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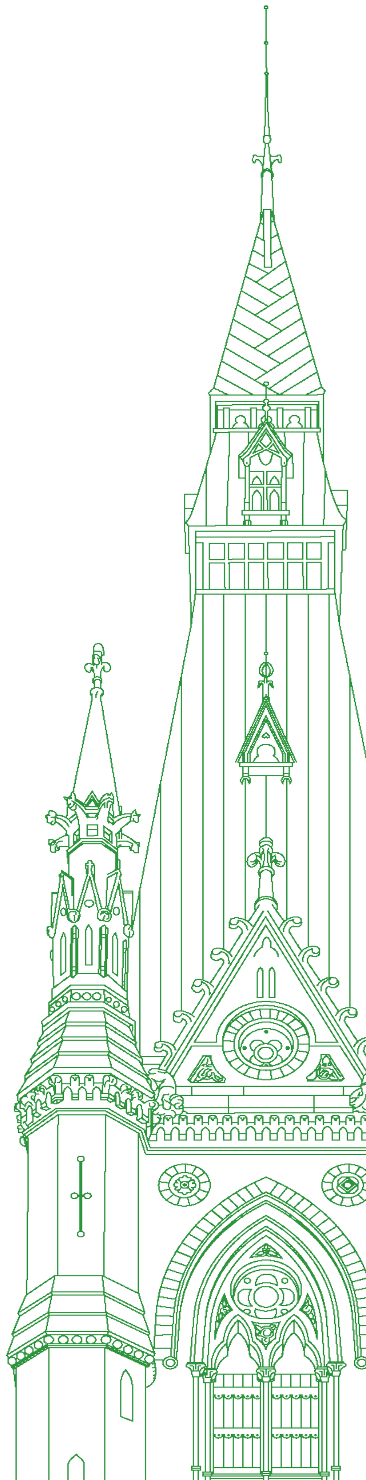

Chair: The Honourable Wayne Easter

Standing Committee on Finance

Tuesday, May 19, 2020

● (1530)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): Welcome to meeting number 29 of the House of Commons' Standing Committee on Finance. Pursuant to the order of reference on Tuesday, March 24, the committee is meeting on the government's response to the COVID-19 pandemic.

I will remind everyone that this is being put onto ParlVU, and I will remind members to use the interpretation button at the bottom of the screen for the language they're speaking in. It comes through that way. Speak as slowly and clearly as you can for the benefit of our translators.

We're meeting this afternoon on panel one with the Canada Mortgage and Housing Corporation. We have Mr. Siddall, president and CEO; and Ms. Romy Bowers, senior vice-president, client solutions.

I see, Mr. President, that you have speaking notes, so go ahead; the floor is yours. We'll then go to rounds of questions from there.

Seeing as there is only one witness on this panel, I'll remind members of the speaking order for the first four. It will be Mr. Poilievre, Mr. Fraser, Mr. Ste-Marie and Mr. Julian.

The floor is yours, Mr. President.

Mr. Evan Siddall (President and Chief Executive Officer, Canada Mortgage and Housing Corporation): Thank you, Mr. Chair.

Thanks to Romy Bowers, my colleague, for joining me.

Thank you, all, for this opportunity to update the committee on how CMHC is helping to stabilize Canada's financial system and support the economic well-being of households and small businesses during the COVID-19 pandemic. My appearance before you today comes without a haircut. Sorry about that, but I did shave. It is also timely in informing you about new measures that we are contemplating to promote housing affordability and to reduce risks to CMHC and to our economy.

The Chair: You're coming through in both languages. Make sure you're on the French one because when you're not on the right one, both languages come through at the same level.

[*Translation*]

Mr. Evan Siddall: I'll start again.

Early in the crisis, in co-ordinated action with the Bank of Canada and the Department of Finance, we relaunched the insured mortgage purchase program. This tool helps ensure that banks have access to reliable term funding so they can continue their lending activities and housing markets remain functional.

Under the current revised program, we stand ready to purchase up to $150 billion of insured mortgages. We are also prepared to expand the issuance of conventional securitization programs, as needed.

In addition, we acted quickly to help Canadians who are having difficulty paying their mortgages or rent due to income loss because of COVID-19. In co-ordination with private mortgage insurers, we are offering temporary deferral of mortgage payments for up to six months. We estimate that 12% of mortgage holders have elected to defer payments so far, and that figure could reach nearly 20% by September.

The same mortgage deferral relief is available to our multi-unit clients in order to facilitate rent relief for their lower-income tenants. And we have taken steps to ensure that non-profit and co-operative housing providers continue to receive federal rent subsidies for low-income tenants, even if their current agreements with us have expired. In both cases, we have insisted that recipients of federal support refrain from evictions during the crisis.

More recently, the Prime Minister announced that CMHC will administer the Canada emergency commercial rent assistance for small businesses. The program will lower rent by 75% for small businesses affected by COVID-19. While the program is not housing related, we are pleased to use our real estate expertise to help struggling entrepreneurs.

● (1535)

[*English*]

However, as the committee is no doubt aware, almost everything we have done in response to the crisis involves borrowing. Just as governments are taking on more debt to finance the COVID-19 response, mortgage deferrals are adding to already historic levels of household indebtedness, and I have provided you with some slides on that. Canadians are amongst world leaders in household debt, as the committee knows. Pre-COVID, the ratio of gross debt to GDP for Canada was about 99% due in part to increased borrowing but even more so to projected declines in GDP. We estimate it will increase to about 115% in the second quarter of this year and reach 130% in the third quarter before declining. These ratios, I note, are well in excess of the 80% threshold above which the Bank for International Settlements has demonstrated that national debt intensifies the drag on GDP growth. Looking at debt multiples of disposable income—a number people are more familiar with—we see that this measure will climb from 176% in late 2019 to well over 200% through 2021. Moreover, CMHC is now forecasting a decline in average house prices in Canada of 9% to 18% in the coming 12 months.

The resulting combination of higher mortgage debt, declining house prices and increased unemployment is cause for concern for Canada's longer-term financial stability. Another slide I gave you quotes Hyman Minsky, who said that debt causes fragility.

A team, therefore, is at work within CMHC to help manage a growing "debt deferral cliff," as we call it, that looms this fall when some unemployed people will have to start paying their mortgages again—that's assuming some economic recovery. As many as one-fifth of all mortgages could be in arrears if our economy has not recovered sufficiently.

We feel that we need to avoid exposing young people, and through CMHC, Canadian taxpayers, to the amplified losses that result from falling house prices. Unless we act, a first-time homebuyer purchasing a $300,000 home with a 5% down payment stands to lose over $45,000 on their $15,000 investment if prices fall just 10%, which we are forecasting. In comparison, a 10% down payment offers more of a cushion against possible losses.

If there is an insurance claim, and there will be more, CMHC will be called upon to cover these losses. We're therefore evaluating whether we should change our underwriting policies in light of developing market conditions.

Our support for home ownership cannot be unlimited. It's like blood pressure: you can have too much, but you need some. We've found that housing demand is far easier to stimulate than supply, and the result, as we've seen, is Economics 101: ever-increasing prices. If housing affordability is our aim, as surely it must be, then there has to be a limit to the demand we help to create, especially when supply isn't keeping up.

People believe owning a home is essential for retirement savings. Indeed, as shown in the study on which I've given you a chart, most of the increase in the shared wealth over the last 20 years in western countries has been in housing. The average Canadian homeowner in the last 20 years has had a tax-free gain, on average, of $340,000 in the value of their home. That sounds great until you add in the fact that $300,000 of that gain has been created by increased borrowing. These house prices and debt levels are increasingly out of reach for young people. In fact, home ownership tends to be lower in countries with higher incomes.

In addition to restraining our underwriting practices to limit excessive borrowing, we at CMHC must also take decisive, urgent action to accelerate the supply of rental housing. We have taken steps to do so in funding under the national housing strategy, which is very much focused on creating more affordable rental housing for Canadians. The federal government is contributing billions of dollars to housing, along with provinces and territories. Municipalities can continue to help by accelerating their approvals, contributing land and/or waiving fees and taxes to support the development of affordable housing, as well as revising their property tax regimes through a lens of impacts on housing affordability.

I'll wrap up by saying that, at CMHC, along with our 2,000 colleagues, Romy and I remain fully committed to our aspiration that by 2030 everyone in Canada will have a home that they can afford and that meets their needs. If anything, COVID-19 has brought the value of stable shelter into sharp relief, strengthening our resolve.

Thank you. I'd be happy to answer any of your questions, and Romy will join me for the harder ones.

● (1540)

The Chair: Thank you very much.

Some very interesting points were raised in those remarks.

We'll start a six-minute round with Mr. Poilievre.

Pierre, the floor is yours.

Hon. Pierre Poilievre (Carleton, CPC): Mr. Chair, interesting points? It's bloody terrifying.

In fact, Mr. Siddall, the reason you were cut off is that the overload of terrifying data you were pouring into your microphone shut the system down.

If I heard you right, you're saying that, within a year, the household debt-to-GDP ratio could reach 200%. Did I hear that right?

Mr. Evan Siddall: Mr. Poilievre, you did. In fact, we think it could be more.

Hon. Pierre Poilievre: That is astonishing. We would have twice as much household debt than we have economic output in the country, and that's on top of corporate debt and governmental debt.

Do you have any idea what will be the total public and private debt-to-GDP ratio by the end of next year for the Canadian economy?

Mr. Evan Siddall: I do not.

The number I quoted you was debt to disposable income, which is not income. It comes after necessities.

A number that's often quoted is 176%, as of the last quarter of 2019. That number will go up to approaching 230% in the third quarter, depending on a range of economic forecasts, but the one that we're using.

Hon. Pierre Poilievre: That's as a share of disposable household income.

Mr. Evan Siddall: As a multiple, yes.

Hon. Pierre Poilievre: Then you had one that was a multiple of GDP. Can you run through that again?

Mr. Evan Siddall: That's right. That number was 99% at the end of last year and, if I remember correctly, it got to 117% in the second quarter—I say "above 115%" in my remarks—and it could be 130% by the third quarter.

Hon. Pierre Poilievre: Wow, and you say that the Bank for International Settlements suggests that anything over 80% is a drag on economic growth.

Mr. Evan Siddall: Yes, 80%. It contributes to the drag, and the reason for that, if I may be precise and not ramble, is that you're effectively converting future consumption into debt service payments. As a result, the economy suffers.

Hon. Pierre Poilievre: Right, I understand that.

You said there could be a 9% to 18% drop in housing prices. The debt that Canadians hold is collateralized against housing. If Canadians default on their homes after their housing prices have dropped, there will be a default loss, and it is your job to cover that loss as the primary mortgage insurer in this country. As of the end of 2019, your book was at $493 billion, almost a half a trillion dollars. How much could CMHC and thus taxpayers stand to lose this year as a result of mortgage default loss?

● (1545)

Mr. Evan Siddall: We actually don't expect to absorb our capital. We have a range of stress-testing scenarios that we run, as you will recall, and based on current forecasts, we have sufficient capital on hand. We had a $2-billion dividend that we were scheduled to pay to the Government of Canada. We have decided to withhold that liquidity in order to cover claims.

Amazingly, notwithstanding these numbers, they are forecasted to recover. Even when they're under water, Canadians do a very good job of paying their mortgages, so our loss forecasts are not extreme.

Hon. Pierre Poilievre: What are they?

Mr. Evan Siddall: I will look them up and return that. I don't have it in front of me.

Hon. Pierre Poilievre: How many Canadians do you expect will default on their mortgage in this calendar year?

Mr. Evan Siddall: I will try and get you that number too.

Hon. Pierre Poilievre: All right.

You have vastly expanded your operation in response to the COVID crisis. You have, along with the government, instituted an insured mortgage purchase program and expanded the Canada mortgage bond. The Bank of Canada is now getting involved in all of this. Do you worry that the degree of government involvement, government insurance and government purchases of existing mortgages could lead to distortions in the marketplace where risk is separated from reward and put on the backs of taxpayers rather than on the backs of those who profit from it?

Mr. Evan Siddall: As far as we can tell, banks don't adjudicate insured mortgages differently from uninsured mortgages.

I am extremely worried about it for a short period of time, but this is a regime that's served us well in Canada, and it means that we have the CMHC to absorb losses like this and help people stay in their homes. As I said, we think deferrals could get up to 20%. Right now, 12% of mortgages are in deferral either through support through us and the private mortgage insurers or through banks directly, and that's a form of resilience, I would suggest to you.

May I answer your previous question?

Hon. Pierre Poilievre: Please.

Mr. Evan Siddall: Our moderate stress test would suggest that we could have claim losses of up to $9 billion over time as a result of these events.

Hon. Pierre Poilievre: Okay. Thank you for getting that information so quickly.

Finally, you are buying mortgages from banks, basically, and other insured lenders. They want to get the maximum price for the mortgage products you're buying from them, and their shareholders depend on getting the best price. You don't have the same profit motive discipline over at CMHC. You're a government-owned entity. How do we as taxpayers know that you and therefore we are not overpaying for these hundreds of billions of dollars of mortgage products that you're buying on our behalf?

Mr. Evan Siddall: The only mortgages that we're buying are through the insured mortgage purchase program. I've given you the pricing of that in a chart, which will come to you through the chair. You will see that our pricing is deliberately competitive versus market products. In fact, we peg it off something called "covered bonds". Covered bonds are sold in the market to European investors. They're effectively securitized mortgage bonds. Those, right now, in U.S. dollars, are 1.66%, and in euros, 1.63%. We are charging for IMPP, 1.71% to 1.88%, and we're doing that deliberately to make sure we're not the cheapest form of money and subsidizing this bond.

Hon. Pierre Poilievre: This is the last question. Covered bonds are an alternative to government-backed mortgages, but they constitute a very small part of the Canadian landscape. Why have we not moved away from governments backing up the holdings of banks towards covered bonds, which are widely used in Europe and which keep the risk and reward firmly together in one product and in private hands?

Mr. Evan Siddall: Indeed, we have somewhat. OSFI relaxed the so-called encumbrance limits, which allow banks to issue more covered bonds as a result of this crisis. It's a move that we at CMHC support, both in diversity of funding and making sure, as you say, Canadians and banks aren't too reliant on the federal government. That said, as I said earlier, having CMHC as a public policy instrument in these times is a form of stabilization. We certainly saw it in our performance in the last crisis compared to the U.S.

● (1550)

The Chair: We're quite a bit over, but I think we're on a theme. It's nice to finish it. Thank you, both.

Mr. Fraser.

Mr. Sean Fraser (Central Nova, Lib.): Thank you so much to our witness for being here. I know you mentioned you're here without a haircut. I recently got a haircut in the very seat I'm sitting in now. I let my wife do it in the living room. If it looks a little unprofessional, I have her to thank. It's passable that's for sure.

Mr. Evan Siddall: You're a braver man than me.

Mr. Sean Fraser: A major commercial real estate landlord is based in my community. On the announcement of the commercial rent assistance program being rolled out, one of the very first calls I made was to them to ask if it was going to help their tenants stay in business if they access it. They very quickly pointed out the lack of clarity around why someone may need to mortgage to take part in the program was potentially going to be an obstacle. One of the things I committed to do was to go back to the government and see if we could make sure businesses that perhaps don't take mortgage debt, but maybe issue unsecured bonds to finance properties, or some other instrument, could similarly have access.

Could you comment on how a business like that will be able to access the commercial rent assistance program?

Mr. Evan Siddall: CECRA was designed to be delivered through CMHC just because it's easier to do that. By virtue of our legislation, we had to do that through a mortgage or find another way. You'd be amazed at how much work it took to find another way, but in summary we did by having a mortgage ready to register that we don't register, and then upon forgiveness this is relieved. There's a technical way for us to deliver this program to landlords who do not have mortgages.

Mr. Sean Fraser: It strikes me that this is similar to some of the other programs that have been launched by the government over the past number of months. It's really a matter of using the existing mechanisms to get cash to distressed businesses or households as quickly as possible and figuring out how to expand them on the heels of the program being introduced.

Is that a fair assessment as to how this particular decision went?

Mr. Evan Siddall: We were very confident we would find a solution, but until we had authorities and clarity on that we couldn't say. We announced it with the confidence we could deliver.

Mr. Sean Fraser: That's excellent. Thank you. For the record, it is helping quite a few businesses.

I want to go to some of the scary data—as my colleague, Mr. Poilievre, put it—you shared during your remarks. I think the scariest piece for me was the fact you said it's going to be 2030 before you can project that everyone's going to have access to a home they can afford, notwithstanding the financial difficulties that others are in. It's unconscionable to me today that homelessness is such a prevalent feature of Canadian society. I think this pandemic has shone a light on not just the social and economic consequences, but the public health consequences that people face if they live in a housing-insecure environment.

Do you have suggestions on what the federal government could most effectively turn its mind to and help expedite the effort to provide affordable access to a home for all Canadians?

Mr. Evan Siddall: I didn't project it would be by 2030. It's our aim. We've had persistent homelessness in this country. Eradicating that and making sure everyone in Canada has a home they can afford and that meets their needs is the reason we have an entity like CMHC.

The building of affordable rental housing in dense locations will be most supportive of economic growth. It's sustainable economically and environmentally. Unfortunately, urban sprawl itself creates a need for passenger car transportation, which is not good from a greenhouse gas point of view.

