

CCPPP Submission Regarding the 30% Rule

The Canadian Council for Public-Private Partnerships (CCPPP) is pleased to make a brief submission in regard to the Department of Finance's consultation regarding the "30% rule" that restricts pension ownership to 30% of voting shares in a company.

CCPPP is a member-based, national, not-for-profit, non-partisan organization that promotes smart, innovative, and modern solutions to infrastructure development through the use of public-private partnerships. The Council has approximately 400 member organizations from both the public and private sectors. Given the size and diversity of our membership, we will provide the government with a summary of "What we Heard" followed by our overall conclusion. We hope this will help inform the government in its deliberations around the subject.

What we Heard

- The removal of the 30% rule has the potential to increase investment in infrastructure or in the companies involved in the infrastructure space. This is viewed as a positive.
- Could improve ability to finance smaller projects.
- Pension Funds are already skirting the 30% rule, so change is inevitable
- An outright removal of a cap was the preferred option though some members believe a phase out might be the best approach by incrementally raising the cap. For those that believe in a phased approach, a move to 49% was viewed as a positive first step, and then move to full removal. There was a view that large pension funds could more easily move from a passive shareholder versus a more active investor role that would be required if there was majority ownership.
- There was one view that to limit the risk of the cap removal to small pension funds, the government may want to regulate the percentage of a portfolio that is direct equity versus the overall portfolio.
- Tax leakage is a concern and the government should ensure loopholes are closed. If you remove the cap, government should figure out how to properly protect the tax exemption of funds, while ensuring tax avoidance does not occur through creative accounting.

Conclusion

Overall, CCPPP is of the view that the 30% rule is not needed and the ultimate goal should be a complete removal of the cap provided that tax loopholes are closed. Some consideration should be given as to whether the government should phase out the rule or eliminate it right away.