

Need To Know: Canadian Infrastructure Bank

The Question

What is the Canadian Infrastructure Bank and why is it important to the economy?

Introduction:

- The Federal Government recently announced the creation of the Canadian Infrastructure Bank. The aim of the bank is to “provide low-cost financing for new infrastructure projects”.
- The Bank is one aspect of the Government’s mandate to increase infrastructure investment in Canada.
- Details on the Bank are still thin, and specifics have not been formally announced. Most information on the Bank is pieced together from news articles
- When the Bank will officially open is not known, but the government has hinted it will be sometime in 2017 (likely depends on when formal commitments from the private sector can be locked down among other details).

Why an Infrastructure Bank?

- One primary reason for having an “Infrastructure Bank” as opposed to simply investing directly in infrastructure is to marry public sector and private sector financing. According to the Government “public dollars will go farther and be used smarter”.
- Infrastructure Banks are common around the world and have seen success in Australia, United Kingdom, Chile and United States and other countries
- The private sector has indicated they are interested in investing in projects alongside the Bank, although no actual capital has been committed. Financial commitments will depend on the projects made available to investors.
- Some of the private sector money will be foreign money. As a smaller economy, it helps to tap into global capital markets since there is only so much savings in Canada to finance capital projects. Global investors can fill in the gap and a Bank facilitates that.

Other Facts:

- The Infrastructure Bank will be funded with \$35B from the Government of Canada.
- Federal Government is hopeful that this money will be matched \$4-5 in private money to every \$1 in government money.
- Beyond the direct investment, provincial and municipal governments will also be able to borrow money at a cheaper rate by using the credit rating of the Federal Government (Infrastructure Bank is guaranteed by the Federal Government) to then invest in infrastructure. However, this still requires local governments to take on the debt.

Impact for the Saskatoon Region:

- Some portion of the money from the Bank will be invested in the Saskatoon Region and in Saskatchewan. How much depends on the specific projects that are made available and their attractiveness to investors.
- Examples of suitable projects include energy transmission, water, wastewater, and transportation. However, any infrastructure project probably has potential.