia.

The Infrastructure Bank, of course, has not been around very long. I've sat on the transport committee for the last four years, and I've seen some numbers that are encouraging in terms of growth, progress and the number of projects being completed or under way.

Mr. Sabia, for the benefit of the committee and the public at large, can you tell us about your role on the advisory council on economic growth? What were your contributions to conversations surrounding the creation of the Canada Infrastructure Bank?

Mr. Michael Sabia: As I mentioned in response to the previous question, I was asked by the former minister of finance, Mr. Morneau, to join the council, which I accepted, along with about a dozen other people.

We took on this pretty broad challenge of developing some ideas for the government to consider and for the government to elaborate on. These were ideas that could have the effect of boosting Canada's potential rate of economic growth. As you know, particularly at that time, the outlook for Canada's potential growth rate was not very inspiring. It was running at a rate lower than it had been historically in Canada.

Action on the part of the government—all levels of government, not just the federal government—was required and continues to be required to deal with this very substantial challenge that we have as Canadians.

The work of the council was focused on a whole variety of possible levers that governments could use to address this pretty pressing issue. We worked as a group on all of those. The work of the council was subdivided into various working groups, etc. Given my work in the world of investment, my work at the council was focused significantly on issues around investment and how to improve levels of investment in Canada, which continues to be a significant challenge going forward.

Part of that was work on infrastructure because ultimately that is about finding ways to enhance levels of investment to provide Canada with the kind of infrastructure that we need to make our cities more habitable and more efficient, to make transit systems work better and to help us deal with the pressing issues of climate change, etc. There are a whole variety of things where infrastructure can contribute to helping meet many of the challenges facing the country.

That was pretty much the work we did.

You also mentioned, sir, the activities of the bank. We are encouraged, given the hat that I currently wear as the deputy minister of finance for the Government of Canada, that we've seen, really about three years after the start of the Infrastructure Bank, a substantial pickup in the velocity of activity. Now I think the bank has done more than 40 different investments. It has invested something in the order of more than \$9 billion or \$9.5 billion, and it continues to ramp up its level of activity.

After what was—let's be honest about it—a fairly slow start for the Infrastructure Bank, now, under the leadership the bank currently has at both the level of the board, the CEO and the senior executives of the bank, I think we're seeing a Canadian institution really beginning to hit its stride.

Dealing with, for instance, some of the real issues that Mayor Brown referred to, what the bank's doing in Brampton, it's also doing in Ottawa and for the electrification of Quebec school buses—just to stay in the area of transportation. It's doing a lot of other things with respect to improving the climate performance of a steel company, etc. There's a whole range of transactions that it has done. We're beginning to see something that's making a very positive and important contribution to the country.

• (1135)

Mr. Churence Rogers: Thank you very much.

I have a question that I'd like to have on the record.

What role did the Minister of Finance's advisory council on economic growth have on the establishment and the mandate of the Canada Infrastructure Bank?

Mr. Michael Sabia: One idea that came out of the growth council was the idea of the creation of a financial institution that would have the ability to use its capital to enhance the level of investment in infrastructure overall, whether that was working with a municipality, with a steel company or with bus companies, etc.

The Chair: Thank you, Mr. Sabia.

Unfortunately, we're going to have to cut you off there.

Mr. Churence Rogers: Thank you, Mr. Chair.

[*Translation*]

The Chair: Mr. Barsalou-Duval, you have the floor for six minutes.

Mr. Xavier Barsalou-Duval (Pierre-Boucher—Les Patriotes—Verchères, BQ): Thank you very much, Mr. Chair.

Thank you to all the witnesses for being here today.

I will begin with Mr. Sabia.

Mr. Sabia, I would like to know if you were ever consulted in any way, shape or form, when the Canada Infrastructure Bank was set up by the federal government, for example, on how it would operate. I assume that your expertise would have been beneficial to the federal government.

Mr. Michael Sabia: My answer is basically no.

Indeed, I am a member of Canada's Economic Growth Advisory Council. This council makes proposals and recommendations to the federal government. The creation of a financial institution focused on infrastructure issues was one of our recommendations, but we did not play a role in the establishment of the bank. We made a recommendation to the government and they decided to take some of our recommendations very seriously. At that time, the government was responsible for setting up—

Mr. Xavier Barsalou-Duval: Thank you, that answers my question.

At the last committee meeting, we had two partners from McKinsey & Company, Mr. Pickersgill and Mr. Palter. They told us that at the time, McKinsey was involved in the Economic Growth Advisory Council on a volunteer basis. You were also on that council.

Were you aware of any McKinsey & Company people other than Mr. Barton who had been involved on a volunteer basis on that board?

Mr. Michael Sabia: Yes, of course.

Mr. Xavier Barsalou-Duval: What was the nature of your involvement? Were you there to provide information, expertise or advice?

Mr. Michael Sabia: It is important to understand the role of the people at McKinsey & Company. They essentially act as a secretariat, on a volunteer basis. The concepts and suggestions came from the board members. As you know, an advisory board needs a secretariat, and McKinsey played that role. So they have been very involved in our reports and our deliberations.

• (1140)

Mr. Xavier Barsalou-Duval: Is it common for a private company to volunteer to provide tools to decision makers about the political and economic directions a country should take? That seems pretty unusual to me.

Moreover, this same firm ended up picking up juicy and lucrative government contracts. Millions of dollars landed at McKinsey.

Is there a connection to be made between the contracts McKinsey received and its volunteer involvement? Is this a common business practice?

Mr. Michael Sabia: Honestly, I can't answer your question directly.

In my view, as a member of the Economic Growth Advisory Council, McKinsey acted on a volunteer basis. So I personally don't see a connection between its contribution to the council and its business activities. It's normal for a consulting firm to do business, whether it's McKinsey, the Boston Consulting Group, Deloitte or others... As far as I'm concerned, I don't see the connection.

Mr. Xavier Barsalou-Duval: Do you often see consulting firms do volunteer work for the government?

Mr. Michael Sabia: Yes, I do see that from time to time.

What I was able to observe may not have been on the same scale as this activity, but I think McKinsey had the capacity to volunteer for this committee. At least that's what I observed. Dominic Barton, the head of McKinsey at the time, was comfortable offering the time of some of his consultants to support our work.

Mr. Xavier Barsalou-Duval: Do you have any idea what a volunteer activity like this is worth? I guess you're providing resources and staff to the government, getting information. I guess that's a lot of research work.

Mr. Michael Sabia: Unfortunately, I don't know. I can't give you an idea, because I don't have any myself.

Mr. Xavier Barsalou-Duval: All right.