The other thing is, as I showed you on one of the slides, inequality and higher levels of GDP per capita are related to housing. We've overdone our support for home ownership in this country. When we do that, and supply doesn't keep up because of long lead times, approvals, etc., then we have high house prices. We have to attack both the supply and demand side of the equation.

Mr. Sean Fraser: Thank you.

You mentioned significant potential decline of housing prices over the next year or so. Do you anticipate that this is going to be a short-term blip on the radar with an eventual bounce back, or are you projecting that this is a market correction that's going to have some staying power?

● (1555)

Mr. Evan Siddall: We are projecting a recovery that will probably achieve pre-crisis levels in 2022. I should use this time to say that our estimate is that something like 2% of insured mortgages could experience losses. That was a question that Mr. Poilievre asked.

Mr. Sean Fraser: Finally—and I'll let you use the rest of my time in your response—we heard from certain witnesses on occasion about the cost of inaction or not taking measures to intervene in the economy. You've pointed to the insured mortgage purchase program of $150 billion that would essentially inject liquidity in the banks' ability to lend to other sectors.

I'm thinking about that program and more broadly. Can you talk about the social or economic cost if there had not been a serious economic intervention, not only on the insured mortgage purchase program, but more broadly on the income supports for people and businesses that would have an impact on the housing or mortgage sector?

Mr. Evan Siddall: Most certainly. Of course, our primary defence against this virus is our health care workers. A very close second is the secure sanctuary of a home. We're seeing in places where that housing is a little more precarious—whether it's long-term care or homeless people—the difference in that.

Income support has actually been the primary measure through which people are paying their rent and staying in homes. The CERB has been the primary form of rental support. It's been such that we didn't feel we had to offer supplemental rental support on top of that.

Mr. Sean Fraser: Excellent.

Thank you, Mr. Chair. Those are my questions.

The Chair: I will turn next to Mr. Ste-Marie and then to Mr. Julian.

Gabriel.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

Good afternoon, Mr. Siddall. Thank you for being here to answer our questions.

You might find my first question a bit broad. If you had to compare the role of CMHC and the real estate component of the residential and commercial sectors in the current context of the COVID-19 pandemic compared to the crisis of 10 years ago, the “commercial paper” crisis, what would your conclusions be?

[*English*]

Mr. Evan Siddall: Our responsibilities touch the residential sector, not the commercial sector. My answer would be speculative, but I will say that how we're working seems to be different. People are becoming used to working from home. I know that at CMHC we had already planned to do this, to reduce our footprint from four buildings to one. I think that could happen. It could reduce the demand in price pressure on commercial real estate.

With regard to residential real estate, on the other hand, we're going to go through an adjustment that is primarily debt-driven because people are under pressure. That doesn't exist as acutely in the commercial sector. We're going to suffer some adjustment for sure and then recover in a year and a half to two years.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

How do you think the current crisis will affect real estate prices? We know that the drop in income and the increase in the number of bankruptcies could push prices down. However, many economists argue that the massive injection of cash into the economy could have the opposite effect and drive real estate prices up. What do you think?

[*English*]

Mr. Evan Siddall: Yes. It's a tricky question.

We forecast that house prices nationally will decline 9% to 18% on average. There will be greater declines in places that are oil-producing regions—Alberta, some parts of Saskatchewan and Newfoundland—and also in places where house prices got ahead of themselves—Toronto and Vancouver—or more ahead of themselves, if you will.

Governments create a bridge to the future by providing liquidity. We've done that through the insured mortgage purchase program. That bridge needs a landing place. We need a solid foundation for economic growth. As the days emerge, as we come out of this, we're starting to test—in your province and in Ontario and a few other places—what restarting an economy looks like. Hopefully, we can do that in a responsible way, and that bridge comes sooner. That liquidity will dissipate over time as growth pays for it.

● (1600)

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

On another note, Ottawa still hasn't signed the social housing agreement with Quebec. From CMHC's perspective, do you think this can be done in the near future?

[*English*]

Mr. Evan Siddall: It would be our hope that we could do so in the near future. We have been engaged in negotiations with each province for, as you would know, a long period of time. For the Province of Quebec, we have sent them a number of draft agreements. In fact, there are a number of projects that are held up on announcement pending that agreement. Our people stand ready to finish an agreement. We're working earnestly with our colleagues at the Société d'habitation du Québec.

[*Translation*]

Mr. Gabriel Ste-Marie: If I understand you correctly, CMHC is therefore prepared to move forward by accepting that Quebec has its own way of doing things and is not subject to the same conditions as the other provinces.

[*English*]

Mr. Evan Siddall: We have agreed to an asymmetric agreement with the Province of Quebec, and that is indeed what we have proposed. They have asked for conditions that are outside of my authority to negotiate. We have informed them of that and hope that we can reach an agreement very soon.

The Chair: You still have a minute, Gabriel.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

My next questions concern the Canada emergency commercial rent assistance. Mr. Siddall, the CMHC's website indicates that the assistance is for small businesses that are administered in the same way, whether or not the property owner has a mortgage or other form of debt.

Could you elaborate on this new information and tell us how it will be managed?

[*English*]

Mr. Evan Siddall: It will be managed in the same way. A landlord has to get an attestation from his or her tenant that the tenant is in need and is affected by COVID-19. A tenant has to pay 25% of the rent; the landlord contributes 25%; and we contribute the balance of 50% to the landlord in coordination with the local province, which will co-fund it. We do that in agreement with the landlord. In return, the landlord must agree not to evict, and do a few other things. We will fund that bridge effectively for three months.

The Chair: Thank you both again.

Ms. Bowers, if you want in at some time, just raise your hand, and we'll let you in.

Mr. Evan Siddall: I will throw this to her at some point.

The Chair: It's not a problem.

We'll go to Mr. Julian, followed by Mr. Cumming.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thanks, Mr. Chair, and thanks, Mr. Siddall and Ms. Bowers, for being here today.

We certainly hope that your families are safe and healthy.

I have two questions to start, around the IMPP. Economist David Macdonald estimated that in the previous financial crisis around 2009, the IMPP provided $69 million of support to Canada's largest banks. At the time, the profits coming out of those same banks were about $27 billion. Famously, Edmund Clark of the TD bank gave himself a $4-million bonus and was paid $15 million.

The issue comes up, of course, in my hometown, New Westminster—Burnaby, where people are struggling to find affordable housing. They see the near-zero interest rate from the Bank of Canada. They see as well that when it comes to deferrals, these often come with penalties and interest fees.

I have two questions. First, what is the amount assumed so far on the IMPP? Second, have you insisted in this program that banks lower their interest rates—we see credit unions going down to zero—that the banks actually give people a break, eliminate the fees and penalties, and don't engage in what is speculative with this public support, which includes the payment of dividends and stock buybacks? Has there been any insistence through this program that the banks not engage in those kinds of practices?

● (1605)

Mr. Evan Siddall: The insured mortgage purchase program we have initiated doesn't include those specific conditions. As I said, and you have the exhibit in front of you, it's priced at about 1.7% to 1.9%. So far, we have purchased nearly $6 billion—$5.8 billion—in mortgages, so not a huge amount. That's because there is a proliferation of other funding sources available to banks, including the Bank of Canada that funds them at about 63 basis points, 0.63%. It's a cheaper form of money, although it's shorter term. In addition, many of them are accessing market funding and not using this funding significantly.

It's really more of an emergency measure. In the early days there were massive concerns about a real liquidity crunch that did not materialize, and we hope won't materialize.

Mr. Peter Julian: Thank you for that.

I'd like to go on to your presentation. I appreciate the issue of household debt as a percentage of GDP, though I take a different point of view than Mr. Poilievre, given the Conservatives' background in providing a lot of supports to the banking sector. A lot of family debt actually comes from people who can't afford housing, or their medication. They have to borrow because they're having to finance their education as well.

These are things that don't happen in so many other countries. As you correctly point out, Canada's family debt levels are among the highest in the industrialized world. Therefore I'm wondering, putting aside the issue of the IMPP, whether CMHC has evaluated what the impacts would be on the family debt crisis if we were making significant and large-scale investments in affordable housing.

We had an order paper question that showed that over the last five years about 14,000 units of affordable housing have been built. That is far below what is needed in this country. About one-third of Canadians are renters. We haven't seen an expansion of the co-op sector. What would the impact be on those household debt levels if we saw CMHC actually making large-scale investments in affordable housing again, as they did when we used to have a national housing program a few decades back?

Mr. Evan Siddall: As a result of the national housing strategy, we've made significant investments in housing supply. I'm trying to dig up my numbers. As you correctly say, though, the gap of what's needed is quite significant. One of the ideas behind the national housing strategy and our flagship program called the national housing co-investment fund is to recruit co-funding from provinces, territories, municipalities and private developers to create affordable housing as well. It takes a long time to build houses, unfortunately, and demand pops in an instant. Those are the measures we're taking thus far.

I'll offer Romy an opportunity to comment on some of the things our team at CMHC is doing to make that easier for our clients while I look up some numbers.

Ms. Romy Bowers (Senior Vice-President, Client Solutions, Canada Mortgage and Housing Corporation): Just to build on Evan's comments, when you look at the national housing strategy, you see that two of the key programs within the national housing strategy are the national housing co-investment fund and the rental housing construction initiative. These two programs are intended to support the creation of supply. As Evan mentioned, it does take time to create the supply. We're nearing the three-year mark of the national housing strategy and we're making progress in terms of meeting our targets. We're on track.

In combination, these two programs will lead to the increase in the affordable housing supply in excess of 125,000 units, but that's over a 10-year period.

One thing that's really important for CMHC is we have teams in place across all regions of Canada working with for-profit and non-profit housing providers to support the creation of housing supply. However, we recognize that these programs alone are not enough. We need to bring more partners to the table, so we have people on the ground working with municipalities and with the private sector to investigate any other opportunities there are to support the creation of housing supply.

● (1610)

Mr. Evan Siddall: If I might add, under those two programs, to the rental construction financing initiative we've committed $6 billion in loans since the program started in April 2017, and since the co-investment fund launched in April 2018 we have committed $851 million in repairs, $381 million in grants and $545 million in grants for repairs as well. I mixed up some numbers there. We'll get you those data.

Ms. Romy Bowers: In terms of those programs, we recognize that there are many different types of affordable housing. The RCFi is aimed towards more market housing, but at the lower end of the market, while the national housing strategy co-investment fund is aimed more towards creating housing for the most vulnerable elements of our society.

As Canada's national housing agency, we're trying to address needs of different types of Canadians. We feel that we've been quite successful to date, but there's a lot of work left to do.

Mr. Evan Siddall: The headline number to give you is $18 billion spent since the launch of the national housing strategy through CMHC on housing in Canada.

The Chair: Okay, so there has been $18 billion spent since the launch of the national housing strategy.

Mr. Evan Siddall: Yes, $18 billion. Some of that is loans.

The Chair: Okay. Thank you.

Peter, you'll have another round coming a little later.

We'll turn to Mr. Cumming.

Mr. James Cumming (Edmonton Centre, CPC): Thank you for appearing today.

Can you tell me what was the rationale in having CMHC deliver the CECRA program rather than the banks, given that the CEBA program was being administered by the banks?

Mr. Evan Siddall: That's a good question that I'm not sure I can unpack quickly enough.

The short answer is that I believe the CEBA program flows through BDC or EDC. We did talk to ISED, Innovation, Science and Economic Development Canada, the old Department of Industry, about that as an option.

It was easier to operationalize and more efficient to do through CMHC. That's the short answer to your question. That's the answer.

Mr. James Cumming: Have you been set with measurables, deliverables or KPIs? How are we are going to measure the success and the execution of this program?

Mr. Evan Siddall: I don't think we have specific KPIs. However, at CMHC, we are administering the program in a way to try to minimize the number of evictions.

Unfortunately, there are some businesses that are going to struggle, for which this won't be sufficient support. Indeed, some of them might have been in trouble going in. It's a hard egg to unscramble.

Mr. James Cumming: Have you had to change your staffing contingent?

How are you going to execute this new program? Is it with existing staff, or how is going to be executed?

Mr. Evan Siddall: Because we're devoted to housing, of course, as a matter of strategy, in a crisis it's all hands on deck and you help where you can, but we designed it in way to minimize disruption to our operations. We've actually outsourced most of this activity to a third party provider, so we're providing oversight.

Mr. James Cumming: Who's the third party provider?

Mr. Evan Siddall: I'm not sure we've really said publicly, so I'm not sure I can share that with you right now. As you would imagine, it's done through a procurement process. Details are emerging on the 25th of this month. We will get you that answer separately, though.

Mr. James Cumming: Could you follow up with details on that?

Then, because rent abatement is backdated, what type of process do you have in place to make sure that those funds flow back to the tenants?

Mr. Evan Siddall: There has to be an agreement, that we have to see, that the money flows to the tenants. It's a requirement.

Mr. James Cumming: I'll give you an example.

I have a wellness clinic in my constituency. By the time this is all said and done, they will have had to pay four months rent on 11 days worth of income. Their landlord is refusing to apply for CECRA. They also use subcontractors and they can't apply for any other Government of Canada programs, although there might be some relief with CEBA now.

What would I tell this tenant, Tami, about what the prospects are for her with the rent relief program?

● (1615)

Mr. Evan Siddall: We believe there's some misinformation about the program. As I've said, we will be releasing details on May 25.

I've just approved the text of that release myself, and it's now going through other processes. In the text there is information as to what a tenant can do to talk to their landlord about why....

The alternative is very expensive litigation and collection from people. In a healthy business, it would be irrational not to support a tenant.

Mr. James Cumming: We've heard from a lot of landlords and from tenants around this program. Now, both levels of government will provide a 50% rent subsidy. Within that, 25% is picked up by the landlord and 25% is picked up by the tenant. I understand the landlords could pick up more. There is a complexity in it, in that there are common area costs, there are utility costs and a lot of things that landlords do.

Wouldn't it make more sense to be able to say, “Listen, we'll pick up 50% of the rent, given the situation that people are [*Inaudible-Editor*],” and allow the landlord and the tenant to come up with their own agreement as to what the other half looks like? It could be a blend and extend. It could be a variety of things. Really, at the end of the day, as long as they attest that they have an agreement, they should be able to go forward.

Mr. Evan Siddall: We designed these programs in a highly multiple-constrained environment. One of the things we didn't want to do was to overly interfere with negotiations between landlords and tenants. We didn't want to be bailing out failing businesses, and we wanted to make sure there was skin in the game on the part of landlords.

The nature of the rent relief agreement is a matter between the landlord and the tenant. We wanted to make sure that it was clear to the landlords that, in order to help these tenants, we'd be willing to cover more than just the net rent, but the gross rent, as you said, including property taxes, common area costs and utilities.

Mr. James Cumming: On the enforcement side, can you elaborate? How are you going to be able to enforce this? How are you going to make sure that the tenants receive this money that's been owed to them?

Mr. Evan Siddall: Thank you. That's an important question.

This is a forgivable loan. The only way the loan to the landlord is forgiven is if the landlord plays by the rules and passes the savings on to the tenant, and it has to be done through an agreement. That's the mechanism we'll use.

The Chair: Is that all cleared up, James? You're over time, but if you have a supplementary to finish this round, you're okay.

Mr. James Cumming: No, I'm good, thanks.

The Chair: Ms. Dzerowicz.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much.

Mr. Siddall, thank you for being here, and thanks to Ms. Bowers for being here for a very important discussion.

This won't surprise you: the number one issue during the last campaign was affordable housing. With this pandemic, coming out of it, it will continue to be a top issue for the residents in my riding of Davenport.

We've had a number of non-profit organizations want to help build some affordable housing options in the riding, but they have found the process a little bit onerous, a little bit long and not easy to engage in.

I heard you say we're trying to create 125,000 new units over the next 10 years. I know our need is substantially higher than that.

We're now in the era of agility and flexibility and trying to do the impossible. What can the federal government do at this point to help CMHC accelerate more affordable housing options?

Mr. Evan Siddall: I want to give Romy an opportunity to brag about your properly pointed criticism about how hard it was to deal with us in the first instance. It's not Romy's fault, it's my fault. We designed a program that I insisted we launch quickly and as a result, it was a little clunky to start.

Romy, could you just talk about what we've done to speed those processes up and then perhaps answer the question, if you wish?

Ms. Romy Bowers: To put it simply, we've become a much more client-centric organization. I think before what we were trying to do did not consider the needs of the client, but tried to fit people into different programs that we have.

The first instance is to understand what the needs of the client are and then try to find a solution for them.

I apologize to your constituents who have had difficulty with our programs. I can assure you that there has been an effort under way for the last eight months to really look at our processes and to make significant improvements, starting with having detailed discussions with the clients before they even start the application process.

I hope the fruits of that effort are slowly being felt. We're always very happy to have discussions with you. We have staff across all regions of Canada, and we're very happy to engage in these kinds of discussions to make sure the money is getting to the people who need it most.

As you probably know, recently the mayor of Toronto announced some modular housing units that are being built in response to the COVID crisis. Again, that's an example of CMHC staff working very constructively with municipal leaders to make sure that money is going where it's needed most.

