Mobilising Investment in the Transport Sector: “The Devil is in the Detail”

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These remarks table open ended suggestions with the intent of stimulating discussion

1. The Culture of Canadian Pension Funds
2. Important barriers to investment
3. Concepts for discussion

Canadian Pension Funds are large & active in Infrastructure Investment

1. Top 10 funds have assets of over C$700billion
2. Investment in infrastructure is 7-8% of total assets (50% invested outside Canada)
3. Culture:
   a) Professionally managed
   b) Robust governance structure
   c) Performance rigorously measured against benchmarks
   d) Long term orientation
   e) Strongly favour direct investment in projects
   f) Policies on supporting sustainability
   g) Knowledgeable about government
4. Evidence based investors

Factors discouraging international investment in transport infrastructure?

1. Inter-country Risk
   - Double taxation on dividends
   - Taxes on expatriate investment teams
   - Limits on repatriation of capital
2. National Risk
   - Unstable currency
   - Frequent policy changes & uncertain rules
   - Application of the Rule of law
3. Region/City Risk
   - Poorly articulated infrastructure & financing plans
   - Lack of sustainability goals & agreed bench marks
4. Project Risk
   - Delays in approvals
   - Stakeholder conflict

➢ ***These issues can be overcome starting at the national level***

Ideas for discussion

Implement Bi- Lateral Tax and Trade agreements to address an important aspect of Country Risk

1. **When pension funds do not receive credit for foreign taxes at home, taxes in jurisdictions seeking investment need to be minimised**
2. **Tax efficient repatriation of annual income (REITS / Trusts one method)**
3. **Repatriation of capital without tax consequences**
4. **Expatriate Investment teams should not liable for tax within national boundaries (Brazil is an example of success in this area)**
5. **Long Term Certainty: Tax authorities that support national investment objectives**

- ***Bi- lateral agreements between investing jurisdictions and those attracting investment is one way forward on this***

Establish "Arms Length" Government Agency to manage joint government/ private investment in transportation infrastructure

1. Effectively structure and manage partnerships with large pension funds
2. Develop long term infrastructure investment plan
3. Build the expertise to negotiate & administer good deals for Government
4. Manage government partnership investments
5. Interact with Transport agencies to develop fundable projects (develop a variety of models)
6. Provide a variety of "Viability" funding mechanisms
7. Establish recognised sustainability benchmarks
8. Prevent the arbitrary reversal of prior investment decisions when public opinion shifts

- ***The National Highways Authority India is a good example of an effective agency***

Create City/ Private "Development Corporations" to develop Transit Orientated Projects

1. **Many transit systems under utilised because of low density land use**
2. **Redevelopment to high density is too slow**
3. ***"Development Corporations"* can accelerate this process and improve transit modal split this will require:**
   a. **Joint public/private funding (Public contribution from sale of land assets)**
   b. **Plan for high density development in strategic locations**
   c. **Expropriation powers**
   d. **Fast track approvals**
4. **Also potential model for integrated real estate and station development**

Establish "*Indicators of Sustainability*" for urban transport projects that are concrete and widely accepted

Pension funds have policies on sustainability, but:

- **City's transportation priorities shift and sustainability priorities concerning transportation are not clear**
- **Robust, widely accepted, "*Sustainability Benchmarks*" are required so they can be measured against risk and return benchmarks**