The chair has just signalled that my time is up.

In that case, thank you.

The Chair: Thank you very much, Mr. Barsalou-Duval.

[*English*]

Next, we have Mr. Bachrach.

Mr. Bachrach, the floor is yours. You have six minutes.

Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair.

Thank you to all of our witnesses for appearing today.

It's quite a picture that is being painted by the questioning not only today but at our last meeting. It seems that the Canada Infrastructure Bank is the nexus of this tangled web involving relatively few players, each of which plays multiple different roles at different times.

I think to an average Canadian watching this testimony and trying to understand how conflict of interest was avoided, they would be quite puzzled by how all of these different parties were able to get it coming and going when it comes to infrastructure investments in our country to the tune of billions of dollars.

My question is for Ms. Therrien.

What does she make of the testimony so far today? Should Canadians be concerned about the role that these different corporate players have been involved in when it comes to infrastructure investments in Canada?

Ms. Diane Therrien: Again, I spoke about the overreliance on some of the advice provided by these multinational consulting firms. There are a couple of really good articles and books on it that detail the way that, particularly since the 1980s, there's been increasing involvement of these types of consultancies in ostensibly providing advice to governments. They very seldom will say to increase investment in public services.

I was part of Peterborough city council for eight years and saw some of the consulting firms—KPMG and others—come forward without fail with recommendations to privatize or outsource public services. That was a common theme I heard from municipal colleagues across the province. Sometimes the presentations seemed like they just replaced the city name when they were doing that.

I think there are always grounds for concern when it comes to trying to create something public, in this case a public infrastructure bank, but relying on the advice of folks who are entirely enveloped in the private sector and in profit-making. There are lots of articles out there about the additional contracts of these consulting companies. We can argue whether or not they're related, but the appearance is questionable.

Like I mentioned in my opening statement, CUPE put in an inquiry to the ministry and found out that KPMG, Ernst & Young and Deloitte had been hired as part of doing this five-year review of the CIB. Rather than have public players able to provide advice and feedback about what's worked or not worked for them, we're hiring external consultants who don't really understand the on-the-ground service delivery and what's really needed in communities.

It is a desperate situation. Mayor Brown mentioned that. I was formerly a mayor as well. We know that municipalities are running on fumes when it comes to our revenue generation ability. The reliance on senior levels of government to provide low-cost financing and funding to get these critical infrastructure pieces is very important.

I think that's what should be the crux of this conversation: How do we have this institution, the CIB, transformed or reoriented back towards its mandate, regardless of how we got here? If we want to talk about potential perceived conflicts of interest, then we could spend the next year delving into that. I think the ultimate question is how we ensure that those low-cost loans are making it to the municipalities that are in desperate need for funding into their failing infrastructure.

• (1145)

Mr. Taylor Bachrach: Thank you for that, Ms. Therrien.

Following up on that, there was a report. I believe it was from the Auditor General, that looked into the record of the Canada Infrastructure Bank and the number of projects that had been turned down. These are municipalities that desperately need infrastructure and applied to the bank—because they hear about all of the potential of this funding mechanism—with their vital infrastructure projects and didn't make the cut. One of the primary reasons for not making the cut was that they didn't have a private investor.

What story does this tell about the Infrastructure Bank's model?

Ms. Diane Therrien: Again, I've stated that we strongly believe the model is flawed, and we submitted, back in 2020, recommendations for the five-year review. In March we submitted another paper with five recommendations as to how we can reorient this bank towards servicing the public good, because, again, having a requirement to bring in private finance, we've seen over the five years of this bank, has been a failure.

Moreover, there are numerous examples of P3s. Yes, sometimes they work and can be very good. Other times they provide a big headache and additional costs for municipalities that are already stretched beyond their fiscal means to be able to provide these things, particularly in provinces where we've seen provincial governments download what should be provincial responsibilities onto municipalities. I'm sure Mayor Brown can attest to that as well.

Mr. Taylor Bachrach: We've heard several times from proponents of public-private partnerships that some infrastructure projects lend themselves to private investment and others don't. I've been trying to get to the bottom of what distinguishes these two groups of infrastructure projects. From what I can tell, the private sector is essentially picking off the projects that have the potential to generate returns, leaving other projects to the public sector, those that don't lend themselves to privatization. Is that a fair assessment? How do you distinguish between those two groups of projects?

Ms. Diane Therrien: I appreciate the question, and I think again over the last decade plus, we've seen a lot of that push towards the P3 public-private model. There are examples—I mentioned some of the public banks over primarily in Europe, northern Europe and other places—that place an emphasis on having public-public collaboration. Again we're seeing that the private sector isn't coming forward to invest in these projects. Again McKinsey and the others have the optimistic view of a 5:1 return. They're not even making a 1:1 return. That's really holding that piece up.

To reorient the bank towards providing those low-cost loans to municipalities without having the requirement to have a private partner as part of that is going to be one of the key pieces that will need to be addressed if this bank is to move forward in a good way.

• (1150)

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

Thank you, Mr. Bachrach.

Next we have Dr. Lewis.

Dr. Lewis, the floor is yours. You have five minutes.

Ms. Leslyn Lewis: Thank you, Mr. Chair. My next question will be for Mr. Sabia again.

Mr. Sabia, I imagine you worked fairly closely with Mr. Dominic Barton during the course of the advisory council work you did.

Mr. Michael Sabia: I did, along with the other members, yes.

Ms. Leslyn Lewis: You were chair of the Canada Infrastructure Bank from April 20 to December 20. Is that correct?

Mr. Michael Sabia: It was April 2020 to December 2020. That's correct.

Ms. Leslyn Lewis: I'm sorry. Yes, it was December 2020. Thank you for that correction.

The first thing you did was declare that the current management of the CIB was insufficient to create the strategic framework for the bank, so you needed a high-level, outside-in approach to assist you in creating that framework. Is that correct?

Mr. Michael Sabia: I'm sorry, but I have no recollection of what you just said.

Ms. Leslyn Lewis: Okay. I'm going to try to refresh your memory. I'm going to refer to a memo of April 19, 2020, that's called "Refreshing the CIB's strategic direction". The memo is essentially to you and basically in the memo it says that you were unable to draw from the current management, so you would recommend a "high-level 'outside-in' approach to developing the strategic themes/vectors" of the bank. I can give you a direct quote from the memo if you like. Well, that is a direct quote.

That high-level, outside-in approach was actually hiring McKinsey, so you did hire McKinsey at the outset to help you with this outside-in approach. Is that correct?

