“**Private-sector role in Canada Infrastructure Bank raises conflict issues”, Bill Curry, Globe and Mail, May 5/17 p. 1, 13**
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Internal documents reveal the extensive involvement of private-sector actors in the Liberal government's efforts to shape and promote a $35-billion Canada Infrastructure Bank, raising conflict-of-interest questions as Ottawa attempts to attract private money to help build public projects.

Records show that the government spent months working with private-sector advisers to prepare for a closed-door meeting at Toronto's Shangri-La Hotel last November, in which Prime Minister Justin Trudeau and his senior ministers made the case to institutional investors about the benefits of the bank, which had just been announced two weeks earlier.

The Nov. 14 event was organized by BlackRock, the world's largest asset manager, and was attended by BlackRock clients representing trillions of dollars in combined assets, including managers from Abu Dhabi, China, Saudi Arabia and Sweden.

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In one case, BlackRock officials were asked in advance for their opinion on the presentation that Federal Infrastructure Minister Amarjeet Sohi would be making to BlackRock's clients.

Documents also show that Michael Sabia, the president and chief executive of the Caisse de dépôt et placement du Québec, the province's pension fund, led policy discussions on the Canada Infrastructure Bank as a member of Finance Minister Bill Morneau's Advisory Council on Economic Growth. Mr. Sabia is also seeking a $1.3-billion federal contribution toward a $6-billion light-rail project in Montreal that would be run by the Caisse.

Ottawa sees the bank as a source of expert guidance and financing that governments across the country could turn to when negotiating large infrastructure projects with private partners.
The Liberal government has made no secret of its desire to persuade institutional investors such as BlackRock, the Caisse and international pension funds to divert some of their capital into Canadian infrastructure projects. The government is promising to launch the bank this year, with the goal of leveraging public money with private

infrastructure partners. For every dollar government spends, the private sector would spend four.

But this is all very new terrain for Canada. Officials argue this level of interaction with the private sector is crucial in order to get the details right and ensure the program succeeds. The federal government also acknowledges that potential conflicts of interest are likely with these types of discussions. Guidelines were set up for the 14 members of Mr. Morneau's advisory council to disclose any potential conflicts, but no disclosures were made.

The Liberal plans have evolved considerably since the party first promised an infrastructure bank during the past federal election campaign. The 2015 party platform described the bank as a vehicle for Ottawa to use its strong credit rating and lending authority to help municipalities reduce their cost of borrowing. There was no mention of attracting private capital.

The concept of a bank that would work with private institutional investors is now being debated in the House of Commons. Legislation to create the bank was included as part of Bill C-44, the government's omnibus budget bill. Early debate has focused on whether the bank will be independent enough to attract those investors, whether it will favour big cities over rural areas and whether it is in the best long-term interests of taxpayers.

The first major contact between the Liberal government and BlackRock occurred at the top. Mr. Trudeau met with Larry Fink, the CEO of BlackRock, in January, 2016, in Davos, Switzerland, on the sidelines of the World Economic Forum.

In March, 2016, Mr. Morneau announced the creation of his advisory council, to be led by Dominic Barton, managing director of McKinsey & Co., a nearly century-old international management consulting firm. McKinsey contributed a pro bono secretariat of McKinsey staff to support the council.

Institutional investors are represented on the council, including Mr. Sabia. Another key member is Mark Wiseman, who was president and CEO of the Canada Pension Plan Investment Board when the council was announced. Two months later, Mr. Wiseman left the CPPIB to join BlackRock as global head of active equities, but he remained on the Finance Minister's advisory council.

On May 16, Mr. Morneau convened the first meeting of his advisory council at Wilson House, overlooking Meech Lake in Quebec. A memo shows members of the council were told that their mandate included coming up with "bold ideas and policy approaches that are not bound by operational or political constraints and develop recommendations to inform budget 2017."

Federal guidelines established for the council recognized the "likelihood" that some of the 14 members or their companies could benefit financially from government decisions based on their advice.

Members of the council were selected for their expertise and were paid $1 each plus expenses. They produced a series of public reports that aligned with the Liberal government's stated policy goals in areas such as innovation, skills development and infrastructure. The council members were asked to sign a document pledging to act only in the public interest.

"While recognizing the likelihood that a member of the [council], a company or institution that the member is associated with may benefit from the decisions made by the government based on advice from the [council] and that members may be associated with companies that do business with the government, members are reminded that they should avoid any real, apparent or perceived conflict of interest," states the document, which was provided to The Globe and Mail by the Finance Department.

The guidelines state that any perceived conflict of interest should be reported to the assistant deputy minister of Finance. A Finance Department spokesperson said no such disclosures were made, nor did any members recuse themselves from any discussions.

The council ultimately issued a report in October that recommended the creation of a Canada Infrastructure Bank. The council also recommended that Ottawa establish an interim process to manage applications while the bank is being set up.

In an interview, Mr. Barton, the chairman of the advisory council, said he agreed that potential conflicts must be avoided in these types of discussions. He also said that the nature of the work meant that any recommendations were the product of wide-ranging debate, rather than the opinion of any single member on the committee. He said the council is a diverse and "feisty" group.

