



Statement by

**Michael Sabia
President and Chief Executive Officer**

**Public consultation of Bill 38
An Act allowing Caisse de dépôt et placement du Québec
to carry out infrastructure projects**

Wednesday, May 6, 2015

***Translation of original French
Check against delivery***

Greetings, members of the National Assembly,

Thank you for giving me this opportunity to speak to you. Bill 38, which is before you today, paves the way for major infrastructure projects to be carried out through the use of an innovative business model. This is good for la Caisse, but, above all, it's good for Québec.

Why launch this business model? For us, the answer is simple. Rarely have we seen an initiative better aligned with la Caisse's mission.

One of the two pillars of our mission is to grow the assets of our depositors, meaning all Quebecers. Seeking returns for a secure retirement is easy to say. But it's quite a challenge in today's environment.

La Caisse holds over \$60 billion in bonds. Even just recently, these investments were generating yields of 7 to 9%. In the future, however, yields will drop to 0 to 3%. This is why we must find assets with better returns, without taking on too much risk.

In this environment, infrastructure is an ideal asset class. The assets are tangible, things that we use every day. Infrastructure investments are low risk and generate stable returns. If we're to meet the needs of our clients, it is crucial to increase our exposure to infrastructure.

The other pillar of our mission is to contribute to Québec's economic development. Infrastructure is a driver of growth. If you invest \$1 billion in infrastructure, four years later the economy will be \$1.5 billion richer. It's not me saying so, it's the IMF.

At a time when economies are engaged in ferocious competition, quality infrastructure allows states to stand out, by making them more competitive and improving the quality of life of their citizens. This is why, all across the Western world, governments are looking for innovative solutions for financing infrastructure.

With this new business model, it is Quebecers who stand to win. Through la Caisse, they will invest in infrastructure that will improve their lives right away, while securing their future.

This is what I call a virtuous circle.

This new business model wasn't pulled out of a hat. The initiative has been thought through. The idea came to me two years ago, during a conversation with the governor of an American state. He asked me if I knew of a way to build infrastructure without adding to the debt, while still maintaining public control.

At the time, I told him that I didn't know of anything that fit the bill. But his question intrigued me, so that's when we began thinking about it and developing this business model.

This is a new approach to an old problem, with many safeguards to protect the public interest. But, as with all things new, the initiative has raised many questions – questions that are perfectly legitimate:

1. The risk of political interference;
2. La Caisse's expertise in infrastructure development and management;
3. The rates that will be paid by users;

INDEPENDENCE

Let's start with la Caisse's independence – independence that this bill explicitly reaffirms.

La Caisse alone will decide whether to invest in infrastructure projects, based on the interests of its depositors and each project's potential profitability. It's not an issue of who happens to be at the helm; any government intervention would derail this kind of project.

Here's why:

- For accounting purposes, if an asset is to be excluded from the public balance sheet, the government cannot get involved in its management in any way. This is something to which the Auditor General of Québec will be attentive.
- In the infrastructure industry around the world, projects are always financed through partnerships. If government tried to impose an unprofitable project on la Caisse, potential partners would refuse to come on board.
- The profitability of projects run by la Caisse will be visible to all. An independent expert will validate whether the expected profitability meets market standards for comparable projects. Nothing more, but nothing less either.

These are firm guarantees of la Caisse's independence.

EXPERTISE

Second point: la Caisse's expertise: an asset.

When we made our first infrastructure investment, in 1999, we acted as a passive investor. But as we built a specialized portfolio worth over \$11 billion, our role evolved.

We have acquired development experience in several greenfield projects, including:

- Vancouver's light rail Canada Line
- Melbourne's Victoria Hospital
- Terminals 2 and 5 at London's Heathrow airport

We also acquired operational expertise, for example through our partnership with SNCF in the Keolis public transport group and, more recently, in the Eurostar high-speed train.

La Caisse will build on this expertise and develop it. We are convinced that we can create more value by managing projects from A to Z. It's a natural evolution of the role we already play in real estate through Ivanhoé Cambridge. Our subsidiary is now one of the 10 largest real estate operators in the world.

I want to be clear. If la Caisse will act as the developer and manager of projects, we have never intended to work alone. At each stage, from design to construction and operation, we will be partnering with the best, and working with project managers and other firms with recognized expertise.

Bringing together our expertise and end-to-end project management will ensure great efficiency. These practices will have a direct impact on costs and, by extension, on the rates paid by users.

PRICING

In this respect, la Caisse has a guiding principle: minimize rates to maximize traffic. This is the only way to ensure an infrastructure project is both a popular success and a profitable investment.

How is this possible? By exercising tight control over costs. We will hold international tenders to maximize competition between bidders.

It is also achieved by meeting project deadlines. It isn't true that Quebecers are condemned to endless delays. The projects that la Caisse has carried out in partnerships abroad have been delivered on time and on budget. It will be the same in Québec.

Furthermore, we will use all available means to reduce project costs. For example, we will use train stations to garner additional income, with restaurants or other commercial services – something called “capturing property value” in the industry jargon.

I must stress that all these initiatives have one overriding goal: to offer users low rates.

And these rates will be established in a fully open and transparent manner. Once the government has chosen a solution, it will publish the rate-setting mechanism and the formula to be used to index rates. This way, there'll be no surprises.

There has already been considerable interest shown in this model around the world. Several governments in Canada, the U.S. and Europe have asked us to explain the initiative, which meets a very real need. But we want to start here in Québec, with two major projects that couldn't see the light of day without sacrificing other projects.

I hope that you, the members of this Committee, will appreciate the importance of adopting this bill. Quebecers have been waiting a long time for new, quality infrastructure projects. We are anxious to roll up our sleeves and get to work.

Thank you.