Mr. Michael Sabia: Let's stand back. The minister of finance at the time, Minister Morneau, asked me to take over the chair of the Infrastructure Bank because its first three years had been, I would say, quite slow. He asked whether in working with the management of the bank and outside advisers we could accelerate the activity of the bank and, what was called at the time, the growth plan for the bank. That involved trying to bring some more focus and simplification to what the bank was doing and trying to accelerate its processes so that it could step up and turn the corner, as it has now, into a much higher-velocity organization.

Yes, you are correct that in order to do that in the quickest and most economical way, the decision taken at the time was to use some of the people from McKinsey who had been involved in the initial thinking around the Infrastructure Bank, to draw on their accumulated knowledge of this so that we wouldn't have to start from ground zero and would be able to move ahead quickly, which we were able to do. You can see the results now, which is a very substantial turnaround in the pace of activity of the bank.

Ms. Leslyn Lewis: Thank you for that answer.

You drew on McKinsey, and I also understand that you sought strategic advice about the Infrastructure Bank from Dominic Barton himself while he was ambassador to China.

Mr. Michael Sabia: That would have been quite informal conversations between me and Mr. Barton, just simply drawing on the work we had done on the growth council in the past.

Ms. Leslyn Lewis: You may not fully have a recollection of things that happened years ago, but I am going to just refresh your memory. On June 23, 2020, there was a meeting scheduled from 8 a.m. to 9:15 a.m. with you and Dominic Barton. It was not an informal meeting. I'm going to actually read from the memo scheduling it.

The memo from Zak Cutler at McKinsey to Annie Ropar at the bank, dated June 17, 2020, is to set up that meeting involving Dominic Barton, whom they call "Dom":

Dom's calendar has been pretty tight, so [it] looks like this is the only time we could get him. Given he's by himself, we're hoping to limit attendance to a few people. Could we hold attendance at just you and John for this one? It's a bit del-

icate and [I] don't want to offend, but want to make sure Dom is able to speak freely. Let me know if any issues.

You and Dom were pretty close—weren't you?

• (1155)

Mr. Michael Sabia: I've worked with Dominic Barton over the years, both when he was at McKinsey and then when he was Canada's ambassador to China. It's someone I've known over the years.

The Chair: Thank you very much, Mr. Sabia, and thank you, Dr. Lewis.

Next we have Ms. O'Connell.

Ms. O'Connell, the floor is yours. You have five minutes.

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

Thank you to all the witnesses for being here.

Mayor Brown, I want to start with you in regard to the investments the CIB has made in the city of Brampton. You spoke about the buses. I appreciate the amount of GHG emissions that this investment would actually reduce.

One thing I can say is that my colleagues here who represent your community talk often to us and Minister LeBlanc about the infrastructure needs in Brampton, in particular dealing with traffic and congestion. We sometimes joke that we will be on the same flight and I will get to my home in Pickering sooner than they do from Pearson to Brampton. That gives a picture of some of the challenges your community is facing.

An investment like this, of 450 zero-emission buses, is not only helping to get single-occupancy vehicles off the street to help relieve some of that congestion. It's also reducing GHG emissions by an equivalency of 1,200 cars. I imagine that is a pretty significant benefit to your community. In my previous life in municipal politics, \$400 million would have been a significant property tax increase if you'd had to do it all on your own.

Do you have any calculations of how much that would have cost the city without the CIB, or how long it would have taken you to actually move forward with 450 zero-emission buses without the CIB?

Mr. Patrick Brown: I think the short answer is that it would have been impossible. There's no way we would have had the lending capacity or borrowing capacity to afford 450 buses, and 450 buses is our entire fleet. We're doing this properly. We're going to have a fully electrified transit fleet. It's ambitious, but that's the only way we're going to hit our emission reduction targets.

This is a huge component of our goal to reduce greenhouse gas emissions by 80% by 2050. I would say that, for a lot of our climate sustainability plans, we don't have the financial capacities in the municipality to achieve them unless we have this type of collaboration with provincial and federal governments.

I'll just say that in Brampton, we're grateful that we have collaborations right now on the environment with both our federal and provincial partners.

Ms. Jennifer O'Connell: Thank you.

In creating this partnership and in working with the CIB, did you ever have any communications or contacts with McKinsey on this? Did you ever work with them? Did you ever consult with them? Did you have any interaction with McKinsey?

Mr. Patrick Brown: I've never had any interaction with McKinsey in terms of Brampton Transit's partnership with the Canada Infrastructure Bank.

The only time I've ever met McKinsey was when Alykhan Velshi worked there. He worked for Prime Minister Harper, and then moved on to McKinsey. When I was in the provincial arena, we did some work with Alykhan Velshi. I wouldn't say I did not have a positive impression, and I would note he's gone on to work for Huawei and the Chinese government.

That's the only person from McKinsey I've ever met, and it had no relation to Brampton Transit.

Ms. Jennifer O'Connell: Thank you.

These long-term financial loans you spoke about for greening your entire fleet were done with you and the Canada Infrastructure Bank on the merits of the project and the needs of your municipality. You had absolutely no connection with outside consultants or firms like McKinsey in the development of this.

• (1200)

Mr. Patrick Brown: No. I would say this has been an aspirational goal for the city of Brampton. We have a committee that identifies how we're going to achieve our emissions reduction plan. It's a committee of experts and citizens. This was identified as a key component for our plan. It was aspirational that we find a partner with the federal government. We were very relieved and grateful when we had this partnership with the Canada Infrastructure Bank, because—as I said—this is a key component of our local emissions reduction plan.

Ms. Jennifer O'Connell: Thank you.

I find it interesting that your experience with McKinsey was through a former Harper staffer, something that, I think, will shock the Conservatives on this committee.

Thank you for your testimony.

Ms. Raitt, I wanted to chat with you. It's certainly nice to see you. I'm sorry this is interrupting your vacation. I miss our time together on the finance committee.

Your opening statement was interesting, in terms of your support for P3s. I think we could debate which system is more successful or how best to deliver.... I think that's a very healthy debate we could have. In fact, that's not the position Conservative colleagues are taking. Their position is, "Let's just leave the private sector to do all of this."

I was interested in your podcast with Ehren Cory. You spoke about the infrastructure gap and how this is a challenge all govern-

ments are dealing with. Do you think just leaving it to the private sector to build or deal with the infrastructure gap, whatever that delivery is—whether it's P3s or the Infrastructure Bank—is a realistic way to close this gap?

The Chair: Give a 15-second response.

Ms. Jennifer O'Connell: I'm sorry.