● (1620)

Mr. Evan Siddall: I'll just add that certainly more money is needed, but because the federal government has made substantial investments by the national housing strategy, our plan is to make sure that provinces and territories are doing their part with matched funding, and that municipalities are helping us by speeding up approvals.

Ms. Julie Dzerowicz: You made a comment that home ownership is lower in high-income countries. Is that because there are more affordable rental options available?

Mr. Evan Siddall: It is partly that. Of course, many of them are older economies than ours. The other thing is that in newly developed economies there seems to be a rush to ownership and that skews the data in a different way.

Ms. Julie Dzerowicz: That gets me back to your comment around municipalities and provinces also having to step up if we want more affordable housing options moving forward.

You made a comment that municipalities can continue to help by accelerating the affordable housing approvals, waiving fees and a bunch of things. One of the things you don't mention is gentle density. Is that also a solution that should be put on the table?

Mr. Evan Siddall: Well, I'd say “rough” density. What I mean by that is, because the supply function is so slow, the better way to attack affordability is densification. The levels of density we have in this country are very low by comparative standards. I know that the pandemic will cause people to be worried about densification. So far, there seems to be no evidence that density is correlated with higher infection rates, other than, of course, in long-term care facilities, which is a different case. People live separately, after all.

I live in an apartment building in Ottawa. In my building, there are steps to clean common areas. Therefore, I would say densification, and frankly, aggressive densification, not gentle densification, although that too is really what's required.

Ms. Julie Dzerowicz: What does that look like? By that, do you mean we should encourage more building of rental units or make it easier to have four-storey buildings of just rental apartments? What do you mean by that?

Mr. Evan Siddall: That's what I mean: frankly, attacking Nimbyism and people complaining about higher density. It comes with a cost of very expensive housing.

Ms. Julie Dzerowicz: I want to ask a question around the modular housing, because to me, that was an excellent announcement. It is fast housing that's apparently coming on stream in September for homeless and the most vulnerable who don't have housing.

Moving forward, is that a model that we need to be investing more in?

Mr. Evan Siddall: Romy, I'm going to give that one to you.

The answer is yes.

Ms. Romy Bowers: The answer is yes, definitely, and it's great that we're able to act so quickly, but fundamentally we need to attack the source of homelessness. This is a bit of a temporary solution. We need to respond to the COVID crisis and deal with that, but we need to look long term at how we address the homeless situation in a permanent way so that we don't have to be in this situation again if we were to face another pandemic.

Ms. Julie Dzerowicz: Thank you.

The Chair: Mr. Morantz.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair.

Mr. Siddall and Ms. Bowers, thank you for being here. It's a very interesting discussion.

Mr. Siddall, I'm just going back to some of your opening remarks. You had indicated that 12% of insured mortgage holders had elected to defer.

● (1625)

Mr. Evan Siddall: Yes.

Mr. Marty Morantz: Presumably, that means a large percentage of those mortgage holders would have been in default had that not happened.

There's also the issue of the uninsured mortgage market, which you don't have anything really to do with. I don't know the number, but there is likely a similarly high level of defaults in that market as well.

Also, you mentioned it's a temporary deferral, which means presumably these borrowers are going to have to pay at some point.

What effect do you think that is going to have on the foreclosure and mortgage sale numbers going forward?

Mr. Evan Siddall: It's a complicated question. Mercifully, I get to think about it all the time.

The 12% I gave you in terms of deferrals is for insured and uninsured mortgages, so it incorporates numbers that we publish and those from the Canadian Bankers Association. I wouldn't associate even half of that with losses or foreclosures. This is people dealing with uncertainty and conserving cash, just like they hoarded toilet paper, because they could and because banks were offering, and we were. Basically, if you said you were having a hard time, we said, “Take a deferral.”

That compassion is what has happened, and I have to give the banks credit. They've done that on uninsured mortgages, in addition to insured mortgages, and our two private competitors were lockstep with us: Canada Guaranty and Genworth Canada.

The impact is going to be that those mortgage-deferred payments are added to the principal outstanding, so it increases our indebtedness. That's one of the costs behind the numbers I gave you.

Mr. Marty Morantz: Has that been agreed to by the banks? Is that what's going to happen, that they'll be—

Mr. Evan Siddall: That's contractually what happens.

Mr. Marty Morantz: They'll be capitalized.

Mr. Evan Siddall: Yes.

Mr. Marty Morantz: I want to circle around to a couple of things, a few topics around costs.

In the last number of meetings, we had the opportunity to talk to both the Governor of the Bank of Canada and Mr. Giroux, the PBO. Both have said that they think interest rates are going to go up. I'm curious to hear your thoughts on that as well.

I know no one has a crystal ball, but the governor—

Mr. Evan Siddall: I wouldn't substitute my views for those of the governor.

Mr. Marty Morantz: Yes, those were pretty strong views.

You did mention in your opening remarks that you wanted to look at adjusting your underwriting policies. I presume you meant to make them more strict, but I want to hear from you just to get clarification on that; and also whether you anticipate CMHC premiums will go up for consumers as well. In other words, is it going to become more expensive and more difficult for Canadians to attain the dream of home ownership, or is it going to become more difficult because of these factors?

Mr. Evan Siddall: You can see my bodily reaction when I hear this “dream of home ownership” thing come up, because that view.... Unfortunately, trees don't grow to the sky, and what's going to happen is the musical chairs game is going to come to an end and young people, who are very highly leveraged.... In fact, if they get an insured mortgage, they're borrowing at something like 83:1 or 85:1, and that's before they borrow their down payment from their parents or from their RRSP or something like that.

Mr. Marty Morantz: Let's extract the dream of home ownership from my question so that you're not stuck on that. Could I just get an answer from you with respect to the substance of the question?

Mr. Evan Siddall: We can look at a bunch of things. We can look at pricing, certainly. We can look at down payment requirements. We can look at credit score requirements. All of those things are on the table.

We're actually doing some work right now. Because we're doing that work right now, I didn't want to keep that information from the committee, so I included it in my statement. We're talking to our board of directors this week about all those variables and what we can do.

Mr. Marty Morantz: Do you think CMHC fees might go up?

Mr. Evan Siddall: Not in the short run, because our pricing work actually takes a long time and we have to look at an economic cycle, but we may restrict the business we do in the short run.

Mr. Marty Morantz: With regard to the $2-billion dividend, is that an annual thing? Do you give a dividend every year, or is it unusual?

Mr. Evan Siddall: It's unusual, or it used to be unusual. Over the last 10 years, we've earned about $17 billion of profit that goes to reduce the deficit. That's incorporated into the federal government accounts. Off to the side, we accumulate cash, and if that cash doesn't go back to the government, we'd sit on the cash and invest it. That's dumb, because it can be used to repay debt, so we paid a special dividend—someone will correct me—two years ago, I think, of $4 billion. Maybe it was last year. We were scheduled to pay another $2 billion. In addition to that, we pay a regular dividend, and that's basically just to make sure the money goes to retiring debt instead of sitting in my pockets, if you will.

Mr. Marty Morantz: The government would have received a $2-billion dividend, and you've maintained that instead of keeping it for liquidity purposes.

Mr. Evan Siddall: That's correct.

Mr. Marty Morantz: Mr. Chair, I have just one other quick one, if I might.

The Chair: Go ahead. We've got time.

Mr. Marty Morantz: In your comments, you also indicated that you thought that despite a reduction in the valley of the housing market, in one and a half to two years' time housing prices would be back to where we are now. Is that based on any sort of study you've done or data you've collected, or is it just a gut feeling? What's the basis for that?

● (1630)

Mr. Evan Siddall: It's the Bank of Canada's own graphs and some work we've done with the help of an outside economic entity, and then just reviewing other projections that have been done by banks, by Dominion Bond Rating Service and others. Is it a forecast or a guess? Don't take this forecast to the bank, but it's our best guess.

Mr. Marty Morantz: Thank you.

The Chair: We'll turn now to Mr. Fragiskatos.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Chair.

Mr. Siddall, taking mortgages off the balance sheets of banks is not unprecedented for CMHC, is it?

Mr. Evan Siddall: That's correct.

Mr. Peter Fragiskatos: At what other time did CMHC do this?

Mr. Evan Siddall: In the global financial crisis, we bought $69 billion of mortgages from banks. That was in the 2008-09 time frame.

Mr. Peter Fragiskatos: When that program wound down, how much revenue had been contributed to the CMHC's coffers?

Mr. Evan Siddall: Do you mean as a result of the IMPP?

Mr. Peter Fragiskatos: Yes.

Mr. Evan Siddall: Goodness, I don't have those numbers. I'll try to get that information right now, but we did profit. We did earn a spread on that money.

Mr. Peter Fragiskatos: In a CBC piece in 2012, it was reported that the CMHC estimated that by the time the program would have wound down, $2.5 billion would have been the amount of the spread. In fact, at the time the article was published, the Department of Finance was saying it had already gone to about $1.2 billion.

I know you don't have that in front of you, but—

Mr. Evan Siddall: I'll get you the numbers.

Mr. Peter Fragiskatos: That would be great.

On that spread, once it goes into the CMHC's coffers, how is it utilized by CMHC?

Mr. Evan Siddall: It's surplus income returned to the government in the form of deficit reduction. We did increase the fees this time. Last time, we charged a spread of 25 basis points. Right now, we've been charging 40 to 50 basis points for the program.

Mr. Peter Fragiskatos: Then there's no reason to think the same sort of outcome is possible with this particular program recently introduced.

Mr. Evan Siddall: These are all insured mortgages that we're buying. Therefore, there's no credit risk inherent in the program.

Mr. Peter Fragiskatos: Shifting to a different topic, on March 23, you put the following message on Twitter, “Please leave rent/mortgage relief to those who need it most. Banks and mortgage lenders are struggling to keep up. And if you have a paycheque and can afford it, please pay your bills. This isn’t an amnesty/freebie for all.”

I very much agree with you. You were speaking in reference to the deferral of mortgages among homeowners, that initiative. Is there any evidence you have at this point as to whether people are heeding that advice?

Mr. Evan Siddall: I'm not sure they're heeding my advice. It's probably read by four million people.

Mr. Peter Fragiskatos: Are they at least living up the the spirit of what you called for?

Mr. Evan Siddall: I did go on a TV show on CBC to communicate the same message, because I thought it was important.

Mr. Peter Fragiskatos: You should take absolute credit, then.

Mr. Evan Siddall: Well, I can't.

The evidence is that there has been some non-payment of rent, and of course, deferral of mortgages that people have abided by. I was really signalling to people that if they have the money, our economy needs them to spend it. By and large, that has happened. There was a great fear in April that there would be a significant failure of rent payments. It was a little higher than usual. I had thought it would get worse in May, but it has not. Frankly, the income support program has been a big part of that.

● (1635)

Mr. Peter Fragiskatos: One question I've received from constituents about the recent rent assistance program that the CMHC is behind, along with the federal and provincial governments, is about the nature of the program and why it isn't mandatory. Would you have any thoughts on that?

Mr. Evan Siddall: I do. It's a matter of provincial constitutional jurisdiction. That's basically it.

I think many provinces in fact have banned evictions. Some 90% of Canada is subject to eviction bans right now.

Mr. Peter Fragiskatos: Do you know why the provinces—

Mr. Evan Siddall: That's residential, not businesses.

Mr. Peter Fragiskatos: I'm talking about the commercial program.

Mr. Evan Siddall: I don't know.

Mr. Peter Fragiskatos: That's a question for provincial governments.

Mr. Evan Siddall: Unfortunately, I'd be speculating.

Mr. Peter Fragiskatos: That's fine. I don't like to speculate either; it's just a question that continues to come in from constituents who want access to the program. There are many landlords who are going to utilize the program, but there are other landlords who don't want to. Constituents who are renting, who have very legitimate questions about participation, are asking why the provincial government wouldn't have made that a mandatory program.

I guess that's neither here nor there. You're with CMHC and maybe you're not as well placed to answer that, but do you have thoughts on that?

Mr. Evan Siddall: We asked them to co-fund it, which you'd have thought would make them complicit, but we haven't seen anything yet.

Mr. Peter Fragiskatos: Okay.

Chair, do I have time?

The Chair: We can give you one more supplementary question. We have a fair bit of time on this panel.

Mr. Peter Fragiskatos: On housing prices, I know you expect them to go down. Are there particular areas of the country that will experience a decline, or is this something that's going to be spread fairly evenly?

Mr. Evan Siddall: There will be a generalized decline. As usual, we have different housing markets in Canada. We expect oil-producing regions, unfortunately, to be disproportionately affected because of exogenous, non-COVID factors, including this silly war of oil prices between Russia and the Kingdom of Saudi Arabia. Those regions are Alberta, Saskatchewan and Newfoundland.

We expect Toronto and Vancouver to have softer prices as well.

The Chair: Thank you both.

We'll go to about a three-minute round each.

Mr. Brunelle-Duceppe.

[*Translation*]

Mr. Alexis Brunelle-Duceppe (Lac-Saint-Jean, BQ): Thank you, Mr. Chair.

I'd also like to thank the witnesses for being with us today.

I'd like to ask some questions about the CMHC website. Documents and information on the emergency commercial rent assistance program have been added recently.

Do you know when the portal will be online, so that documents can be uploaded?

[*English*]

Mr. Evan Siddall: It will be open on May 25. Right now, you're able to sign up to register for the information to be sent to you already.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: How long will it take from the filing of the documents to the payment of the emergency assistance?

[*English*]

Mr. Evan Siddall: Oh, goodness, I don't know that information, how quickly it will take.

I would imagine a matter of weeks. I'm looking to see if somebody's giving me the answer here. I should say we've had over 40,000 entities already register on that website for more information.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: This information should be verified because we need to give it to our constituents. This issue is very important to them.

Mr. Siddall, if a landlord refuses to participate in the program, what recourse does the tenant have? Is there any?

[*English*]

Mr. Evan Siddall: Well, I think the renter would appeal to the logic of the landlord. Again, we're going to be sharing information on why it would be a poor business decision by landlords not to avail themselves of this program. It will be much more expensive to get rid of that renter.

That information, as I say, will be published on May 25.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: According to the Conseil québécois du commerce de détail, 40% of eligible businesses say that their landlords don't want to participate in it. Although they say it makes sense, that's what we're hearing, and it will cause distressing situations for many tenants.

It's not just that. For instance, the 70% revenue reduction criterion is excessive and will leave many SMEs on the sidelines. The program excludes SMEs whose landlords no longer have mortgages to pay, as well as chain stores.

Do you think the government has properly evaluated the effectiveness of its program? What should be done to make it truly accessible to everyone?

[*English*]

Mr. Evan Siddall: We spent a lot of time looking at who should be included and excluded. I wish I could tell you how much time we spent analyzing all those things, and this is the balance that was struck and the decision that was made by the Prime Minister and the Minister of Finance.

I wanted to just elaborate on my earlier answer. It will take one day to adjudicate a claim and the money will flow within one week. That's what my team is telling me. I think it's the week of May 25, perhaps not the exact day of May 25, but the money will flow very fast.

● (1640)

[*Translation*]

Mr. Alexis Brunelle-Duceppe: So payments can be expected on June 1. Perfect.

[*English*]

Mr. Evan Siddall: We will aim for payments as soon as June 1.

The Chair: Okay. Thank you, Alexis.

I believe you had your hand up, Elizabeth. I'll take you later.

We'll turn to Mr. Julian and then to Mr. Poilievre.

Peter.

Mr. Peter Julian: I have four pretty rapid-fire questions.

Mr. Evan Siddall: I'll do my best.

Mr. Peter Julian: I appreciate your availability today.

I'll just get the four out and then you can answer, depending.

First off, when it comes to commercial rent relief, would you agree with many people that the fact that it has to go to landlords who have a mortgage makes it too complicated and that those may be part of the changes hopefully that are brought in very soon? It's certainly an issue in my end of the country, in British Columbia.

Secondly, having CMHC manage the commercial rent relief program, doesn't that also mean that you would be able to—if the government chose to—administer a residential rent relief program? And I know the issue of jurisdictions, but the reality is it's the same jurisdiction whether we're talking about commercial or residential rent relief.

The Chair: Peter, could we just take those two and then get your other two, and give them time to answer? I think it's easier that way, clearer for everyone.

Go ahead.

Mr. Evan Siddall: I'll be very brief. We will not require a mortgage. To your first question, I agree, that would be an unnecessary hardship, and that condition does not exist. There was some thinking that might be the case. It's not the case.

To your second question, yes, of course, we could administer a residential rent relief program, but the decision has been made that the provinces and territories perhaps would occupy that jurisdiction, given that the federal government has provided income support that will help with rent through the CERB.

Mr. Peter Julian: Thank you for that.

Thanks, Mr. Chair. Now I'll go to my other two questions.

For the 12% of mortgages in deferral, does CMHC track how many of these mortgage deferrals have been approved without the penalties, interest compound fees, that we have seen certainly in my riding so many times?

My final question is in the same vein as Ms. Dzerowicz' question. We have half a dozen sites that the City of Burnaby has set aside for affordable housing. We're finding it very difficult to access this, and when you talk about $18 billion, I'm stunned, because homelessness, of course, is increasing in this country. It's becoming a bigger problem in my region especially.

Is there any type of internal evaluation that CMHC is doing around how difficult it might be to access the current program and whether the monies that are being laid out are actually helping to address the problem?