"We also signed all sorts of things with the government on what we're doing because, obviously, we have to be very careful about conflicts and so forth," he said. "I made that clear but also it was made clear by the Finance people who were there in the sessions."

Internal documents describing the council's meetings reveal the extent to which members worked directly with cabinet ministers, senior officials and political aides on the themes of the 2017 budget and plans for a Canada Infrastructure Bank. The government documents were obtained through access to information legislation by Ottawa researcher Ken Rubin for The Globe and Mail.

The council's Aug. 24-25 meetings at Toronto's Evergreen Brick Works were attended by Mr. Morneau, Innovation Minister Navdeep Bains and senior public servants from several departments. The agenda shows Mr. Sabia led a panel titled "Deep dive on infrastructure agency," that would debate and discuss design options and produce a proposal to the federal government.

Mr. Sabia and the Caisse are now seeking federal funds for a light-rail plan in Montreal that would be privately run by the Caisse.

In response to the Caisse's tight timeline, Ottawa has hired a Toronto investment bank – Blair Franklin Capital Partners –as part of a special process to speed up the review of the Caisse's request. The federal government says it set up the expedited process because the Quebec government has told Ottawa that the project is the province's No. 1 transit priority.

A spokesperson for Mr. Sabia rejected any suggestion of conflict of interest and said Mr. Sabia provided his advice as a private citizen. A spokesperson for BlackRock referred questions related to managing potential conflicts back to the government.

But this openness to a select group of private-sector advisers has some observers questioning how the government will manage the fact that some of these advisers will ultimately be knocking on Ottawa's door for public funds.

"It does seem cozy and not typical of arm's length advisory processes," said a source with extensive government and private-sector experience in the infrastructure sector who has been following the debate closely and who asked not to be identified.

One August, 2016, briefing note to Jean-François Tremblay, the deputy minister of Infrastructure, outlines the level of engagement between the government and BlackRock ahead of the Nov. 14 meeting that was then still three months away.

"In order to prepare for productive sessions, [the Privy Council Office] has created small working groups with representation from lead departments, political staff and BlackRock," it states. "The intent is to use the working groups to 'test' the presentations scheduled for Nov. 14 so they resonate with investors to prepare for constructive engagement during the sessions, and to help support the preparation of ministers."

The note said the investors will be looking to understand the government's plans for a new infrastructure bank.

"In addition, the potential privatization of major Canadian airports will likely be of significant interest to the investor audience," the note states.

A Sept. 23, 2016, update states that BlackRock officials worked on a deck –which is like a PowerPoint presentation –that the federal Infrastructure Minister would be presenting at the investor meeting organized by BlackRock.

"Infrastructure Canada has been participating in biweekly working-group conference calls with BlackRock and the Privy Council Office, to construct a deck that will be presented by Minister Sohi at the November 14 meeting," the note stated, before summarizing the results of the most recent meeting. "Overall, the results were positive as both BlackRock and the Privy Council suggested that the approach in the deck –type of information presented, key messages –were what they think will make a full presentation."

BlackRock was represented at these meetings by Jean Boivin, a managing director, who joined the company in 2014 after working as a senior federal public servant, including as deputy governor of the Bank of Canada and associate deputy finance minister.

Brook Simpson, a spokesperson for Mr. Sohi, the Infrastructure Minister, defended the level of interactionbetween government officials and BlackRock.

"Canada is open for business and the only way we can attract businesses to Canada is by talking to them," he said.

Louis Lévesque, who was the deputy minister for Transport and Infrastructure until 2015 when he retired from the public service, said he's not concerned about potential conflicts in the early stages of developing a major new policy like a Canada Infrastructure Bank.

Mr. Lévesque said governments have struggled for years to figure out why major pension funds, including Canadian ones, have billions invested in infrastructure abroad but have been reluctant to put money into Canadian projects.

"People inside the [government] machine, they don't have enough knowledge of the way these things are done outside in the private sector in terms of large contracts for banks and things like that. So you bring them in for a while to learn that process," he said, "then when you actually do it, you should have oversight and fairness monitors."

Others disagree.

"There are clearly issues of conflict of interest," said Janice MacKinnon, a professor of fiscal policy at the University of Saskatchewan and onetime Saskatchewan finance minister who chaired former Conservative finance minister Jim Flaherty's Economic Advisory Council. That council of business and policy leaders was similar to the Liberals' Advisory Council on Economic Growth, but the Liberal council was given a more extensive mandate that included the release of public policy papers in the runup to the federal budget.

Ms. MacKinnon said there is a valid perception of conflict of interest when investors such as Mr. Sabia and BlackRock officials who will likely be seeking future arrangements involving federal funds are providing policy advice on how the government should structure programs that will be of interest to them. She also questioned the diversity of the council, arguing its membership is tilted heavily in favour of business interests.

"You need a balanced approach. If you're going to have an infrastructure bank, people are going to end up paying for a lot of services like tolls or whatever, so how it is structured really matters. You needed somebody on the other side of it to say 'Well, wait a minute. That wouldn't be the best solution for consumers. It would be better to structure it this way,' " she said. "That's a problem for the government."