Hon. Lisa Raitt: I think that, given what the United States has done in bringing in the Inflation Reduction Act, Canada has to use every lever it possibly has to ensure there is the adequate financing of projects necessary for our economic growth. One of them is government funding. How you do it is going to be up to the government of the day.

The Chair: Thank you very much, Ms. O'Connell.

Thank you, Ms. Raitt.

[*Translation*]

Mr. Barsalou-Duval now has the floor for two and half minutes.

Mr. Xavier Barsalou-Duval: Thank you, Mr. Chair.

Mr. Sabia, earlier you talked about the time when, as president of the Infrastructure Bank of Canada, you gave a contract to McKinsey. You pointed out that the bank was not doing very well at that time; at least, it was struggling to get off the ground. McKinsey was going to help you make that happen. You also talked about why you chose McKinsey, that they had a deep understanding of the bank, of how it worked, of why it was created.

Can you explain where this knowledge came from? How do you think McKinsey was able to acquire this knowledge?

Mr. Michael Sabia: Essentially, McKinsey had done a lot of work around the world on infrastructure issues and how to increase levels of investment in infrastructure. Their experience was not limited to Canada; it was global. With access to that kind of deep expertise, it was a way for us to save a lot of time in finding ways to accelerate the bank's activities.

Mr. Xavier Barsalou-Duval: Did that have anything to do with the creation or the implementation of the Canada Infrastructure Bank?

Mr. Michael Sabia: In my opinion, it was not a determining factor. McKinsey has a very competent infrastructure team.

Mr. Xavier Barsalou-Duval: You were involved in the automated light metro network project in Montreal, the REM, in which the Caisse de dépôt et placement du Québec was basically the prime contractor. That project also received funding from the Infrastructure Bank of Canada.

By the time the federal government's participation was announced, Prime Minister Trudeau had announced a contribution of \$1.28 billion. However, a little later, that \$1.28 billion grant turned into a loan from the Infrastructure Bank of Canada.

Can you explain to me how this contribution changed from a grant to a loan?

• (1205)

Mr. Michael Sabia: I am sure you are aware and understand the nature of REM. It is a very important transit project in Montreal.

To me, it's a good example of the level of investment needed to make transportation more fluid in our major cities. It's comparable—

Mr. Xavier Barsalou-Duval: Mr. Sabia, this is the question I have for you.

How is it that a grant turned into a loan?

The Chair: Unfortunately, your time is up, Mr. Barsalou-Duval.

[English]

Next we have Mr. Bachrach.

The floor is yours. You have two and a half minutes.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

Mr. Sabia, when you were a member of the advisory council on economic growth, were you asked to sign any sort of documents related to conflict of interest?

Mr. Michael Sabia: I believe so, but I'll have to go back and check. That was many years ago, but I believe so.

Mr. Taylor Bachrach: The media reporting that I've seen indicates that every member of the council was required to sign a document committing to avoiding real and perceived conflict of interest.

Does that ring a bell?

Mr. Michael Sabia: I think it would be a normal course of activity, so that's why I say... I don't vividly remember that, given the number of years that have passed, but it would make sense.

Mr. Taylor Bachrach: At the time that you were a member of this advisory council, which was advising the Canada Infrastructure Bank on procurement models, you were also the head of a major institutional investor, the Caisse, which was proposing an infrastructure investment to the bank. Is that correct?

Mr. Michael Sabia: No, that's not correct. That's completely incorrect.

That work at the council was in 2016. The bank hadn't even been created at that point. The bank was created subsequently in the years later by the Government of Canada. By then, the growth council had ceased its work and it was after that—after the creation of the bank, some years further down the road—when CDPQ developed the idea of the REM.

Because part of that project was about utilizing the capital of CDPQ to accomplish a major investment, which attracted capital from both the Government of Quebec and the Government of Canada, the Government of Canada decided that an appropriate vehicle for that investment would be the Canada Infrastructure Bank. However, that suggestion was well past the days of the growth council.

How the Government of Canada decided and chose to participate in the financing of an important transit project in Montreal was en-

tirely the decision of the Government of Canada. It was not a decision of the CDPQ at all.

The Chair: Thank you very much, Mr. Sabia.

Thank you, Mr. Bachrach.

Next we have Dr. Lewis. The floor is yours once again. You have five minutes.

Ms. Leslyn Lewis: Thank you, Mr. Chair.

My question is for Mr. Sabia again.

If we can, let's go back to that meeting of June 23, 2020, which happened from 8 a.m. to 9:15 a.m. To confirm, that meeting was set up while Dominic Barton was still ambassador to China, and he, in fact, attended the strategic work that you initiated when you became chair of the Canada Infrastructure Bank.

Isn't that correct, Mr. Sabia?

Mr. Michael Sabia: Yes. I think that's correct.

Ms. Leslyn Lewis: Zak said in the memo that things were “delicate”. What was so delicate? Was it the fact that Mr. Barton was a sitting ambassador meeting with the chair of the Infrastructure Bank, a Canadian Crown corporation, and that he needed to speak freely about the strategic direction of the bank, as the memo said? Was that what was delicate?

• (1210)

Mr. Michael Sabia: Any reasonable reading of that note you just read out.... It's quite clear that whoever was writing the memo was being careful about not offending people inside the bank. The writer wanted to keep the numbers down to simplify the scheduling of a meeting with the then ambassador to China, who was essentially doing us the favour of providing some of his thoughts as we worked on how we could accelerate the performance of the Canada Infrastructure Bank.

The reference to “delicate” has to do with the person wanting to be careful and not offend any of the employees inside the bank. I don't think there's a conspiracy hiding behind there.

Ms. Leslyn Lewis: Did it not seem...? It may not be a conspiracy, but did it not seem like a conflict to you?

Mr. Michael Sabia: In no way did I see that as a conflict. Absolutely, in no way.

Ms. Leslyn Lewis: The chair of the CIB meeting with the ambassador who helped create the bank—

Mr. Michael Sabia: Chair, how could that possibly be a conflict of interest, when Dominic Barton was simply providing some further thinking to help accelerate our own thinking with respect to...? There's not even the potential for a conflict of interest there. I simply do not understand the question.

Ms. Leslyn Lewis: Did the bank not have sufficient human resources capacity in order to create its own strategic direction? Did it have to go back to Dominic Barton for this?

Mr. Michael Sabia: Look, in the making of policy or in the making of decisions in large corporations or small corporations, you always reach outside. You always want to talk to other people. You always want to gather the greatest number of ideas and perspectives that you can, because the world is a complex place. You always want new ideas, different thinking and different perspectives, because that's how you make good decisions.