Mr. Evan Siddall: If I may, I'll answer in reverse order.

We publish quarterly our results in terms of construction and units repaired under the national housing strategy, program by program, so that is being done.

We've achieved an 18% increase in approval times. Notwithstanding the crisis, we're aiming by the end of the year to halve our approval times, so that's under way.

With respect to the number of mortgage deferrals that are attracting interest on interest, they all are. That's a contractual term associated with mortgages that people have agreed to.

The Chair: Peter, are you okay with that?

Mr. Peter Julian: We'll put out the credit union movement and both Vancity and Community Savings moving to 0%. I think that needs to be mentioned, but thank you for responding to the questions.

The Chair: Okay. Thank you.

Mr. Poilievre, the floor is yours, and then we'll go to Ms. Koutrakis and Ms. May for a quick question.

I believe Mr. McLeod might want in as well.

Go ahead, Pierre.

Hon. Pierre Poilievre: Chairman, I'm going to cede my time to Michael Cooper, and then if he has any left, he can hand it back.

The Chair: Go ahead, Michael.

Mr. Michael Cooper (St. Albert—Edmonton, CPC): Thank you very much.

I want to ask a few questions in relation to the first-time homebuyer incentive.

When that program was launched about a year ago, it was estimated that it would help 100,000 Canadians to purchase a home. Is that correct?

● (1645)

Mr. Evan Siddall: It was estimated that it would help up to 100,000 Canadians.

Mr. Michael Cooper: It was up to 100,000, and it was also estimated that in the first six months there would be 20,000 approvals. Is that correct?

Mr. Evan Siddall: It was estimated that there would be “up to”. In fact, in my testimony at this committee in response to a question last May, I said that the maximum recipient number was 39,000 per year and that over two and a half years, 100,000 would therefore be an upper limit.

Mr. Michael Cooper: It was 39,000 per year.

Mr. Evan Siddall: Yes, per year, that is the number of people to whom it would apply, not those who would apply but to whom it could apply.

Mr. Michael Cooper: Thus far, we haven't seen 39,000. We haven't seen 20,000. We've seen 2,950. Is that correct?

Mr. Evan Siddall: That is also correct.

Actually, no, there is an updated number. Keep going and I'll get you the updated number.

That number was as of the end of 2019.

Mr. Michael Cooper: Yes.

That just strikes me as being very much on the low end. Nobody was talking about 2,950 a year ago, or six months ago. I wonder if you can explain why so few Canadians have benefited from this program.

Mr. Evan Siddall: That program was designed as an alternative to easing the stress test or increasing amortizations, both of which would have involved more borrowing and an easing of credit standards that would have aggravated already high levels of household debt.

The reason it hasn't been taken on is probably a combination of either lack of demand, because those people are already well enough supported and those who said they needed more and there was a crisis on our hands were not factual, or they had a view that house prices were going to go up and they didn't want to share it, as opposed to house prices going down and those motivations would change.

Mr. Michael Cooper: Clearly, it's a program that is not working, but Canadian taxpayers are on the hook for $1.25 billion to date, right?

Mr. Evan Siddall: No, taxpayers are only on the hook for what's actually been spent. They're not on the hook for $1.25 billion. That won't be—

Mr. Michael Cooper: No, but the government has committed $1.25 billion.

Mr. Evan Siddall: It's $115 million so far: 6,000 participants, as of our current numbers, and 6,300 applications.

Mr. Michael Cooper: Right, yes.

In your testimony, you mentioned that there could be as many as one-fifth of mortgages that could be in arrears.

Did I hear you correctly?

Mr. Evan Siddall: It could get there by September if this continues. Right now it's 12%, sir.

Mr. Michael Cooper: It's 12%. Okay. That's a staggering increase.

To clarify, in terms of some of the numbers that you provided in an answer to Mr. Poilievre, I think you provided a figure as to how much CMHC could stand to lose as a result of mortgage defaults.

Did you provide a figure to that question?

Mr. Evan Siddall: I said that with regard to our stress testing, which is stress beyond the current environment, we could lose up to $9 billion in [*Inaudible—Editor*]

Mr. Michael Cooper: It was $9 billion. That's what I heard too. Okay.

Mr. Poilievre, do you want to wrap up?

Hon. Pierre Poilievre: Yes. How much time do we have?

The Chair: You have a minute and a half.

Hon. Pierre Poilievre: Thank you.

Mr. President, as you know, under the Basel agreements, Canadian banks, like their international counterparts, have to keep a certain buffer of liquid assets on hand.

I understand that banks have been selling you their mortgages and then buying them back and claiming that those repurchased and now government-backed mortgages count as their liquid assets. Is that the case?

Mr. Evan Siddall: That is, and they pay a fee for that, sir.

Hon. Pierre Poilievre: Do you think that is consistent with what we intend when we require, for regulatory reasons, that a bank have a buffer? I typically think of that as being cash or highly liquid treasuries. It seems like a bit of an accounting trick that the bank would send those mortgages over to you, you'd give them a stamp, send them back, and then they'd claim that those are their liquid assets counting toward their buffer.

I'm not a banker or an accountant, but it does seem like it's not in keeping with the regulatory purpose of that policy.

Mr. Evan Siddall: We want them to insure mortgages for the purpose of securitizing, as I think you would remember. We are monitoring that activity right now.

We assume that what's happening is an adjustment period and that what we're seeing is temporary. However, as you would know, within the OSFI rules and the Basel rules, converting a credit from a person's mortgage credit to a government credit, which is what an insurance policy does, makes it more creditworthy to the banks.

● (1650)

Hon. Pierre Poilievre: Yes, that is true, and the taxpayer is backing it up.

In conclusion, one alternative, as I mentioned in my opening remarks, would be to move towards covered bonds. Instead of having a taxpayer backing for all of this debt, the debt would be backed up by a strong and even excessive collateral, which is widely practised in Europe. In Canada, it only represents 9% of Canadian mortgages. According to a report by the Bank of Canada, the reason is, “Instead, banks have been relying primarily on cheap government-guaranteed mortgage funding options.”

Is it possible that CMHC, and the backing of Canada Guaranty and Genworth by the government, is actually pushing out this market mechanism that could give us a secure form of backing up our mortgages without putting the liability on the backs of taxpayers?

Mr. Evan Siddall: Chair, in response to the question, we are very careful to make sure, with the benefit of private competitors, that this is being priced in a market way. We charge significant premiums, and that's the reason we've returned $17 billion to the federal government over the last 10 years. It's a market function; it's a commercial function.

The Chair: Okay, we'll have to end it there. That was a very interesting discussion. I learned something, too.

We'll go to Ms. Koutrakis, and then we'll have a single question from Ms. May and a single question from Ms. Dzerowicz.

Ms. Koutrakis.

Ms. Annie Koutrakis (Vimy, Lib.): Thank you, Mr. Chair.

Thank you, Mr. Siddall and Ms. Bowers, for this most interesting discussion this afternoon.

I'm going to go back to the CECRA. I've heard from many small businesses in my riding that lot of the landlords, as many of us have said this afternoon, are not participating in this very important program. In fact, I've heard that some landlords are saying they have been advised by their lawyers not to participate in this program.

Why do you think this is?

Mr. Evan Siddall: That's self-serving misinformation, frankly. It's not a smart thing to do. It's going to cost them more money. I don't know if people think they can negotiate a program with us, but that's not the way the world works.

Ms. Annie Koutrakis: Is there anything we can do to avoid or counter this advice?

Mr. Evan Siddall: When we will be publishing information on our website, we will make sure it gets to all members. Please share that widely.

Ms. Annie Koutrakis: I will.

Mr. Evan Siddall: We will, of course, promote it on social media.

Ms. Annie Koutrakis: Moving forward with our new reality, which is Zoom meetings and working from home, with many employees currently finding success in working from home, there has been some speculation that businesses may choose to maintain a work from home policy, even after the pandemic has passed.

In your opinion, can we expect a decline in the number of businesses deciding to rent or purchase physical workspaces?

Mr. Evan Siddall: Well, that would require conjecture.

I will tell you that at CMHC before this crisis, as a result of investments we made in IT and mobility for employees, and also to give them the opportunity to work more closely with their clients, we did have a reduced footprint of folks at the office, and we were compressing from four buildings to one. That's our experience.

It seems to me there could be reduced demand for office space, especially as people try to protect their health in the near term.

Ms. Annie Koutrakis: Right. Do you think this is an issue that may need to be addressed through federal policy or not?

Mr. Evan Siddall: I'm probably outside of my territory here. The government standing in front of economic forces tends to be a battle that's hard to fight. We tend to address market dislocations and market failures pretty effectively. That may not be in the category of market failure.

Ms. Annie Koutrakis: Thank you.

Mr. Evan Siddall: You're welcome.

The Chair: Is that it, Annie?

Ms. Annie Koutrakis: That's it for me. I don't have a short one.

The Chair: Okay. That's great.

I saw Ms. Bowers really smile when you said you were outside your territory.

Mr. Evan Siddall: Oh, she should have jumped in.

Romy, do you have any further points there?

The Chair: Do you want to add anything there, Romy?

Ms. Romy Bowers: No, I won't venture into that territory. Evan gave an excellent response.

The Chair: All right.

We'll go to you, Ms. May. Then Julie has one to finish up.

● (1655)

Ms. Elizabeth May (Saanich—Gulf Islands, GP): Okay. I'm not going to try to sneak in two for one, but it's very tempting.

We've talked about densification, the way forward and modular housing. I wonder if you have any comments on co-op housing and CMHC's interest in co-op housing and co-housing models as a way to get more people into their own homes.

Mr. Evan Siddall: We support a huge number of co-operative housing ventures. The Co-operative Housing Federation is a key partner with us in doing housing in Canada.

Co-housing is something we've actually looked at as an innovative form of housing, as a way to go. We're looking at what we can do to help pursue research in that area.

The Chair: Okay. Thank you.

Ms. Dzerowicz, you have time for a follow-up.

Ms. Julie Dzerowicz: I have one quick question.

You mentioned, Mr. Siddall, that you do not expect the loss to be very high around mortgage defaults.

Mr. Evan Siddall: Yes.

Ms. Julie Dzerowicz: To what extent were the new mortgage rules that we've put into place over the last few years a factor in the fact that we will be minimizing that loss?

Mr. Evan Siddall: Oh goodness, if I could have planted a question, that would have been it. I promise everybody else here that was not a plant. In fact, I was going to say in response to a question from Mr. Poilievre, his questions were so apt because, of course, he was well briefed when he was the minister responsible for CMHC.

Had we not imposed the stress test, we would have had higher deferrals. We would have had more people not paying their mortgages. We would have had more foreclosures. That is certainly the case. That has been the result.

Ms. Julie Dzerowicz: Great. Thank you.

The Chair: Okay, that's a positive note to end on. We have to take some time to introduce, I think, seven witnesses on the next panel.

Go ahead, Pierre.

Hon. Pierre Poilievre: Mr. Chairman, as a vice-chair I just want to jump in briefly. I want to say thank you to the president. I have to say it is so refreshing to have a witness who comes and gives clear, factual answers. We may not agree on everything, but he knows his stuff and he answers the damned question, which is really refreshing for us who are asking those questions.

Mr. Evan Siddall: It's kind of you. Thank you.

The Chair: Pierre, I can't believe that you and I were practically going to say the same thing before you interrupted me. I was going to say thank you both for what I feel was a very frank and open discussion with very clear-cut answers. Thank you both for that.

I thank you also for the service that CMHC provides the country at this time, when it's much needed. Thank you both for your presentations.

Mr. Evan Siddall: Thank you very much for inviting me and, Romy, thank you for making sure I didn't screw it all up.

Ms. Romy Bowers: Thank you very much [*Technical difficulty—Editor*]

The Chair: We'll suspend for about three minutes and then go to the next panel.

● (1658)

_____________________(Pause)_____________________

● (1712)

The Chair: We will reconvene. I call the meeting to order once again.

Welcome, witnesses, to meeting number 29, panel number two, of the House of Commons Standing Committee on Finance. We're meeting pursuant to the order of reference of Tuesday, March 24, on the government's response to the COVID-19 pandemic.

We'll forgo the rest of the preliminaries and get on. We have a lot of witnesses today. We have seven on this panel. If you could try to keep your comments fairly tight to the five minutes, it would give us more time for questions.

Welcome, all of you, and thank you for coming.

We'll start with Janet Wardle, with the Aerospace Industries Association of Canada.

The floor is yours.

Ms. Janet Wardle (Chair of COVID-19 Committee, Aerospace Industries Association of Canada): Thank you. Good evening.

As chair of the Aerospace Industries Association of Canada special COVID-19 economic impact committee and president and CEO of MHI Canada Aerospace, I thank you for the invitation to be here today as you study the government's response to COVID-19.

AIAC is an industry association representing more than 95% of aerospace activity in Canada. Our members are located in all regions of the country and range from very small to very large businesses operating in all three segments: space, aerospace and defence.

MHI Canada Aerospace is a North American tier one heavy aerostructures operation, whose work statement represents the largest on-load of related high-skilled aerospace manufacturing jobs to Canada in the past 40 years. We currently employ 850 employees at our Mississauga facility, along with an estimated 3,000 people indirectly throughout our supply chain, of which 65% is within Canada. We pride ourselves on our team Canada approach, our accomplishments and how we have successfully positioned ourselves for future growth opportunities within the commercial and defence aerospace industry.

More than 80 years ago, decision-makers just like you committed to making Canada a global leader in aerospace. They had the foresight to recognize an industry that, if supported, would add to the overall economic health of the country. We are now one of the five leading aerospace hubs in the world. That is the kind of commitment and leadership required today. Nearly 215,000 Canadian jobs and $25.5 billion annually are contributed to the Canadian economy.

We have faced challenges before, but the impact of the COVID-19 crisis is truly unprecedented. With little demand for flights and most airline fleets grounded for the foreseeable future, the effect on the aftermarket demand has been significant and is expected to remain low. In some cases, new orders have been stalled and airlines have requested delivery delays, leading to reduced aircraft deliveries. Canadian aerospace companies are grappling with cash availability, operational constraints, supply chain impacts and revenue sensitivity.

In fact, EDC's own reporting identifies aerospace manufacturing as one of the hardest hit industries. While some sectoral support has been announced for other industries, that hasn't been the case for aerospace. Now is the time. In addition to your overall economic support, we are once again calling on the government to please work with us on a sectoral strategy for aerospace.

There are many global examples of industry and government working together to enable the aerospace, defence and space industries in their countries to achieve a top position in the global market, and that is what we need to do in Canada. For example, the Australian government is investing significantly to build defence capabilities. In the U.K., programs across the space sector are supported to deliver innovation and growth. Likewise, the U.K. has also developed a strategy for defence.

This isn't about bailouts. It's about leveraging a transformational opportunity to catapult to a solid position of strength as a world leader. Canada has been a leader in the past, and we need to get there again. This crisis has reinforced what AIAC has been saying for some time now. Vision, investment and partnership are needed if we are to be the leaders on the world stage.

AIAC issued our “Vision 2025” report last year because Canada was starting to lose ground and we needed to partner with the government. Of course, no one could have foreseen the COVID-19 crisis, but we knew that as an industry we couldn't continue on a downward trend. Too much is at stake. The report's recommendations are more applicable now than ever, and our industry, through AIAC, has also identified some additional priorities to ensure we mitigate these severe challenges and position Canada's aerospace sector moving out of COVID.

One, we need to partner with the government on a plan to allow people to begin flying again in a way that considers safety and respects new social norms.

Two, we need to further reform our existing programs that take into account different timelines faced by our industry compared to others.

Three, building on the work already done through vision 2025, we need the development of a long-term strategy for the sector to ensure our global competitiveness and to ensure we contribute to the economic growth that is required post COVID-19.

Four, we need the rapid implementation of green technologies and supply chain support for SMEs so the sector can establish itself as a world leader in environmental sustainability and ensure that our supply chain can adapt.

Five, we need to expedite public procurement, in particular, defence and space projects, to help stimulate and sustain high-tech jobs and supply chains.

● (1715)

We have a road map for moving forward, but government support is needed to not only allow the sector to recover from the crisis but also recover to a position of strength on the global market. We look forward to partnering with the government to make this a reality.

Thank you for your time and consideration.

The Chair: Thank you very much, Ms. Wardle.

We turn now to the Canadian Energy Pipeline Association, with Chris Bloomer, president and CEO.

Welcome. The floor is yours.

Mr. Chris Bloomer (President and Chief Executive Officer, Canadian Energy Pipeline Association): Good afternoon and thank you for inviting me here today.

CEPA represents Canada's transmission pipeline companies that operate most transmission pipelines in Canada and many of the large pipelines in the United States. We are pleased to report that our systems continue to deliver this essential service in the face of today's unprecedented challenges. In addition to delivering the energy that enables our essential services to continue operations, CEPA members continue to deliver economic benefits for Canada. In 2018, CEPA spent nearly $14 billion on taxes, goods, services and capital projects in nearly every province and territory and directly employed over 13,500 people.

CEPA members have felt the impacts of COVID-19 too. Transmission pipeline operations, maintenance and construction projects along with their supply chains were designated critical infrastructure quite early, and personnel were designated as essential service workers. Special protocols have been set up to protect vital control room personnel and systems and to ensure that personnel are safe. We transitioned to this new reality swiftly and safely, but we are looking forward to getting fully back to work and contributing to Canada's economy and recovery.

It is important for us to recognize the front-line workers who have kept society going. I would also like to thank the federal and provincial governments, which ensure that our members receive the advice and equipment they need to remain safe and the financial aid and liquidity support that are essential to preserve our capacity to recover quickly. Our industry stands ready to do so.

The new decade began with cautious optimism for the pipeline sector. We remain optimistic, and we have many opportunities to grow. We are seeing progress on major pipeline projects, including Trans Mountain, Coastal GasLink, Keystone XL, Enbridge Line 3 and expansion of TC Energy's NGTL system. Other major projects in the midstream and petrochemical sectors, such as Inter Pipeline's Heartland Petrochemical Complex and Pembina Pipeline's Prince Rupert LNG terminal, will create new infrastructure and value-added processing of natural gas liquids into essential petrochemical products.

Recently, CEPA undertook a survey of members to determine what shovel-ready and shovel-worthy projects could be deployed quickly under the right economic, policy and regulatory conditions. I'm pleased to report that CEPA members identified almost 7.5 billion dollars' worth of new projects, many of which offer significant growth and employment opportunities for Canada.

There will be large and small changes to the lives of Canadians and lessons learned as a result of the pandemic. However, our commitment to be the best in the world in terms of environmental performance will remain. Our operations and the products we transport across the continent and the world are essential and have the best environmental practices.

For CEPA, another reason to be optimistic is Canada's status as a world leader in environmental, social and governance standards, or ESG. We know that capital markets are looking at enhanced ESG reporting and, as Canadians, we know that we produce energy to the highest ESG standards. This is a competitive advantage for Canada that should be leveraged.

Another reason for optimism is the engagement and support we see from indigenous communities that are seeing benefit agreements, community investment, jobs and local supply opportunities from energy projects that will provide economic security and build strong communities for the long term. In 2018, CEPA members spent $240 million on personnel, services, supplies and equipment from indigenous suppliers.

Canada is a leader in responsible energy development, and we have the resource base that can grow to meet energy demand globally. Canada can leverage these advantages as the world recovers.

I'd like to speak a bit about liquefied natural gas, or LNG. Canada has immense natural resources, particularly natural gas which, if converted to LNG to supply global customers, would be a powerful engine for the Canadian economy. LNG can bring thousands of jobs and billions of dollars of revenue to Canada for decades and will help reduce the use of coal around the world.

Beyond LNG, our liquids-rich natural gas offers the potential to expand a major value-adding industry—the petrochemical sector. Again, these are tens of billions of dollars of potential investment that could provide employment, technology development, revenue and products for the whole economy.

● (1720)

As Canadians, we enjoy the security that our resources provide, the security that has ensured the supply chains that feed Canadians, helps to create the fertilizers that grow our food, provides heat and power for our essential services like hospitals and nursing homes, and provides the raw materials for plastics necessary for the personal protective equipment that keeps our front-line workers safe and able to continue to operate.

Global demand for reliable and affordable energy continues to rise, and despite major growth in renewables, oil and natural gas will remain essential parts of the energy mix for decades to come. Natural gas will be foundational as the core to future energy plans and electricity growth. Petrochemical products will also continue to be essential ingredients in new renewable energy production facilities and the systems that connect them.

The ongoing global demand for oil and gas will be met one way or another. Canada should be the first supplier of that energy, as a global ESG leader whose oil and gas resources are developed and transported under some of the strictest environmental standards in the world. Canada should be the first molecule of natural gas or barrel of oil produced and consumed in any market, because no other country produces it more responsibly. The fact is, Canada has the energy that the world will need long into the future. By providing responsibly produced Canadian energy to the world, we will create the jobs and economic and social benefits that our country will need to recover and prosper.

In closing, I would ask you to consider the following.

The crisis has taught us that Canada needs the ability to look after itself in a pandemic. We need shorter supply chains, and we need to enable those supply chains. Fortunately, we have the raw materials we need, the human resources and the ingenuity we need, and the energy we need to be self-sufficient and to help others. What we need is the will to set aside minor differences and work together to leverage all of our natural advantages for the future of all Canadians.

Our industry must be part of that future. We will build it together: safer, smarter.

Thank you.

● (1725)

The Chair: Thank you very much, Mr. Bloomer.

[*Translation*]

Mr. Gabriel Ste-Marie: I'd like to raise a point of order, Mr. Chair.

The interpreters informed us that they were able to interpret the previous witness's presentation because they had the text, but that the sound quality wasn't sufficient for the rest.

[*English*]

The Chair: Thank you, Gabriel.

We will have the clerk notify me if translation services have future problems, and we'll take a break to sort it out.

We'll turn to the Canadian Parks and Recreation Association, Mike Roma, incoming president, and Cathy Jo Noble, executive director.

The floor is yours.

Ms. Cathy Jo Noble (Executive Director, Canadian Parks and Recreation Association): Thanks for the opportunity to speak to the role of municipal parks and recreation and what we can do to help in the societal and economic recovery of communities from COVID-19.

The Canadian Parks and Recreation Association is the national voice for municipal parks and recreation. We are the arenas, pools, sports fields and playgrounds in your community, and we are the summer camps, yoga classes, sport leagues and swimming lessons in which you and your family participate.

The municipal parks and recreation sector provides facilities, services and programs for both a social and financial return. During the pandemic, as facilities and programs are shuttered, we are losing both revenues and the value we bring to communities and individuals. Returning these services fully, safely and quickly in a post-pandemic context must be a priority for all levels of government. Jurisdictional roles must not be a barrier during this time of crisis for municipalities and non-profits.

The financial impact of COVID-19 on the municipal parks and recreation sector is $221 million monthly, due to the incurred fixed costs of operating facilities against zero financial and social return. When facilities and programs do resume, new public health requirements such as hygiene, cleaning and social distancing could raise facility operating costs by as much as $226 million annually. Lower revenues are expected due to capacity restrictions on facilities and programs under social distancing. The true impact of this is yet to be determined.

Since municipalities do not qualify for the Canada emergency wage subsidy program, thousands of parks and recreation employees have been laid off, and thousands more, including summer students, will not be hired for summer programs.

I will now turn it over to Mike Roma.

● (1730)

Mr. Mike Roma (Incoming President, Canadian Parks and Recreation Association): Thank you, C.J.

When restrictions are lifted, Canadians will want and need recreation and parks services. There will be challenges. C.J. has mentioned some of them.

There will be higher operating and infrastructure costs. There will be limitations on the ability to deliver programs in terms of participant levels and facility and space capacity limitations, while costs will remain the same.

Hiring, training and ramping up staff will be expensive, and municipalities aren't eligible for current wage subsidy programs. As well, participants will need to get over the stigma of being in busy facilities and spaces. That will require enhanced cleaning procedures as well as enhanced promotions and marketing efforts. There will also be capital investment requirements related to those public health restrictions. They will be added to the pre-COVID capital issues the sector had in terms of aging infrastructure.

These challenges will lead to increased costs and user fees and the need for specialty staff, supplies and equipment. In some cases, we fear that these increases will be too much for municipalities and non-profits, leading to reduced service levels and, in some cases, facility and space closures.

We know that recreation, parks and sport will be key to our recovery. We also know that we have a lot to contribute to other federal agendas, such as increasing physical activity levels, addressing climate change and furthering reconciliation.

For these reasons, we call on the federal government for two avenues of support, with the first being a community sport and recreation recovery fund, and the second being investment in sport and recreation community infrastructure. We call upon the federal and provincial and territorial governments to create a joint single-transfer funding program that municipalities can immediately access to help support the costs of returning parks, recreation and sport services to communities.

We applaud the recent commitment by the federal government of $72 million to amateur sports sectors; however, we are representing the places where those activities will occur, and obviously we need to be providing those spaces for sport and play to come back.

We also call for an investment in community sport and recreation infrastructure, not only to address the pre-existing multi-billion dollar recreation infrastructure deficit, but also to address new infrastructure needs in a post-COVID-19 setting. When compared to any other infrastructure system provided by municipalities, it's been proven that recreation most needs investment. Again, we do applaud the federal government for re-profiling existing infrastructure funds to create a COVID-19 fund, but that is only a first step. New money is also needed.

We're hoping that these infrastructure funds, when announced, could be directed to municipalities directly to allow for timely and direct funding to communities, and they should be earmarked for sport, culture and recreation infrastructure, preferably to reinvest in aging facilities, similar to the envelope created in the 2017 federal budget.

With that, I would like to thank you for your dedication and public service in these trying times and also to thank the finance committee for inviting CPRA to appear.

We will welcome any questions during the question period. Thank you.

The Chair: Thanks, both of you, for your presentation.

We'll turn to the Food Processors of Canada and Denise Allen, president and CEO.

Ms. Denise Allen (President and Chief Executive Officer, Food Processors of Canada): Thank you, Chairman and distinguished members of the committee, for the opportunity to present as you examine concerning matters related to COVID-19. My name is Denise Allen, and I am the president and CEO of Food Processors of Canada.

For more than 35 years, Food Processors of Canada has been the trusted, leading national voice of the Canadian food and beverage processing sector. Today, we find ourselves in uncharted territory. We have accepted that our future is irreversibly changed by the prolonged effects of this crisis, and this has forced us all, both in business and in our daily lives, to consider the interconnectedness of our societal, food and economic systems. The following submission is intended to respectfully inform you of the impending risks we observe in our food value chain and to offer a suggestion on how to offset the possibility that, if the issue of liquidity is left unaddressed, food shortages and food price inflation will be more severe than necessary.

Since early March, the COVID-19 pandemic has placed extraordinary strain on our entire supply chain. During this time, food processors have continued to manufacture safe, high-quality products under a difficult set of circumstances, which includes reduced operating capacity and sales, higher operating costs and wages, employee absenteeism, sourcing of personal protective equipment and other measures to ensure factories remain open while simultaneously safeguarding our employees' health. These changes to operating procedures are taking place under a backdrop of daily changing public health announcements and a nationwide state of emergency.

The disruption to the food sector in Canada has left certain sectors of our economy devastated. This prolonged disruption is marked like no other in history and bears a combination of unique characteristics that will require remediation to ensure that food products continue to flow uninterrupted to consumers. Our sector's commitment to produce essential products for Canadians during our crisis remains strong. As we look forward, we recognize that social distancing rules will remain in effect for the foreseeable future. This enormous change to how we plan and run our businesses day to day will have an ongoing effect on productivity and profitability, and has, therefore, forced us to broaden our analysis and risk mitigation plans to include the interconnected parts of our food system.

A return to a steadier economic state will require the recognition and support for the incremental expenses beyond PPE incurred to date, as well as a recognition of future financial risk in the form of liquidity in one important selling channel: the food service sector. Our government's recent announcement that it will provide targeted support to food processors by creating the emergency processing fund is welcomed support. However, this pool of funds is inadequate to cover the added operational burden of not only PPE but other incremental costs to ensure the safety of front-line workers and to meet increased demand from retailers.

Through the collection of source data from businesses, we have extrapolated an estimate of approximately $1 billion in added operational expenses assumed by food processors alone. FPC welcomes the assistance and support offered by the emergency processors fund. However, we respectfully ask that consideration be given to expanding this fund to offset the financial burden beyond that of PPE being shouldered by the food and beverage processing sector.

The credit risk posed by the devastation in the food service sector, primarily of independent restaurants, presents significant risk to the efficient workings of the entire Canadian food supply. Recently, government announced a rent subsidy program for independent businesses, which responds to one of the greatest challenges for independent restaurants. However, the sector is reporting low uptake of the benefits of the program. Even more worrisome is the working capital requirement to restock inventories, which will exceed that of rent default risk.

By contrast, the retail sector remains buoyant with little to no liquidity issues reported. Retailers currently have sufficient cash flow to pay food processors within established payment terms. The food service sector has had a significant erosion of sales, which presents liquidity risk in this second major selling channel for food processors and primary producers. This liquidity risk is severe and compounded by rent and other debt, low operating margins and shortened cash cycles. Their liquidity problem is not simply timing but an inability to generate cash from operations or to borrow sufficient funds to replenish inventories required to reopen.

When we examine the total food supply chain, it is apparent that many independent operators in this sector will not be able to honour past food orders and settle rent debt through further borrowing or sales. Unless independent restaurant operators can secure a source of funding in the form of long-term financing or grants, their rent debt alone will be a significant detriment to their ability to reopen profitably.

● (1735)

This gap translates into significant accounts receivable risk for both food distributors and food processors. Without immediate remedy, food distributors will not extend further credit to their restaurant customers, based on this restriction to working capital.

The backbone of the Canadian food supply chain is our farmers. The agricultural sector is the base producer of food for both selling channels. The liquidity issue presented by the food service sector will impact the agricultural sector's ability to see their product effectively reach the consumer market.

Our ability to focus on the total food system and supply chain in Canada will determine if there are food shortages and severe price inflation, which will disproportionately affect those most economically vulnerable. We are asking for an injection of working capital to backstop the credit risk posed by the food service sector and ensure that product continues to flow unfettered while protecting the Canadian small business owner.

In conclusion, Chairman, two immediate opportunities exist to protect and secure food supply for all Canadians.

First, expanding the scope and magnitude of the emergency processing fund to include other incremental operating expenses is needed to offset the increases and support public safety protocols expected to continue far into the future.

Second, an immediate injection of working capital is required to backstop a minimum of three to six months' worth of food orders to offset the receivables risk to distributors and discourage changes to payment terms.

With relative stability restored to our food system, our collective focus must then shift to an exit strategy for COVID-19.

Thank you.

● (1740)

The Chair: Thank you very much, Denise.

We'll turn now to the National Association of Friendship Centres, with Mr. Sheppard-Buote and Jocelyn Formsma.

Mr. Christopher Sheppard-Buote (President, National Association of Friendship Centres): [*Witness spoke in Inuktitut as follows:*]

ᐊᑎᓕᔭᐃ, ᐆᖅᓛᒃᑯᑦ, ᑯᓇᒃᑕᕗ ᓴᐳᑦ ᐱᔭᑦ-ᖕᒍᕗᖕᒐ.

[*Inuktitut text translated as follows:*]

Hello. Good morning, I am Christopher Sheppard-Buote.

[*English*]

I'm the president of the National Association of Friendship Centres.

I want to recognize that today I'm on Treaty No. 6 territory and I am thankful for the welcome that they have shown me since being here. I am joined today by Jocelyn Formsma, who is the executive director of the national association.

We thank you for the invitation today—

The Clerk of the Committee (Mr. David Gagnon): I'm sorry, Mr. Sheppard-Buote and Mr. Chair. I think there's a problem with the sound.

The sound quality is not good enough to interpret Mr. Sheppard-Buote.

We can try it one more time.

The Chair: Just go fairly slowly and talk as close to your mike as you can, Mr. Sheppard-Buote.

Mr. Christopher Sheppard-Buote: Good morning, committee. My name is Christopher Sheppard-Buote. I'm the president of the National Association of Friendship Centres.

I want to recognize that I'm on Treaty 6. I'm joined by Jocelyn Formsma, the executive director of the National Association of Friendship Centres. We represent over 100 local friendship centres and provincial and territorial associations in every province from coast to coast to coast, except Prince Edward Island.

Friendship centres are urban indigenous community hubs that provide a wide range of programs and services for every demographic of indigenous people, including prenatal, healthy baby, family, children's, youth, adult and seniors programming. We offer services in health, economic development, entrepreneurship and employment and training, housing and homelessness, head start and child care, violence prevention, education, languages, culture, justice, and sports and recreation.

Collectively, we are the largest and most comprehensive urban indigenous service delivery network in Canada. Last year, 93 centres served approximately 1.4 million first nations, Inuit, Métis and non-indigenous people across over 1,200 programs and services in 238 buildings, and employing over 2,700 people. We are proud to be a largely indigenous, women-led network.

What I need you to hear today is this: The federal government needs us to help navigate through the remainder of the COVID-19 response in urban indigenous communities. They will need us to help re-establish Canada's economy after COVID-19, and they need to effectively resource us to do so. The first friendship centres have been on the front lines of support for first nations, Inuit and Métis people for 70 years. COVID-19 is but one emergency that we are helping the communities we serve to navigate. The matters and conditions that we help our community members with every day will still be here, even after this pandemic ends.

Among the systemic barriers to doing this essential work are the distinctions-based approach to COVID-19 funding, which left many of the urban indigenous community members we serve unseen; the ongoing jurisdictional wrangling between federal and provincial governments; the chronic lack of resources, training and personal protective equipment; and not being engaged nationally on urban-specific approaches.

While we are appreciative of the funds we have been able to secure through the indigenous community support fund, we need you to know that this money was spent even before it hit the ground. The $15 million that was set aside for urban indigenous needs was never going to meet those needs. We must see a second wave of funding soon. Urban indigenous people cannot continue to be left behind.

Now is the time to leverage the friendship centre movement's expertise, networks and programs to support urban indigenous people and provide them with the support they need during this crisis and afterward. The NAFC continues to seek funds to ensure that urban indigenous communities are served in this time. Friendship centres should not be decimated because they answered the call when others could not or would not, because they spent and served without proper equipment, and because they put aside their regular fundraising activities or shut down their social enterprises. Our network is highly effective, agile and competent at sharing information and caring for each other.