It's not as though the institution didn't have capable people. The institution has very capable people, particularly with respect to its leadership.

Ms. Leslyn Lewis: Mr. Sabia, is that why you—

Mr. Michael Sabia: It's always a good idea to reach outside and get different views. That's just good management.

Ms. Leslyn Lewis: Excellent. Thank you for that answer.

Is that why you reached out to McKinsey and engaged McKinsey while you were at the bank as chair? You actually engaged in a fairly high-profile McKinsey summit called the global infrastructure initiative. Was that one of the reasons why you did that?

Mr. Michael Sabia: Those kinds of conferences are opportunities to exchange views, hear different perspectives and gain the benefit of activities going on in other projects in other countries. That's a way of contributing to the global conversation around issues of considerable importance across many countries. It's a way of contributing to that, and it's a way of learning from that.

Again, it's a pretty straightforward activity. It's about getting out, getting ideas and contributing ideas. For Canada, it's about Canada being part of these global conversations on big issues, which is always to the benefit of the country.

Ms. Leslyn Lewis: Those global conversations on big issues, you had quite a few of them in your friendly relationship with McKinsey during the short period of time you were at the bank. Isn't that correct? That wasn't the first time you spoke on a McKinsey panel.

Mr. Michael Sabia: No, but I've spoken on all kinds of panels, whether they're Canadian Chamber of Commerce panels, boards of trade panels, BCG panels....

The Chair: Thank you very much.

Mr. Michael Sabia: I've spoken on all kinds of panels. That's part of what being a senior executive is.

Ms. Leslyn Lewis: I have a point of order.

I am really tired of Ms. O'Connell's personal attacks. Ms. O'Connell just mentioned that I met with a German MP, which I did as part of my job description. She has actually stated before that I am a Nazi sympathizer. I take deep exception to these personal attacks she is spewing, both in committee and in the House. If she's going to do that, I'm going to ask her to say it privately, so I can sue her outside of the committee.

• (1215)

The Chair: Thank you very much, Dr. Lewis.

I'll ask all members to keep side chatter to a minimum, please.

Ms. Leslyn Lewis: I was just asking for maturity, for her to be mature instead of acting like an infant.

The Chair: Thank you, Dr. Lewis.

Next we'll go to Mr. Chahal.

Mr. Chahal, you have five minutes.

Mr. George Chahal (Calgary Skyview, Lib.): Thank you, Chair.

I want to thank all the witnesses for joining us today.

I want to start with Mayor Brown.

Mayor, thank you for joining us and providing your opening remarks. It was quite eye-opening to me, some of the comments you made. As for your ambitious goals in reducing GHG emissions by 2050 by 80%, thank you for your leadership in doing that.

Now, \$400 million from the CIB to electrify buses.... We had Mayor Sohi on last week, who talked about substantial investments to his city. I know my city of Calgary has also seen a substantial investment. If I add all those up, just on electric buses, that's over a billion dollars. I believe those three investments would be more than the previous Harper government's P3 program just on electric buses. That's a substantial investment.

Why did the City of Brampton decide to engage with the CIB?

Mr. Patrick Brown: It would be impossible for us to have the financial capacity to do this on our own, so we reached out to the federal government for suggestions on how we could achieve this. We were referred to the Canada Infrastructure Bank. Our transit department was really excited about this. They view this as a necessity if we want to hit our emissions reduction targets.

I would note that this allows us to purchase 450 zero-emission buses. We've already started with the first 10. I should flag that the only hiccup that we have in this right now is the charging infrastructure. Right now, we have a plan to purchase the buses, and we're in the process of trying to work out funding for the new charging capacity at our new transit terminal. Other than that, it is full steam ahead on what will be transformational for our transit system.

As I said before in my initial comments, I believe this is the way every municipal transit department in Canada is going to go, but when you're changing how you do transit, the initial costs are challenging. Twenty years from now maybe it will be a very different picture, but I think the cost initially when you have a transformation like this, when every municipal transit department is historically dependent on diesel buses, it's a big change.

This was a necessity. I would just note that there is no way we could have done this without the support of the federal government.

Mr. George Chahal: Thank you for that.

Do you feel that the CIB's financing is more accessible compared with grants-based investments through the federal government? I think you answered that, but I want you to clarify that.

Mr. Patrick Brown: I would definitely prefer a grant, but this is an innovative way to fund this transition to electric buses. We started this conversation looking for a grant. It wasn't there, so this was the suggestion, and we were told to look at the Canada Infrastructure Bank, as they're looking at ways to help municipalities with this transformation, so we found a partner. There didn't appear to be infrastructure funding on a grant basis for this type of support.

Mr. George Chahal: Mr. Sabia, I want to move over to you. It's been quite eye-opening. Mr. Cory mentioned the \$27 billion invested in infrastructure across Canada. We know the previous program, the 3Ps under the Harper government, was about a billion dollars. A billion dollars is a lot of money, but it seems like a drop in the bucket compared to \$27 billion invested.

Do you think that without the Infrastructure Bank we could have seen this investment of \$27 billion in Canadian infrastructure from buses to irrigation to energy? Would this have been possible?

Mr. Michael Sabia: That's a very important question. It goes to the heart of what the Infrastructure Bank is about. Other members of this panel have talked about the extent of the gap that exists in Canada and elsewhere around the world in infrastructure. It's somewhere between \$150 billion and \$1 trillion. There's no government that can afford to do all of that, so the notion here is the government provides some funding, often concessionary financing that comes from the Infrastructure Bank. That draws in other people's capital, and then you get to a bigger number. Without that kind of catalytic investment, you would never get to that kind of number.

One other point that I want to make in answer to another comment that was made is that it's important to separate things. The Infrastructure Bank is designed to do certain types of financing in infrastructure, but let us not forget that the Government of Canada announced \$60 billion of more traditional infrastructure. That \$60 billion is designed exactly for the kinds of projects that Madam Therrien is talking about. That is direct financing for municipalities, for provinces, etc., in more traditional types of infrastructure.

It's not like the Infrastructure Bank carries the full burden here. It does not. That's not the way to solve Canada's infrastructure problem. It's partly the Infrastructure Bank, which does specialized financing, and then there's the substantial commitment from the government itself.

• (1220)

The Chair: Thank you very much, Mr. Sabia.

Thank you, Mr. Chahal.

Next we'll go to Dr. Lewis.

Dr. Lewis, the floor is yours. You have five minutes.

Ms. Leslyn Lewis: Thank you.