Instead of looking at us as another handout asking for more, we encourage the federal government to look to us as an answer to the question of how to reach this priority population. Properly equipping and resourcing friendship centres now and including friendship centres in response and recovery strategies is but one way to care for and invest in the viability of urban indigenous communities and economies.

● (1745)

The NAFC has offered and continues to offer its perspective, expertise and knowledge of urban indigenous communities and community members to inform the federal government and guide effective remedies both now and post COVID-19. We look forward to being a part of the ongoing conversation and the continued investment in our work.

Thank you so much.

The Chair: Thank you very much. We could hear you considerably better when you went slower. Thank you very much for that.

We turn now to the Public Policy Forum with Edward Greenspon.

Go ahead, Mr. Greenspon.

Mr. Edward Greenspon (President and Chief Executive Officer, Public Policy Forum): Thank you.

On behalf of the Public Policy Forum, I thank the finance committee for the opportunity to address the critical issue of how COVID-19 has impacted the economy, and what can be done.

I'll be speaking about the general public interest and not the state of the think tank sector.

PPF is embarking on a post-COVID research and convening project that we call “Rebuild Canada”. Our work starts from the premise that the crisis has thrown up new issues with which we must deal, as well as changing the trajectories of long-standing issues that we have not yet adequately addressed. There are many of them.

I was struck in the recent jobs numbers that young people make up 14% of the population and have lost 30% of the jobs. Nearly half as many again are still employed but have lost all or a majority of the hours they usually work. Research from previous recessions shows that unlucky timing in entering the labour market reduces earnings for at least a decade.

As with public debt, digital infrastructure, gig work or the decoupling of China and the United States, policy-makers are going to be left with a host of issues with major consequences. Rebuild Canada will gather some of the best established and up-and-coming policy minds and generate fresh ideas for decision-makers such as you.

Our first choice is whether we seek a return to the pre-pandemic status quo or strive to turn this cataclysm into a catalyst for a more productive, resilient and fair economy and society. With that in mind, I'm going to briefly touch on two issues that we will look at.

The first is climate and energy. Nowhere is the crisis more acute than in Canada's oil and gas producing provinces. As policy is considered, three realities stand out. One, climate change is getting worse. Two, an energy transition is already under way, driven by both public opinion and international investors. Three, a move away from fossil fuels will occur over decades, not years.

Just 3.8% of new vehicles sold in Canada today are electric or hydrogen. Internal combustion autos still comprise 99% of the passenger fleet, and the average life span of a modern car is about 13 years. It is clear that we will be running on gasoline for a while yet. If fossil fuels are going to be with us and climate change is getting worse, there's only one possible solution. We need to pursue all four pathways of the government's 2018 Generation Energy Council report, including a cleaner oil and gas sector.

Norway provides a model of climate cleanliness at home and the export of low-carbon oil abroad. The alternative to a cleaner oil and gas pathway, given continued demand, is to become a net importer and forgo the $76 billion that Canada earns toward our balance of payments from oil exports.

One place to start being cleaner and continuing to make this money for our government and for other revenue is by matching U.S. incentives for carbon capture, including the so-called 45Q tax credit. Canada at one time was a world leader in carbon capture, one of many steps in reducing emissions. Today, our homegrown technologies are being tried out south of the border. I see in the PPF's energy future forum project a strong desire to re-establish leadership at home and to sell abroad.

The second thing I want to talk about is quality of information in a democracy. As some of you know, I spent most of my career at The Globe and Mail, including as Ottawa bureau chief, founding editor of globeandmail.com and editor-in-chief. The COVID crisis is having two major effects on the news industry.

First, it is decimating revenues at journalism-based organizations at the very time that demand for reliable and local information is greater than ever. In releasing its first quarter results two weeks ago, Torstar Corporation reported print ad revenues at its dailies and weeklies down 58%. Digital was also down. This is typical of the industry and comes on top of a decade of declines that have taken ad revenues for dailies from $2.5 billion in 2008 to potentially as low as $600 million to $700 million this year. The news media is bleeding out.

A broke press is not a press at its best. Community newspapers are the most vulnerable, because they generally lack any subscription revenue. Weekly publishers are worried that their critical flyer business may never come back as retailers announce plans to go online. Everyone knows the only growth area is digital advertising and that it is thoroughly dominated by Facebook and Google, neither of which employs journalists who can go out and establish whether 5G cell towers cause COVID-19 or whether a conspiracy theory is at work.

● (1750)

There are different ways to rebalance the finances of reporter-based news media and the algorithm-led global platforms. An obvious and overdue point is to finally make foreign digital services subject to the same sales tax obligations as Canadian news media. Some people also think we should finally extend section 19 of the Income Tax Act to the Internet.

As you know, France and Australia have turned to competition law to pressure platform companies to negotiate content payments with news publishers. PPF's “The Shattered Mirror” report recommended an alternative of imposing some form of levy, as with cable TV, on digital operations that do not invest in Canadian journalism.

We also need to activate the three useful vehicles to support journalism contained in the federal government’s 2019 budget. I’m proud to have played a role in designing the labour tax credit and the extension of charitable status to journalistic organizations. Now, with news media facing a Waterloo moment over COVID, it is time to get the money out the door.

Historically, when Canada’s ability to provide news about the country to its citizens was threatened, we used policy to create a CBC and a section 19 and a split-run magazine policy. We need to be resolute again.

Thank you.

The Chair: Thank you very much, Mr. Greenspon.

Before I turn to the YMCA, I'll give members the first round of questioning. We will have to go to five-minute rounds this time. First up will be Mr. Cooper, then Mr. McLeod, Mr. Ste-Marie and Mr. Julian.

We're turning now to Peter Dinsdale with YMCA Canada.

Mr. Dinsdale, the floor is yours.

● (1755)

Mr. Peter Dinsdale (President and Chief Executive Officer, YMCA Canada): Thank you very much, Mr. Chair and committee members, for the opportunity to testify during this unprecedented and trying time of crisis.

The YMCA has been a part of communities for decades. We've been a place of connection and belonging in times of fortune and celebration, and we've been there in times of recessions, depressions and disasters, helping communities recover. COVID-19 has been no different.

From coast to coast, YMCAs have steadfastly continued to provide services to ensure communities have access to the supports they need during the crisis, either by moving them online or opening our doors wherever possible. We are transforming our facilities to protect the homeless and providing child care for essential workers. Our employment and training, as well as our immigrant and settlement services, are being delivered by phone and online. We have launched virtual workshops to promote physical health and mental wellness. We are leveraging technology and other avenues to reach seniors and young people in isolation.

Through these efforts we are supporting the fight against COVID-19 by providing Canadians with what they need to be on the front lines and remain healthy and physically distant.

YMCAs are responding to the urgent needs of communities, but not in the absence of significant challenges as a result of closures and declining revenues. This comes at a time when the demand for our services has increased as communities look for supports to cope and connect during the pandemic.

We thank the Government of Canada for recognizing the needs of the charitable sector during this pandemic. The Canada emergency wage subsidy has meant that YMCAs can retain and recall staff previously laid off and ensure they remain connected to their employer. The $350-million emergency community support fund will help charities continue to provide emergency services to vulnerable populations today.

While these announcements are a positive step forward, a large financial gap continues to exist in the absence of core stabilization support for the charitable sector. Our cash flow projections have informed that YMCAs in Canada are going to be missing $42 million in the next three months and $84 million in the next six months. This funding is required to keep them all open.

Considering we are now in week 11 of this pandemic, we are extremely concerned with this financial position. That's why YMCA Canada supports Imagine Canada's urgent call for broader sector stabilization to address this financial shortfall. An immediate funding program that will provide us with stability during this precarious time will ensure we can continue to provide programs that communities rely on and that our facilities, spaces that Canadians helped us to build in these communities, remain open once again when we all come together.

As a federation, we're made up of 44 YMCA member associations with reach into communities all across Canada. We have the means to deliver these funds quickly with accountability measures in place to maximize the impact of this investment on Canadians.

In addition to sector stabilization, this pandemic will require us to evolve to return to the next normal. We'll need to retrofit our spaces and purchase PPE to adhere to the health and safety limitations, continue to innovate and deliver programs remotely, introduce new programs and expand existing services to meet demands. This also means updating our operating model to ensure we can be agile in a changing environment and continue to be responsive to the needs of communities moving forward. Financial support to enable this transformation will be critical for the social and economic recovery of our country.

Young people will need greater access to employment services and training to obtain meaningful employment. Demand for immigrant and settlement services will increase once the border restrictions have been lifted and people are able to arrive in Canada. Individuals will be seeking mental health supports to manage stress and anxiety caused by the pandemic. Parents, particularly mothers, will need to know their children are safe and have access to high-quality child care to return to work or to school, or to find a new job.

We recognize these are significant investments. However, the cost to replace the social and community infrastructure built over generations is much greater. Immediate sector stabilization and transformation funding programs will enable our sustainability through this pandemic and our ability to support community recovery, just as we have in trying times before this.

For the YMCA, this means continuing to reach over 2.28 million people and employing over 30,000 staff through 1,700 locations.

Thank you for the opportunity. The Prime Minister has indicated he'll be there for all Canadians, and the charitable sector is telling you we need your support today more than ever.

Thank you.

The Chair: Thank you very much, Mr. Dinsdale.

Thank you to all the witnesses for appearing and for your presentations.

We'll go to five-minute rounds now, starting with Mr. Cooper, followed by Mr. McLeod.

● (1800)

Mr. Michael Cooper: Thank you, Mr. Chair.

Thank you to the witnesses. My questions will be directed to Mr. Bloomer.

Mr. Bloomer, in your testimony you referenced $7.5 billion of new shovel-worthy projects. I presume that the $7.5 billion of shovel-ready projects would include the $1.5-billion 344-kilometre Nova Gas Transmission line. Would that be among the projects you would identify as shovel-ready?

Mr. Chris Bloomer: There are a number of projects. We polled our members, and they came back with a list of projects—

The Chair: Mr. Bloomer, I don't want to interrupt you, but I would ask you to slow down considerably. We have word from the translators that they need you to slow down and speak clearly.

Mr. Chris Bloomer: Okay. I will slow down.

We surveyed our members, and they came back with a list of projects that were considered shovel-ready. There are a number of projects like NGTL, and there are infrastructure projects for maintenance and expansion of operations. There are also new projects and some petrochemical projects.

Mr. Michael Cooper: I mention NGTL because it has been approved by the Canada Energy Regulator. Is that right?

Mr. Chris Bloomer: Yes.

Mr. Michael Cooper: Right now it's being held up by the federal cabinet. Is that right?

Mr. Chris Bloomer: It's being held up. There's an issue around consultation and getting that cleared up. I'm assured that they're working on that right now.

Mr. Michael Cooper: Right.

Speaking more broadly about the energy sector, which is one of the most important industries in Canada—it accounts for about 10% of Canada's GDP—we have seen, I would submit, a relatively limited response from the federal government. We are seeing $1.7 billion dedicated to orphan wells and some relatively minor liquidity measures for smaller companies. Are you satisfied with the federal response to date, or do you think more could be done to support this vital sector?

Mr. Chris Bloomer: I think the federal government, in its first round of labour funding and small corporation funding, or smaller and medium-sized.... Then with the larger corporation funding, where companies can apply and would be eligible for liquidity, bridging loans and so on.... We're optimistic that the program can be helpful across the sector.

Mr. Michael Cooper: Would you agree that in terms of medium and larger companies in the energy sector, the federal government has not provided sufficient liquidity supports or there's certainly room for improvement in that regard? We've heard that from other witnesses.

Mr. Chris Bloomer: We'll have to see what the program uptake is. It's early. We would certainly like to have seen a program like that earlier, but we're optimistic. We'll have to see what the uptake is. We're optimistic that it will help some of our companies.

Mr. Michael Cooper: Now, do you have any specific recommendations that you would like to see by way of a further federal response? Are there any specific policies that you would like to bring to the table?

Mr. Chris Bloomer: I think there are a couple of policies. One is that clearly, as I've outlined, the industry has a significant number of projects that can be undertaken, not just in the transmission pipeline industry, but also in petrochemicals and other aspects of the industry. To enable those projects to move forward in a timely way, I would think that clarity on the regulatory runway would make sure that those projects get off the ground and get going as soon as possible.

Mr. Michael Cooper: Okay.

How much time do I have, Mr. Chair?

The Chair: You have another minute, Michael. Go ahead.

Mr. Michael Cooper: Speaking a little bit about the regulatory environment, would you agree that legislation like Bill C-69 has not helped?

Mr. Chris Bloomer: Well, certainly we had a long discussion about Bill C-69 a while ago. It's now been put into law. We're working with it. We're hoping that, through the implementation of it, we'll get more clarity than we had. We just have to work with it.

Mr. Michael Cooper: Okay.

The Chair: Thank you.

I'm just wondering, Mr. Bloomer, if it would be possible for you to send us, through me or the clerk, an overview of the kinds of projects that really should go out to the Minister of Infrastructure. That way, everything is on the table and we can get a quick start on infrastructure to try to get the economy going again. If you could do that, it would be helpful.

● (1805)

Mr. Chris Bloomer: Yes, I certainly agree.

We have provided that, but we will provide it directly to this committee.

The Chair: Okay, thank you very much.

Now we'll turn to Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

Thank you to all the presenters today. These were very interesting presentations.

My first question is for the National Association of Friendship Centres. I'm a founding member of the friendship centre in my community. I live in an indigenous community, and I really see the benefit of having friendship centres. I think every indigenous community should have a friendship centre—and an aboriginal head start program, for that matter.

One of our challenges in the north is to have good information. We don't seem to get the same level of tracking that the southern provinces get. Indigenous communities are always looking for better data. If you're going to make good decisions, you need good information.

We're lucky in the Northwest Territories that we have no COVID-19 cases. However, we continue to talk about what kind of data collection would be helpful, so I'd like to ask Chris if he could talk a little about what he would need in terms of information and what his approach would be.

Mr. Christopher Sheppard-Buote: Thank you, Mr. McLeod.

Jocelyn and I have previously stated in front of other parliamentary committees our frustration that the jurisdictional issues around health information and the current structure of case identification do not include urban indigenous people. There's a reason that the cases in La Loche, for example, outnumber the total declared indigenous cases. If you are not on reserve, you typically don't get the same disaggregated data, which you would need to create good policy.

I would also argue that even when we have good data, public policy has not matched what that data tells us. For example, the majority of indigenous people live off reserve, off Inuit-governed territory, off Métis homelands, but the financial contributions have never matched that number.

We've already reached out to try to gather as much data as we can with our partners—I'm sure Jocelyn can follow up with some specifics—but we also want to make sure that this data is communicated in a way that's appropriate and comes from indigenous ways of knowing. Indigenous people don't typically talk about mental health. When we hear that word, it's not something we're comfortable talking about, but if you ask people, “How are you? How are you managing during this time?”, they're much more willing to tell you that they're not doing that well.

Jocelyn has some more specifics on the health data and the work we're trying to do in that area, but I'll just be very clear: We don't know how many urban indigenous people have died from COVID-19, period.

Mr. Michael McLeod: Thank you for that. As a former member of the friendship centres, I'm very aware of the history of all the programs they deliver and, certainly, of some of the challenges. I've always appreciated the fact that friendship centres don't fall under a political structure. They don't fall under the band council, the Métis council or any of the indigenous governments, so they really can speak openly about the real challenges in the community.

However, there have been real challenges with the whole association. I want to ask you about how COVID-19 has exasperated the structural challenges that friendship centres were dealing with prepandemic and what steps we can take to help the friendship centres not only survive these challenges times, but ultimately come out of this with greater certainty.

Ms. Jocelyn Formsma (Executive Director, National Association of Friendship Centres): I can jump in and add a bit on the data.

A lot of the indigenous data that's being collected is very rightfully being collected by indigenous entities, such as The First Nations Information Governance Centre, various Métis nations and Inuit-formed entities. What we're saying is that we don't currently have a similar entity that collects the data within an urban landscape.

Anecdotally, we know there have been hundreds of COVID cases in the indigenous population within, say, Toronto, but we do not have any way of formally recognizing those cases of illness or any of the deaths that have occurred. Furthermore, a lot of the community members who have had the virus and passed away from it are largely unseen by society in general, such as the unsheltered homeless. We've had numerous young people in care. It's not to say that they've had the virus, but as a population, unless you know who they are and where they are, it can be very difficult to do outreach.

As our president said, we've been there from the beginning. This is another emergency in a long line of emergencies that friendship centres have responded to. Whether it's flood, fires, extreme heat, extreme cold or previous pandemics, friendship centres have been there on the front line. We were there previously, dealing with violence prevention, trying to advocate for affordable housing and dealing with homelessness for those very.... I don't want to say “vulnerable”, but I'll say they're a population that has been pushed to the margins through systemic measures.

What we're calling for is to look to us as an answer. We know this community very well. We think indigenous people living within urban settings are going to be very key for Canada's economy, not just now, but going into the future. We'll need a workforce. We'll need their thinking, and we'll need their leadership. We'll need young people to have the skills and knowledge to engage with the workforce and lead through entrepreneurship. We need this population, and we need to ensure that the infrastructure is in place to support them to participate fully.