I'm going to ask Ms. Therrien a question about the way in which she perceives that the bank has moved away from its mandate, its original mandate, and has moved into a relationship that has

changed its mandate from what was created by the advisory council, starting from the advisory council through to its intermingling with McKinsey.

Ms. Diane Therrien: Again, when the current federal government, back in the election period in 2015, floated the idea of the public infrastructure bank, the vision at that point and the stated intention was that the mandate of the bank would be to provide low-cost loans to local governments to finance new public infrastructure and strengthen their communities. That's what was originally proposed back in the platform of the government in 2015.

Again, with the involvement of McKinsey and BlackRock, there was this shift to focus on trying to attract private capital. There was this "pie in the sky" promise that there would be a 5:1 ratio of private dollars coming in to assist with that. We've seen, over the five years, that this has not been the case. In fact, the bank has been struggling to maintain even a 1:1 ratio of public-to-private dollars.

The result of that is that municipalities, as we heard, some of them are being declined for the projects they're applying for, which again is very necessary infrastructure. We all live in places where we know the roads are aging, and all the pipes and underground infrastructure that we can't see needs repair. If projects are not being accepted because they don't have that requisite private partner, that's a problem. Again, even having a private partner, we've seen in different municipalities the issues that can go along with that. Mapleton's a big example of that. There are several others throughout the country.

Again, the main purpose of a public bank is that they have a very public focus. The ones that have been successful, which we see primarily over in Europe but certainly in other countries and continents, do have that. Their guarantees are backed by the municipalities or the countries that are signatories to those public banks. That ensures the funding is flowing directly to the municipalities, to the communities, to those public projects that really need to be financed, without having to go through the hoops of having private investment involved. Then again, CUPE is always concerned, as we should be, about the threat of increased privatization of public services.

Transit's an interesting one. It's great that there's funding coming in to help make transit more sustainable in terms of being environmentally sustainable. Transit systems in North America in particular don't make money. They're never going to make money. They're an essential service that municipalities are bound to provide. Again, if we bring private capital that has an interest in making money into something like transit, they're not going to make money on that. The end result is going to be higher user fees and what we've seen in other cities: cutting hours and cutting the services that people rely on.

• (1225)

Ms. Leslyn Lewis: Thank you for that answer.

I want to pose a question to both Mr. Brown and Ms. Raitt.

The purpose of this study is to look at how the bank started and this knowledge of the bank and McKinsey contracts. You both gave evidence today and it appears that neither of you have any knowledge of the beginning of the bank and its relation to McKinsey contracts. Is that correct?

I'll start with Ms. Raitt.

Hon. Lisa Raitt: You are correct, Dr. Lewis.

Ms. Leslyn Lewis: Thank you.

Mr. Brown, would you also say that the evidence you gave does not really tie into the subject of this study, which pertains to your knowledge of McKinsey contracts at the beginning of the bank? You do not have that expertise. Is that right, Mr. Brown?

Mr. Patrick Brown: No, I cannot speak to McKinsey contracts and the start of the bank. I can only speak to how this Infrastructure Bank has helped the city of Brampton.

Ms. Leslyn Lewis: Thank you, Mr. Brown.

How many minutes do I have?

The Chair: You have about 40 seconds.

Ms. Leslyn Lewis: Mr. Sabia, can you tell me what other engagements you've had with McKinsey over the years, especially while you were with the Infrastructure Bank?

Mr. Michael Sabia: I was only chair of the board of the Infrastructure Bank for a number of months. I believe the only work that was done, that I was aware of at the time, was the work that we've already discussed to help accelerate the bank going forward. To my recollection, that is all there is.

The Chair: Thank you very much, Mr. Sabia.

Thank you, Dr. Lewis.

[Translation]

Mr. Iacono, you have the floor for five minutes.

Mr. Angelo Iacono (Alfred-Pellan, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for being here this morning.

My first question is for Ms. Raitt.

As the former Minister of Labour, Natural Resources and Transportation, you have a lot of experience with federal infrastructure on these issues.

Could you talk about Canada's infrastructure deficit in general and why attracting private investment and having public-private partnerships is critical to addressing these needs quickly across the country?

[English]

Hon. Lisa Raitt: Thank you very much, Mr. Chair. I'd be happy to address the question.

I do agree that there is an infrastructure gap. It's not just in terms of what we need for now and not just in terms of our ports and our airports, which are traditionally what you look at with respect to infrastructure. As governments around the world are making public policy decisions to move to net zero, added investment will also be needed to take on that greater challenge—and it is a huge challenge.

The amount of infrastructure that has to change is actually something that is both breathtaking and mind-blowing at the same time. It's difficult to contemplate how all of this money is going to come from a taxpayer or a ratepayer, because they simply can't foot the bill. [Technical difficulty—Editor] in some of these changes. That is happening and as a result, I do think that the gap that we already have, which continues to widen [Technical difficulty—Editor]. As a result, moving towards a net-zero future is going to have to be addressed by partnerships between the federal government and the private sector.

I'm agnostic on how that is accomplished as a public policy or a tool of the government. I do believe every government has the ability to make its own choices. I just wish and hope that, in making these choices, we don't lose a period of time because the race is on. We have to make sure we keep our focus and our eye on the ball.

I would agree with Mr. Sabia, and I think it's important to note, that we have seen a fundamental change in the Canada Infrastructure Bank in the past three years. It is putting projects out and it does have a very professional team and staff that are capable of doing so. You will see that I have made public comments with respect to that very matter over the past year and a half. As part of my job at CIBC, we do work with the Canada Infrastructure Bank.

[Translation]

Mr. Angelo Iacono: Thank you.

My next question is for Mr. Sabia.

Could you talk about the infrastructure deficit in Canada and why attracting private investment and having public-private partnerships is critical to addressing these needs across the country?

• (1230)

Mr. Michael Sabia: Yes, of course.

As I was saying a few minutes ago, and as Ms. Raitt was saying, there is a very large gap between the need for infrastructure development in Canada and the ability of governments to make the necessary investments to meet that need. This begs the question: how do we make the necessary investments, and do so in a fiscally responsible manner? I'm not just talking about the government of Canada, but also the provinces. Indeed, no government has the financial resources to make all the necessary investments.

That is why it is important to distinguish between projects that, because of their nature, can get specialized financing from an institution like the Infrastructure Bank of Canada, and more traditional infrastructure projects. Those have to be funded directly, either in the traditional way, as I was saying, by governments.

It's a way to better utilize the resources of all governments in trying to address this challenge, which is so important to increasing productivity and, by extension, economic growth in Canada.

Mr. Angelo Iacono: Thank you.

The Chair: Thank you very much, Mr. Iacono.