We certainly need the infrastructure. We need the physical space, safer spaces, for friendship centres. We need enhancements to our current programs. This will allow us to not just provide the status quo in the programs and services we currently provide, but also be a lot more innovative with those programs, as we have also had to move to a virtual type of service delivery. Quite frankly, there should also be a vast investment in child care, young children's development, early childhood development and young people.

I think those are the things we would be calling for as part of the recovery for and investment in friendship centres.

● (1810)

The Chair: Okay, we will have to end it there, Jocelyn. Thank you very much.

We'll turn to Mr. Ste-Marie, followed by Mr. Julian.

Gabriel.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

I'd like to acknowledge the presence of all the witnesses and thank them for their presentations.

My questions are for Ms. Wardle, of the Aerospace Industries Association of Canada.

The Institut du Québec is asking that the aerospace industry be recognized as a strategic industry. In concrete terms, this means that specific programs need to be developed for it and that it must not be allowed to collapse.

Does your association agree with those conclusions?

[*English*]

Ms. Janet Wardle: I apologize, Mr. Ste-Marie, but I don't speak French. I'm not sure why the English version didn't come through on my phone. I understood a few words, which I picked up from my daughter taking French immersion, but I didn't understand the question. I'm not sure why I didn't get the English version.

The Chair: It was coming through on my translation.

Ms. Janet Wardle: Oh, did I do something wrong?

The Chair: Down at the bottom of your unit, does it say “English” and “French”? If you have it on the English channel, it should come through as translated from French. At the bottom of the Zoom panel, you'll see “Participants”, then a little circle and then “Reactions”. Where that little circle is on “Languages”, it should say “English” and “French”.

Ms. Janet Wardle: I am so sorry.

The Chair: It's not a problem.

Ms. Janet Wardle: I see “more”, “audio settings”, “microphone”, “select speaker”....

The Chair: Try it again, Gabriel, just to see where we go from here.

Ms. Janet Wardle: Can you say a few things?

[*Translation*]

Mr. Gabriel Ste-Marie: Can Ms. Wardle understand me now?

[*English*]

Ms. Janet Wardle: Well, I understood what you said because I understood that amount of French, but I didn't hear anything in English in my ear. I should hear it, right? Is that what should happen?

● (1815)

[*Translation*]

Mr. Gabriel Ste-Marie: That's right. As the chair was saying, in Zoom, there's a circle that looks like the planet Earth for interpretation. You need to choose “English”.

[*English*]

Ms. Janet Wardle: I don't see that.

In the settings, it has English/French. I have English chosen.

The Chair: Okay, let's try it again.

You'll soon be out of time anyway, Gabriel.

[*Translation*]

Mr. Gabriel Ste-Marie: Mr. Chair, I knew you were going to make that joke.

[*English*]

Ms. Janet Wardle: I know. I feel bad.

The Chair: It's okay. We can go a little over time tonight, if we have to.

Go ahead, Gabriel. We'll try again.

[*Translation*]

Mr. Gabriel Ste-Marie: Ms. Wardle, the Institut du Québec is asking that the aerospace industry be recognized as a strategic industry. In concrete terms, this means—

[*English*]

Ms. Janet Wardle: It's still not coming through, even though it said English. I see a French interpreter there. Do you want to move on to the next question? Is that a problem?

The Chair: Oh, it's still not coming through. I think Gabriel probably has a couple of questions for you.

Just go through it in French and I'll relay it, Gabriel.

Ms. Janet Wardle: I'm so sorry.

The Chair: Go ahead again, Gabriel. Try again.

[*Translation*]

Mr. Gabriel Ste-Marie: Very good. Mr. Chair, I'll ask you the question, and you can translate it for Ms. Wardle.

For the third time, the Institut du Québec is asking that the aerospace industry be recognized as a strategic industry. In concrete terms, this means that specific programs need to be developed for it and that it must not be allowed to collapse.

Does your association agree with those conclusions?

[*English*]

The Chair: Ms. Wardle, the Quebec institute is asking that aerospace be considered a strategic industry and not to let them tumble....

Yes, go ahead, Peter.

[*Translation*]

Mr. Peter Julian: A point of order.

Mr. Chair, I'm sorry, but it seems to me that the question should be interpreted. I'll leave it to Mr. Ste-Marie to decide that, but if the question could be asked directly, I think it would be better. Could we go back to Mr. Ste-Marie? I'm very uncomfortable with this.

[*English*]

The Chair: I just don't want to take up a whole lot of time.

Maybe I'll go to Mr. Julian and come back to Mr. Ste-Marie. In the meantime, the technical people can talk to Ms. Wardle, as long as Peter's question isn't for her.

Go ahead, Mr. Julian, and then we'll come back to Gabriel.

Mr. Peter Julian: Thank you very much, Mr. Chair. I think that's the best way to proceed. Then hopefully the translation will be set by the time it comes back to Mr. Ste-Marie.

My question is for Mr. Sheppard-Buote and Ms. Formsma.

The NDP pushed for friendship centres to be here today because of the important testimony you've offered, and certainly we are completely in alignment on the issue of child care and expanding child care services.

As you so eloquently put it, the initial amount of $15 million was completely inadequate to the needs of the National Association of Friendship Centres and indigenous people living in urban centres. If there is a request to the federal government, I think it would be helpful to know the exact amount of the request. If not, can you give us an idea, in dollar terms, of what would make a difference in order to allow the National Association of Friendship Centres, which does fantastic work across the country, to continue its work and meet the challenges of COVID-19?

● (1820)

Mr. Christopher Sheppard-Buote: I'll start, and Jocelyn can finish up.

The concern for us was twofold. First, the requirement for some, and not for others, to stop what they were doing, reach out to almost 100 members across this country during a pandemic and ask for data and actual numbers was the first portion that was extremely challenging for us. It was not only the amount; it was the fact that we were forced to create a proposal during a pandemic and then apply and compete for $15 million of over $300 million in this fund. We submitted a proposal to Canada with figures based on actual data, based on reality, that I would assume very few agencies or associations could do right now.

Jocelyn can tell you what that number is, and I'll pass it over to her, but it was a twofold issue.

Ms. Jocelyn Formsma: Our proposal alone was for $15 million—or just under that, about $14.9 million—for urgent, immediate costs covering staffing, capacity, personal protective equipment, the infrastructure costs of renting equipment such as handwashing stations and porta-potties, fuel and vehicles, because they're delivering food and supplies to people, as well as modifications to the centres, both sanitization supplies and cleaning services, as well as food for the food banks' kitchens and delivery.

We also put in support for coordination. We have people who are social workers, executive directors and administrators who now have to respond to a pandemic with no public health background. We wanted to be able to hire some expertise to help guide us through what we should or shouldn't be doing and then be able to connect with each other to do that coordination by just having one staff alone to coordinate the donations that were coming in, food donations, gift cards and those kinds of things.

We also needed support for technology, upgrades to equipment, tablets and phones, both for the staff to move to a virtual environment and for loaning to community members such as elders to combat social isolation, or to young people and families.

Then we also included some support for accessing mental health and to do what we're calling program adaptation.

All of those components, which were based on actual costs that friendship centres were already spending, were the $14.9 million. While friendship centres are accessing other federal government supports, for example the wage subsidy for small businesses, a lot of the food security funds didn't come to friendship centres, so what happened is that friendship centres had to apply for $1,000 here, $5,000 there or $10,000 there. We have some friendship centre EDs who are just exhausted from applying for small grants and also helping community members apply, in a safe way, for CERB and other benefits they have access to.

So, yes, there has been a lot. A lot of the benefits have just kind of flown over our heads and we haven't been able to really grasp a significant portion that would help us do the work we were doing.

The Chair: We will have to end that round there, Peter. You're a little over.

Mr. Peter Julian: I still have a minute left, according to my watch.

The Chair: No, you don't. Your watch is wrong. You will have a second round anyway, Peter.

I believe Ms. Wardle is still on her phone trying to sort this out, so we'll come back to you a little further down the road, Gabriel.

The Clerk: I think it should be fine, Mr. Chair. Maybe we can confirm with Ms. Wardle, but I think it's fine now.

The Chair: Okay. We'll go back to Mr. Ste-Marie. Ms. Wardle has two phones going there.

Go ahead, Gabriel.

● (1825)

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

I'll ask my question again. The Institut du Québec is asking that the aerospace industry be recognized as a strategic industry.

In concrete terms, this means that specific programs need to be developed for it and that it must not be allowed to collapse.

Does your association agree with those conclusions?

[*English*]

Ms. Janet Wardle: Thank you for your patience, first of all. I appreciate it.

Absolutely, we agree with it. We have been working on vision 2025, because we realized that the industry was already starting to have issues prior to COVID-19. Now that COVID-19 has hit and people are not flying, the industry is slowly crumbling around us. We definitely need a sectoral strategy to help move us forward, keep 215,000 employees employed and allow that 25.5 billion dollars' worth of economy to keep going. As I said, we had realized there was an issue, and that's why we put forward vision 2025 last year.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

Should the government ensure that the replacement of fighter jets produces significant spinoffs, so that military contracts partly compensate for the foreseeable difficulties of civil aviation?

[*English*]

Ms. Janet Wardle: I can speak on behalf of just my company. MHI Canada has been working with the government on this procurement policy, trying to move forward, whether it's defence or space, and realizing that we have the ability to put a team Canada approach together and work alongside all companies in Canada to bring the work to Canada from those organizations and build our economy even more—whether that's with technology, whether that's green—in order for us to innovate. Yes, we would absolutely benefit as a country from that defence policy moving forward.

[*Translation*]

Mr. Gabriel Ste-Marie: Air transport and aerospace are intertwined. Rather than giving a blank cheque to the airlines, shouldn't the government instead ensure that public funds have a spinoff here at home?

I'll give you two examples. First, we could do as France has done and demand a plan to green our fleet. As we know, Mirabel produces the most energy-efficient airliner in the world, and greener airlines mean a more prosperous aerospace sector here at home. Then, we could follow the United States and require the repatriation of certain heavy maintenance activities that have been outsourced.

[*English*]

Ms. Janet Wardle: With regard to repatriation, we want to somewhat avoid the non-exporting because our aerospace industry is 80% export. If we start looking at not exporting or importing items into Canada, it could have a worse effect on our aerospace industry than it would on others. I absolutely agree that we need to have that sectoral strategy. In our vision 2025, one of the biggest concentrations was going green and being sustainable. There's a company in Vancouver that already has e-planes. I know that Mirabel and Bombardier are working on a plane that's more sustainable and environmentally friendly. We're proud to be part of that platform.

We know that we have to support innovation, specifically innovation with regard to the environment. We want to be the leaders, but we need the government's support to help us be the leaders in that industry. The first thing we need to do is get people flying.

The Chair: Gabriel, you have a minute.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Air Canada announced that it would retire 79 older aircraft rather than pay to keep them in flying condition while grounded.

Over the next few months, thousands of aircraft could be taken out of service.

Wouldn't this be an opportunity to develop the embryonic aircraft recycling industry we already have?

[*English*]

Ms. Janet Wardle: It absolutely could be. Again, we need to get on the forefront. That could be a bridge to help us, but we need to have that long-term sectoral strategy to move us forward. We need to get people flying. We need to spend money on innovation and environmental.... Absolutely, that could be a bridge to get us there and to help our industry survive until we receive those orders.

Keep in mind that our long lead times make us so different from everybody else. What's affecting everybody now is going to affect us in the fall. For every month that we're closed down, we're not going to catch up for another year. I can speak for us. We closed on March 29. We are going to reopen fully in July. We're not going to recover back to normal for two years. Our lead times are a deterrent for us to get back to being healthy. That could be that bridge to get us from now to where we need to be in that sectoral strategy.

● (1830)

The Chair: Okay, we'll have to end it there.

Ms. Wardle, there's a lesson for Mr. Ste-Marie here. If he'd just ask the same question three times in the House, he'd finally get an answer.

We'll go on to Mr. Morantz, and then Ms. Koutrakis.

Marty.

Mr. Marty Morantz: Thank you, Mr. Chair.

I'm going to direct my questions initially to Ms. Wardle.

It goes without saying that the aerospace industry is hugely important to the Canadian economy. I think you mentioned that it's a $25-billion industry. It has a particularly immediate effect in my riding. My riding has companies in it like Boeing, StandardAero, Magellan, Cadorath, Nav Canada and the Winnipeg Richardson International Airport.

In a meeting recently, one of these companies told me that it is looking at laying off close to 15% of its workforce. Is this something that you're seeing across the country? To what extent are we seeing layoffs right now in the industry?

Ms. Janet Wardle: That company is pretty lucky. If they are in defence programs, they are pretty stable, so 10% to 15% is probably what they are going to see. For any commercial programs.... Again, our company is looking at close to 40%.

Mr. Marty Morantz: Focusing on the COVID crisis, which is what this committee has been struck to discuss right now, a number of government programs have been announced. They are at different stages, and they are designed to help businesses big and small. The larger business programs circle around what is called the BCAP, the business credit availability program, administered by BDC and EDC, and a new program that was recently announced is called LEEFF—we're now in this world of acronyms—which stands for “large employer emergency financing facility”. That one is looking for eligible companies that have $300 million in revenue and, as a minimum, financing lending requirements of $60 million.

I'm wondering if there is any uptake for these programs, including the wage subsidy, in the aerospace industry.

Ms. Janet Wardle: I can speak on the wage subsidy, for sure. The fact that the government has extended that to August has been a great relief for a lot of aerospace companies. Again, due to those long lead times, we're not going to see some of the effects of what's happening to us until the fall. We appreciate the government extending it until August. We're hoping that it is also going to extend into the fall time frame; that's what we see right now.

We haven't been able to talk to our members to any extent on the other programs. I know my company can't take advantage of them because we're owned by a company outside Canada. We're still going through some red tape there. We haven't had a chance to talk to the other companies to see if they can take advantage of some of them, but a lot of our companies that are in the AIAC are small to medium enterprises, so again, LEEFF won't work.

Mr. Marty Morantz: I appreciate that.

I want to turn to Mr. Greenspon for a second, if I have time, Mr. Chair.

The Chair: You have two minutes.

Mr. Marty Morantz: Mr. Greenspon, just out of curiosity.... I know you have written extensively about the 1990s—Paul Martin and Jean Chrétien and that era. I want to turn your attention to some of the similarities that might exist between Paul Martin's 1995 budget and what's happening now. The PBO projects that the federal debt likely will exceed a trillion dollars because of the crisis. We had the governor of the Bank of Canada here and the PBO saying they believe that interest rates are also going to rise. We see debt-to-GDP ratios rivalling what finance minister Martin was dealing with in the 1990s.

Do you think that Mr. Morneau will find himself in a position where he has to take some of the drastic austerity measures that Paul Martin had to take to get finances in order in the 1990s?

● (1835)

Mr. Edward Greenspon: I would like to thank you for that question, but it puts me in a very difficult position here. I will tell you what I can in terms of the comparisons. Certainly, the debt-to-GDP ratio by 1995 was higher than what we're seeing now. It was approaching 70%: 67% or 68%. On a federal level, interest rates were much higher, so the debt was pushing out. I remember that, between 1994 and 1995, $6 billion of spending moved from what you would call good, purposeful spending to paying for debt, most of it outside the country to foreigners: $3 billion because of rising interest rates and $3 billion because the stock of debt had gone up about $40 billion.

I think that, in that way, we were working off a base that was much more damaged than we are so far in this situation, even with the PBO projections, which say that the debt-to-GDP ratio will go into the 40s. However, the deficit numbers are remarkable. They can be compared in any way only to the Second World War, to 1945. I think one very interesting anomaly that people might want to keep an eye on—I don't think it will be exactly the same—is that in 1945 we had the largest deficit-to-GDP in the history of Canada, and in 1947 we had the largest surplus. In a situation that may be a one-time affair, there was a capacity to turn it off fairly quickly. I expect this will be harder to unwind, as we're seeing a lot of need out there and a lot of damage that's going to go on for a while.

The Chair: Thanks, both of you.

We're turning to Ms. Koutrakis, who will be followed by Mr. Cumming.

Ms. Annie Koutrakis: Thank you, Mr. Chair.

My question is for you, Mr. Greenspon. Even before the COVID-19 pandemic, traditional news media had experienced declining revenues, with many publications being seriously downsized or closing altogether. This has clearly affected the ability to carry out the informed journalism that is essential to the functioning of our democracy. I'm sure you will agree with that.

COVID-19 has accelerated the negative impact on the news media at a time when we need objective, fact-based journalism to keep citizens well informed. At the same time, some people use social media to spread disinformation. What actions or roles should the federal government take to address the spread of this disinformation around COVID-19 and other serious policy issues?

Mr. Edward Greenspon: Thank you for the question.

To start, we've just done a report on health and science disinformation, which we have not published yet but will publish, and we will have a webinar on June 11 on that question.

I don't think there's anything unique to these forms of disinformation. It doesn't matter whether you go through a public health door, a harm to democracy door, or a public safety door. You end up with the same issues, which come down to, I guess, the responsibility that platform companies should have or should not have for their content.

There are two arguments, two models. One is that they're a telephone company and nobody interferes with telephone calls or tries to regulate free speech. The other is that they are a publisher. I would subscribe to the second view, for sure. They do things that are similar to what an editor does, except that the algorithms do it rather than humans. They decide that you will see something different from what I will see, for instance. That's an intervention in the process that doesn't occur on the telephone.

When I was editor-in-chief at The Globe and Mail, the publisher, the proprietor and I were responsible legally for every image and every word that was in there—for defamation purposes, for hate speech, for obscenity and for whatever laws might be applicable. It seems not unreasonable to me that platform companies should have those same responsibilities for being legally responsible for what appears on their sites.

As well, of course, as I mentioned, we're seeing competition law trying to force them to pay for content they use. We'll see how successful that is. That's being attempted in Australia and France in various ways.

In “The Shattered Mirror”, our report that you're obviously familiar with, we suggested that, as in cable and television, as money moved from the producer to the distributor, there was a policy that came in to try to rebalance that. A 5% levy on revenues was placed on cable and satellite companies. That went into a fund to help pay for production. That seems to me to be a not unreasonable model to be exploring again.

I think there's a series of remedies, which we continue to explore, and which I would urge parliamentarians and governments to do as well, because, as you say, a society that.... Jim Balsillie said to me a couple of years ago that he felt the disinformation problem was even worse than the climate change problem, because you can't even have a debate on climate change if you don't have good information to start with. I think that's the base and the foundation of public debate and political discourse, and we need to clean up those pollutants.

● (1840)

Ms. Annie Koutrakis: That's a great segue into my next question to you, Mr. Greenspon.

What role do you foresee the decarbonization of our oil and gas industry playing in Canada's economic recovery following COVID-19, and what investments do you think we should be making in the near future to ensure that we are taking the lead in lowering carbon?

Mr. Edward Greenspon: As I said in my comments, it's clear that there's an energy transition under way, and it's clear that energy transitions have historically taken many years to occur. It's going in a single direction, and I think government probably needs to accelerate that direction. I refer to the low sales of electric cars in Canada, for instance. The federal government introduced a subsidy for that last year, and I think it wants to push on that front.

In the meantime, if we're serious about meeting our targets and if demand still exists for oil, we will have to clean up that oil and we will have to form some sort of partnership. The balance sheets of those oil companies have been knocked for a loop over the last couple of months, and they will need some help.

The government has shown that it is going to impose conditionality through the LEEFF program that was referred to previously. I think oil and gas companies had better be prepared for that. In my discussions, certainly the larger ones and the ones that are a little more realistic about the future are preparing for that.

Then there are a series of investments. I don't want to be picking which technologies win or which technologies are best. I just talked about carbon capture, which seems to be an obvious thing. There is a lot of interest in hydrogen, a lot of interest in taking apart hydrocarbons and their hydrogen parts and their carbon parts. I think there's a lot of promise out there.

If we're going to export, we're going to have to export clean barrels of oil. If we don't want to destroy our balance of payments, we're going to have to export, so we're going to have to bring those things together.

The Chair: Thank you for that.

Next is Mr. Cumming, followed by Mr. Fragiskatos.

Mr. James Cumming: Thank you.

Thank you to all the witnesses for appearing today.

I want to focus my questions on Mr. Bloomer.

We previously witnessed the Governor of the Bank of Canada talking about the importance of the resource sector and energy sector, not only before COVID, but to participate in the recovery of Canada. We're certainly going to need it with the level of spending we have.

From your perspective and from the perspective of the people you represent, how important is this industry in helping Canada with its recovery and funding a lot of the programs you're hearing about today?

Mr. Chris Bloomer: Thank you for the question.

I can't underestimate how important the resource sector in general and the oil and gas industry in particular are going to be for driving an economic recovery for Canada. We need to think about the oil and gas industry in a broader way. We have an industry that produces oil, that produces and makes transportation fuels for aircraft, boats, cars and so on. That's going to be the case for the foreseeable future. If we need to get things done, we are going to need that energy.

The second thing is natural gas. Natural gas is a building block for economies across the globe, and LNG is a very important component of that. We can be a major participant in that and create thousands of jobs.

Third, we have petrochemicals. There are tens of billions of dollars of petrochemical facilities that can be built using the feedstock that Canada has. I think the U.S. has spent about $300 billion on developing petrochemical facilities. We need to be a part of that.

When we talk about the energy industry, it's the infrastructure that moves oil and gas to be processed in order to make the products we use to transport ourselves and to make the plastics that provide the ventilators, the masks and all of the infrastructure of medical facilities.

We have the opportunity here, and we do, and we are cognizant that we need to produce sustainable energy. The industry is committed to that. We need to form more of a partnership around realizing this potential and doing it in the best way we can.

I can't underestimate this. It is one of the key building blocks of the economy going forward. We have to survive, and the oil and gas industry is one of the keys to being able to come back and be strong, and to build and do all the things we want to do in the future. However, we need to survive and we need to get a quick start at this. We have the resources and the capability, and we have the record to do it.

● (1845)

Mr. James Cumming: In your presentation you talked about the engagement and support from indigenous communities on energy projects. I know in the province that I come from, Alberta, there have been some really successful partnerships. I also think that's a big part of this recovery.

Can you elaborate a bit more on your message there?

Mr. Chris Bloomer: The message is that the pipeline industry has certainly been engaged with indigenous communities across the board. This is an immense linear infrastructure that's spread across the whole continent. We interact with communities across the board. We contract with those communities. We provide the ability to grow businesses in partnership.

The participation of indigenous communities is critically important. There's also the question of indigenous ownership. If we look at Fort McMurray and the Mikisew Cree, there's a great success story there. Those are models that need to be carried forward. There's a strong partnership that can....

The bottom line in all of this is that we need jobs. As I've heard across the board today, the number one thing we need is to get jobs and economic development going. We need to create jobs. That should be our number one focus going forward. That includes indigenous communities across the board in every capacity.

Mr. James Cumming: You said there will be a market for these products for at least the mid-term. Would you say it's important to have additional access to markets?

One of the things I've proposed is a private member's bill to repeal certain restrictions on shipping off the west coast, which would allow access to a deepwater port and access to markets. Is that important to your members and important to those communities in an indirect and direct way?

Mr. Chris Bloomer: I think it is important to those communities in an indirect and direct way. The world is going to need the energy that we have for a long time to come. That does not discount, diminish nor in any way disparage the fact that we are evolving our energy portfolio over time. I think that's going to happen anyway.

As I said in my comments, we need to be the first Mcf of natural gas and the first barrel of oil that gets consumed, because we produce it in a sustainable way. That has to be our calling card. That has to be our leverage. We have the ability to do that.

● (1850)

The Chair: We'll go to Mr. Fragiskatos, and then have a short question from Mr. Brunelle-Duceppe.

Peter.

Mr. Peter Fragiskatos: Thank you very much, Mr. Chair.

Thank you to the witnesses.

My questions will be for Mr. Dinsdale from the YMCA.

Mr. Dinsdale, thanks very much for your continued advocacy for the not-for-profit sector. We've heard from Imagine Canada and other not-for-profit advocates in the past few weeks.

I want to ask you about the Imagine Canada ask, as a matter of fact. The estimate that I'm running on, and it's the estimate that's been brought to this committee in the past, puts the value of the wage subsidy program and the commercial rent assistance program at over $4 billion for the not-for-profit and charity sectors. The sector, through Imagine Canada, has asked for $6 billion in support of a stabilization fund, as it has been put. I know this ask was significantly higher in the past, but we did hear recently that it has been reduced to $6 billion.

In your mind, what other costs would be captured by this? If it's not rent and wage support because of the existing programs that would help with that, what would a stabilization fund go towards? Over what time frame would you need this support?

Mr. Peter Dinsdale: We asked our YMCAs specifically about what they needed. Imagine Canada has its own economists and runs its numbers, which is why a subset of us, including the Boys and Girls Club and the United Way, talked about what national federations need in order to survive the pandemic.

We have about 30,000 staff. We laid off 20,000 staff at the start of the pandemic. With the wage subsidy, we've hired back about 40% of them. The reason the uptake has been slow is the attestation requirement. It makes our chief financial officers and finance people anxious about the numbers and the complexity of applying.

There's also the fact that there is still no revenue coming in. Our child care facilities for the most part are not open, and our fitness facilities and community centres are not open. We still have overhead: overhead of all those facilities, overhead of the rent. The rent control measures aren't meeting the needs the YMCAs have. They may be meeting other needs, but they aren't meeting the needs we have.

This is about the ability to have facilities coming out of the pandemic. There are still costs. Even when there's no revenue coming in, there are still costs to operate this infrastructure. That's what's not being addressed. That's what sector stabilization is needed for.

You asked about a time frame. We asked our YMCAs what this looks like and what they need. The three-month number was $42 million for the network of 1,700 locations, and the six-month number was double that. Now that there are no summer camps, that challenge is going to be even harder moving forward.

Mr. Peter Fragiskatos: I know that the sector is very responsible with the way it allocates funds, but I know taxpayers would also have questions, naturally, as you would expect, about how to ensure value for money and how to ensure that proper checks and balances are put in place if a stabilization fund is to be supported by the federal government. Do you have any thoughts on that?

Mr. Peter Dinsdale: We could be fully accountable for any funds we receive. We'd continue to do that. In fact, I think one of the important questions that you didn't ask explicitly—maybe it's implied—is how we can ensure that funds of this nature aren't being spent just to prop up failing business models or organizations that don't—

Mr. Peter Fragiskatos: That was my next question but you anticipate well. Please follow that line of thinking, because I think it's an important point.

Mr. Peter Dinsdale: Yes, or community supports.... I'll give a real-life example.

Last year, we had a YMCA in western Canada—this is not about the pandemic, but it's an example—that was having problems with their operating model. We actually worked with the board to shut them down. We put our own CEO in there. They worked with the board. They sold the assets and they paid back debt. It had really important child care services in that community. We partnered with the neighbouring YMCA to take over the child care program and make sure those essential services weren't lost.

The issue in the pandemic will be that if we lose a facility because of cash flow issues, those services will be lost. You don't have time to put people in place, to liquidate assets slowly and to renegotiate contracts. They'll simply shut their doors and go bankrupt. That's exactly what we're trying to avoid. That's why something like sector stabilization is required.

We had about $16 million a month between child care fees and HFA fees—health, fitness and aquatic—coming in. That's essentially zero now, and all the overhead remains, so we're working hard to make sure we don't lose those facilities.

● (1855)

Mr. Peter Fragiskatos: You talked about child care, Peter. I wonder if you could speak to that and how day care closures have impacted your clients. I know that you spoke about child care in a different context, but obviously this is a critical issue right now in the crisis that is COVID-19.

Mr. Peter Dinsdale: We've been there for people who need to go to work—the essential care workers—and have been keeping Ys open in a really challenging business environment. It costs so much more to serve a third of the kids than it did. You have all the same overhead with the facilities and with the people coming in who continue to serve critical care workers.

As we grow this out, how do we make sure it's there so that people can go back to work more broadly? There will have to be different facilities set up in terms of how many people they have at a time and in terms of personal protective equipment. It's going to cost more money to get the workers in there, because there's more overhead. We have subsidized child care. You get so much and you can only pay your workers so much. With child care, I think, in order to grow it out and expand it in a post-pandemic time, it's going to require targeted investments.

I also know that some of the bilateral agreements with the provinces are up for renewal. I think one of the things that could be done to help stabilize that sector is to renew those now, in a multi-year way, so that we're sure we have long-term business planning in place.

The Chair: We have to end it there.

We'll go to Mr. Brunelle-Duceppe, and we'll have to wrap it up with Peter. As always happens in a panel of seven, we will run out of time.

Alexis.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: Thank you, Mr. Chair.

I'd like to thank all the witnesses for their presentations. I'd also like to thank the interpreters and technical support staff of the House. They're doing a really incredible job.

My question is for the National Association of Friendship Centres.

You said earlier that the COVID-19 crisis had had a very intense impact on your mission, but that several other crises would continue for the indigenous friendship centres.

Could you tell us a little bit about these various difficult situations that you have to deal with on a day-to-day basis, on the ground?

[*English*]

Ms. Jocelyn Formsma: If it's okay with Chris, I could give the overview. Our president is much closer to the ground and could provide that on-the-ground reality.

I wanted to chime in on the charitable sector in supporting what Peter Dinsdale from the YMCA has said. Friendship centres are also within that charitable non-profit sector. We also support the Imagine Canada call for the sector stabilization and certainly want to ensure that for indigenous not-for-profits, which border both the indigenous world and the non-profit world and have unique needs. We also see ourselves within that sector.

There are a few things on the scrutiny side. Certainly, from indigenous non-profits, we have huge scrutiny for the $375 million. We're getting questions every day, so I definitely look at that. I look at what the government and the municipalities are saving by propping up the sector and ensuring that we're covering off the most vulnerable. We're covering off the people who would otherwise have no place to go, which may drive up costs in other places.

We also have community trust and accountability, which are our anchor. If we didn't have the trust and accountability of our communities, we wouldn't have that same trust and accountability from our funders. The challenges I think are vast. Our president, who works with our friendship centres every single day, would be able to speak better to those on-the-ground realities.

Mr. Christopher Sheppard-Buote: Thanks, Jocelyn.

There are a couple of specific points I've made in other committees. I think my first committee was probably with Peter, when I was much younger.

In Saskatchewan, for example, our infrastructure deficit before COVID-19 was $57 million. What kind of economic driver could that be for 11 different communities in Saskatchewan, if that deficit were met just in its current reality? What could it look like if we planned those infrastructure measures to future-proof situations like this?

We already have friendship centres that are literally testing sites in northern Saskatchewan. If we actually purpose-built and purposely drove infrastructure investment on the ground, using networks that exist, whether it's the Y or friendship centres or whatever, it's automatic investment in, for our case, 97 communities across Canada. The majority already own their properties.

When it comes to the reality of what we deal with every day, I will quote a young person who responded to the youth survey we put out, who said, “As a former young person in care, it's extremely hard because I don't have a family to go home to. My foster parents can't take me, and I am currently stuck in a shelter for the remainder of this crisis.” That's just one small reality that we hear 97 times in 97 communities all over the country.

When we come here, we are not just talking about the economy; we're talking about how Canada is investing. We are seeing people die. It is not just about the future economy. It is literally about how we can help the economy but also keep people alive.

● (1900)

[*Translation*]

Mr. Alexis Brunelle-Duceppe: Thank you very much.

[*English*]

The Chair: Peter Julian, we'll go to you for the last question.

Mr. Peter Julian: Thanks very much.

My last question is for Ms. Noble and Mr. Roma. Thank you for representing parks and recreation sectors across the country.

In my cities of New Westminster and Burnaby, the recreation facilities have been turned over to assist with the growing homelessness crisis. The Bill Copeland arena in Burnaby is now a homeless shelter. In New Westminster, right across from the local civic arena, we also have a new homeless shelter that was put into place. We're trying to use those facilities.

It strikes me, in addition to what you're requesting, that applying the wage subsidy to municipalities would make a big difference. If the wage subsidy applied to cities, towns and villages so that parks and recreation facilities could be financed, would that make a difference?

Ms. Cathy Jo Noble: Thanks, Mr. Julian.

Yes, one challenge is that there has not been programming named to date that municipalities can tap into. That's just one example. Yes, for sure, it would be helpful. They're not able to tap into that. Folks have been laid off, not to mention that students won't be hired. That creates a scenario where it's going to take that much longer to get up and running. When the restrictions are lifted, I think the public—parents, seniors—is going to be very interested to get back into sport in their communities. The scenario of municipalities not qualifying for it just makes that process slower for us to get rolling when the time comes.

The Chair: Thank you.

I do have one question for Food Processors of Canada.

Denise, you are a big part of the economy and a key cog, if I could put it that way, in the food supply chain. You mentioned the expenses of the processing plants for PPE.

In your remarks, you talked about the need for liquidity. Actually, I think you were saying it goes beyond your own food processors, up the supply chain, in terms of the capital, so you would have some assurances that you'd be paid for the products you sell further up the food chain. Do you want to expand on that a little bit? It's a big system. Expand on that, if you could.

Ms. Denise Allen: Sure, and thank you very much for that question.

Currently, we're seeing a shortening of payment terms being requested across the board, especially in the food distribution side of the business. A lot of businesses are moving to cash on delivery, or COD. We know this is really challenging if you can't generate cash and you can't access loans in a crisis.

What we're trying to do is inject working capital where we think it can do the most good in the total supply chain. I'm not asking for, with respect to liquidity, a direct ask for food processors, but where the working capital is badly needed which is in independent restaurants.

You're absolutely right that, in injecting working capital there, we are going to help a lot of small business owners. A lot of these businesses are very relevant in their small communities, but in turn, what it's doing is shoring up our receivables so that we don't have to use COD terms to ensure that we get paid.

Again, we've taken a complete and total supply chain view. This is one link in the important food chain that we think we can remedy to ensure we don't have food shortages. As well, we are calling out the warning for severe price inflation if we don't start to remedy this.

Thank you.

● (1905)

The Chair: Thank you for that, Ms. Allen.

We've had quite a mix of presentations across the panel. I think it shows how complicated the economy is and how it works. There are so many component parts.

I want to thank all the witnesses for making their presentations, for diligently answering our questions and for their interest in today's panel.

With that, committee members, I guess we'll see you in Parliament tomorrow, but in any case, we'll see you at finance committee again on Thursday.

The meeting is adjourned.