Mr. Barsalou-Duval, you have the floor for two and a half minutes.

Mr. Xavier Barsalou-Duval: Thank you, Mr. Chair.

My question is for Mr. Sabia.

Earlier, I asked you how a \$1.28 billion grant for the REM turned into a \$1.28 billion loan from the Infrastructure Bank. I asked you that question because I'm guessing it didn't happen overnight. You must have received a call and negotiations took place.

With whom did it happen, and how was the decision taken? How does a grant turn into a loan?

Mr. Michael Sabia: That was a decision made by the government and, indeed, the government informed us of that change.

However, frankly, when I was at the Caisse de dépôt et placement du Québec, the CDPQ, we were quite happy with the government's participation, but it was their decision to make that investment through the Infrastructure Bank. As I said, it was not the CDPQ's decision at all, but it was a reasonable way for the government of Canada to facilitate the development of this transit project, which is very important for the future of Montreal.

Mr. Xavier Barsalou-Duval: Thank you, that answers my question.

Last week, former Minister McKenna appeared before the committee and said that the Infrastructure Bank made its investment decisions independently of the government. I'm still surprised, though, because now you're telling me that it was the federal government which made the decision to withdraw a grant and that it required the Infrastructure Bank to participate in the financing of the REM project.

What does that say about the true independence of the Infrastructure Bank from the government?

Mr. Michael Sabia: That's a good question.

Given the importance and size of this investment, at the time, there was good collaboration between the government and the Infrastructure Bank, because it was just at the beginning of the Bank's operations. I think it was just a way to come to a decision on a large investment to facilitate a large project.

That said, I am not in a position to comment, because I was not there.

Mr. Xavier Barsalou-Duval: The financial structure of your project for the REM must nevertheless have had an impact. A loan comes with interest, whereas a subsidy has no cost. I imagine that, for Quebec taxpayers, this decision by the federal government ultimately had a financial impact.

• (1235)

Mr. Michael Sabia: Given the nature of the financing and the interest rate, it did not have a very significant impact on the financial performance of the REM or on returns to the Caisse's [*inaudible*].

The Chair: Thank you very much, Mr. Sabia.

Thank you, Mr. Barsalou-Duval.

[*English*]

Next, we have Mr. Bachrach.

Mr. Bachrach, the floor is yours. You have two and a half minutes.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

Ms. Therrien, we heard an earlier witness state that taxpayers and ratepayers can't afford to pay for all the infrastructure Canada needs—it might be more of a paraphrase. Does the P3 model let taxpayers and ratepayers off the hook? It sounds like there's free money and that this is really taking a burden off Canadian taxpayers. Does that narrative bear out?

Ms. Diane Therrien: I don't believe so. Again, obviously, everything is tight financially, particularly in municipalities, as you've heard. Their sole real ability to generate revenue is through property taxes. I think we need to be mindful of what people can pay.

Again, the transfer of wealth from senior levels of government down to municipalities is a key component in financing a lot of these capital projects. I would, personally, be an advocate for proper tax reform. It gets people paying their fair share, which can then be transferred down to the communities and people who need it the most.

With regard to P3 models, we've seen and have experience with the fact that, again, it puts municipalities in particular in a precarious situation when they have reliance on these private corporations, if anything goes wrong. We've seen examples of that across the country. There was one in Edmonton where private waste collectors went bankrupt, and then trash wasn't picked up for a couple of weeks until the municipal government and the public works figured out a strategy to do that.

There is a bit of a loss of control when you're overly reliant on that private capital. Again, we haven't been seeing that private capital coming in and being invested at the rates that were promised or speculated by McKinsey and BlackRock at the beginning. Having a public focus on these projects is more efficient, more effective, more accountable and transparent, and ultimately bears better results for communities.

Again, there are billions and billions of dollars in infrastructure deficits. Like I said, it's over \$52 billion in Ontario alone, and that's just one province. We really need to take a hard look at not just what the short-term gains might be but what the long-term issues and long-term losses might be. That's one of the pitfalls of the P3 model that we're aware of.

Mr. Taylor Bachrach: My final question is for Mayor Brown.

I'm curious whether the Canada Infrastructure Bank ever discussed a P3 model for the electric buses. It seems like you have a revenue model. There's a fare box on board the buses. There's a way for the private investors to make back their investments. Was that ever discussed, or was only the conventional infrastructure investment model discussed as part of that project?

Mr. Patrick Brown: Right now, the model that was agreed to is that the savings pay back the cost of the buses. Certainly, I don't think anyone views transit as a revenue tool. Transit loses money, but it is a public good. We subsidize transit. The cost savings are real. I have a number per bus per year.

The Chair: Thank you very much. Could you provide those to the committee in written form, Mayor Brown?

Mr. Patrick Brown: Okay.

Thank you.

The Chair: Thank you very much.

Next, we have Dr. Lewis.

Dr. Lewis, the floor is yours. Once again, you have five minutes.

Ms. Leslyn Lewis: Thank you, Mr. Chair.

My next question is for Mr. Sabia.

The Canada Infrastructure Bank is a taxpayer-funded bank, as you know, so the coziness of the bank with McKinsey creates the impression that there is an actual or even perceived conflict. I'm going to highlight some of the interactions and ask why you believe that the public perception of conflict is not so.

McKinsey provided pro bono research support to the advisory council, which was chaired by McKinsey's global managing partner, Dominic Barton. Then you sat on the council as a member appointed by the minister and as an institutional investor. Then you, Mr. Sabia, headed up the discussions around creating and designing an infrastructure bank. The council then recommended the creation of the Infrastructure Bank. The bank announced its first investment in the summer of 2018, the Montreal light rail project, which your pension fund was running.

To those looking from outside in, it looks like a conflict of interest for you, having benefited from sitting on the council that recommended the bank that then awarded your organization a taxpayer-

funded investment. Can you explain why that perception is not so, or if it is so, why it happened?

• (1240)

Mr. Michael Sabia: It's not so. First off, to just correct something, Chair, that the member of Parliament has said, I was not involved at all in setting up the bank. That was done by the government following the receipt of the recommendations of the growth council and, I presume, internal deliberations within the government. They then set about the work of setting up the bank itself. Just to be clear, I was not involved in that at all. That's point number one.

Point number two is that the decision on the part of the government to participate in the financing of the light rail project in Montreal was, again, a decision in which I and CDBQ had absolutely no role. That was a decision taken by the government in collaboration with the Infrastructure Bank. I am sure, although I wasn't involved, that it was to ensure that the structure of that financing was consistent with the mandate of the bank and that the bank was comfortable, etc.

Again, those are decisions in which I had absolutely no part. Given that, I fail to see how.... There is certainly not the reality of a conflict, and I cannot even see how there could be the appearance of a conflict, if one knows the facts about what happened.

Ms. Leslyn Lewis: Thank you, Mr. Sabia.

Again, you joined the bank in 2020 as chair and, within a month, you signed another contract with McKinsey. That was a sole-source contract that McKinsey got because of their previous deep knowledge about the bank. In addition to that, Dominic Barton participates in that work through a workshop. They helped develop a new strategy for the bank and worked on a growth plan that would fund infrastructure projects with a focus on net-zero targets. That summer you participated in a McKinsey-hosted panel on resetting after COVID in June 2020. That October you announced a \$10-billion growth plan with the Prime Minister that is partially the result of McKinsey's contributions to that plan.

It seems to me that you have quite a history of engagement with McKinsey, because you even joined the bank and then, while you were at the bank, you continued to interact with McKinsey.

All of this is in the context that the bank was created with the help of McKinsey, although not created, as you clarified how it was done. However, McKinsey was informing the creation of the bank from its inception and given what seems like preferential access thereafter to the bank. All the while the bank looks like it's a dud, and it has been in operation for six years with no projects yet completed. This looks like there is some sort of perceived conflict. Can you explain why there is or is not for the public, please?

The Chair: Give a 20-second response, please, Mr. Sabia.

Mr. Michael Sabia: Mr. Chair, I'm sorry. I can't respond to that in 20 seconds, because that's just not the case. Number one, the member of Parliament just mentioned that in six years the bank hasn't accomplished anything. That's simply just not true. The bank, after three years of operation, really did step up the velocity of its activity, as another of the panel, Madam Raitt, mentioned earlier. The bank is up and running, and it is delivering and doing what it needs to do.

I already addressed the question about participating in conferences, which at the time I did as a matter of course for all kinds of different organizations. I have already addressed that.

Absolutely, I just cannot see why the member of Parliament continues to come back on this issue about conflict of interest when there aren't any, either perceived or real. These are independent decisions.

• (1245)

The Chair: Thank you very much, Mr. Sabia.

Finally for today we have Ms. O'Connell.

Ms. O'Connell, the floor is yours. You have five minutes.

Ms. Jennifer O'Connell: Thank you, Mr. Chair.

Again, thanks, everyone, for your testimony.

Ms. Raitt, I want to refer back to a podcast that you did with Ehren Cory. In it you spoke about something that you said was very close to your heart, and that was indigenous equity participation. I think this is really an interesting piece. In particular, you talked about how this can't just be indigenous consultation or not just indigenous permission but an actual equity stake in participation in projects. Traditional infrastructure grants or programs would not really allow for an equity stake of partners, indigenous or otherwise. It's an application: You apply and then you receive money or not.

Can you perhaps speak about why the ability for indigenous equity is important, or other thoughts around that, if you have them? I want to give you some time to be able to speak to that.

Hon. Lisa Raitt: I appreciate the time, Ms. O'Connell.

I, too, would like to say that I miss being on the finance committee with you all, but I don't. That is the truth, and I'm under oath so I have to make sure that I tell you the truth here.

Indigenous representation, indigenous equity participation, in major infrastructure projects in this country is essential. It's crucial and it's something that indigenous partners are asking for and needing.

What I would urge is that the government of the day move faster in this case, because they're ready, willing and able, meaning the first nations are ready, willing and able to take part. They just need to have the right vehicle. Maybe it's going to be through the Canada Infrastructure Bank for certain projects, but it's not going to be the CIB for fossil fuel projects. Fossil fuel projects are just as important as green projects in terms of having equity participation from first nations where they wish to be participants, such as in Coastal GasLink, such as in buying tank farms, such as in buying other

pipelines, as well. These are important assets for first nations to be a part of.

I would say as well, one interesting piece, Ms. O'Connell, is that it's not necessarily a step to have the government involved in some of these projects. Fort McKay is a great example of wonderful leadership that was able to do their own investing through a bond from one of the big six banks here in Canada. They raised their funds in order to be part and parcel of a deal with Suncor on tank farms. I think that's going to happen more and more in this country.

For some larger projects, there will need to be government assistance. I encourage the government to figure out the vehicle for indigenous equity participation as quickly as possible, if I could.

Maybe the panellist who's sitting here with me, as well, today knows that I'm speaking directly through the chair to him at this moment, but it would be delightful if we were able to have some clarity and a path for equity participation for indigenous groups in the country that included facilitation by the government.

Thank you for the time.

Ms. Jennifer O'Connell: Thank you.

I quickly wanted to touch on something to give you a chance to put your response to it on the record as well. There was some insinuation at an earlier meeting that perhaps there was also something untoward with CIBC's involvement with the Infrastructure Bank or in investments in projects.

Have you had any sort of direction or involvement or communications with McKinsey encouraging you, in your role with CIBC, in some way to work with the Infrastructure Bank or to make investment decisions based on...? We heard McKinsey did work with the former Harper government. Was there any involvement with McKinsey in your role at CIBC for investment decisions with the bank?

Hon. Lisa Raitt: Any investment decision made at CIBC is made with the same integrity and rigour as at any other commercial bank in the country. They have to make the decisions for the benefit of their shareholders as well as the benefit of their own treasury. No, nothing that I say or do... I had no contact with McKinsey.

Ms. Jennifer O'Connell: Thank you. I just thought the opportunity was fair to have you, since you're here, put that on the record.

Hon. Lisa Raitt: I appreciate that.

I would say, MP O'Connell, just like Mr. Sabia said, I speak on a lot of panels and I may be in the same room with some people at given times, but I have no idea whether or not they were from McKinsey.

• (1250)

Ms. Jennifer O'Connell: Fair enough. Thank you.

My only point, then, would be that a \$9.7-billion investment has turned into \$27 billion in infrastructure money. Is that a good start in trying to address the infrastructure gap in this country?

Hon. Lisa Raitt: I'm never going to take away money. I think it's important.

I would just go to my remarks that I said at the beginning, again, and say that losing time is money. There is a large gap in terms of having the right vehicles for infrastructure spending in this country as a result of a change in government and a change in position.

I would encourage all parties to know that we don't have the luxury of time when it comes to this latest lift.

Ms. Jennifer O'Connell: Thank you.

The Chair: Thank you very much, Ms. O'Connell.

On behalf of all members of the committee, I would like to thank all of our witnesses for having appeared before us today, particularly those of you who are joining us on your vacation.

With that, this meeting is adjourned.

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